THO Services Limited

ABN 60 000 263 678

Annual Report - 30 June 2015

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2015.

Directors
The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Robert K Critchley - Chairman
Timothy J Regan
Terrence M O'Reilly

Principal activities
The principal activities of the company during the financial year were the finalisation of collection efforts following the sale of business assets in the previous financial year, as well as the search for acquisition opportunities that would enable the company to re-commence active trading in a profitable business sector.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
The loss for the company after providing for income tax amounted to $1,187,996 (30 June 2014: profit of $3,239,798).

Since the sale of the main business on 11 February 2014, the company has been engaged on a clean-up campaign with very limited resources. The company's efforts to expedite recovery of outstanding debtors, clean up defects on past jobs, recover bank guarantees, insurance bonds, and resolve outstanding disputes has been exacerbated with additional defect and workforce claims made subsequently that are in the process of being resolved. These contingencies have in the past adequately provided for in the previous years.

The income for the financial year related to a construction project in North Queensland. The loss for the financial year has been due to the costs of completing that project, together with salary and redundancy payments, addressing the remaining business operations, plus other expenses and abnormal costs associated with this clean-up effort. These expenses also increased due to the costs of making good on remaining property leases, WorkCover claims, provisioning for defects, and the use of consultants and lawyers to assist in resolving these issues.

The statement of financial position at the reporting date is simplified when compared to the previous financial year, and shows net assets at $1,416,931 (2014:$2,584,039) with total assets of $2,287,367 (2014: $9,054,234). However the company is restricted from accessing all remaining cash until the final bank guarantees are released, and the company is able to have the corresponding money on deposit with the National Australia Bank released.

There are still some areas that need to be addressed including:
- finalising one outstanding WorkCover claim that is currently in the Court where potential liability is uncertain, but not expected to exceed $100,000;
- resolving the remaining defect liabilities on past projects;
- collecting remaining bank guarantees to enable the bank to release cash being held on deposit to secure them; and
- continuing or existing one small leased premises still held by the company.

The attached financial statements detail the performance and financial position of the company for the year ended 30 June 2015. It also contains an independent auditor’s report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the company’s ability to continue as a going concern. For further information, refer to note 1 to the financial statements, together with the independent auditor's report.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year
In August 2015 the company received a very large defect claim from the Federal Government regarding a contract signed in 2008 and work completed in 2009. No prior warning was received of this claim and the directors are investigating its validity with the company's solicitors and insurers.

No other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations
In addition to the matters described above in this report, the directors are exploring alternative avenues to improve the shareholders' position and have had advanced discussions with several parties in this area. However, their ability to effectively complete an acceptable transaction for shareholders is reliant on mitigating any contingencies that may arise from past activities.

Environmental regulation
The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Robert ('Bob') K Critchley
Title:	Non-Executive Chairman
Qualifications:	B Ec, CPA, F Fin
Experience and expertise:	Bob is a strategic workforce consultant. Previously he was international president for DBM Inc., the world's leading outplacement and career management company, responsible for its global operations outside North America. Prior to that, he established his own strategic planning company. He has had over 25 years' experience in the banking and finance industry. Bob has an economics degree from the University of Adelaide and is a Certified Practising Accountant.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chief Executive Officer
Interests in shares:	4,804,924 ordinary shares
Interests in options:	None

Name:	Timothy J Regan
Title:	Non-Executive Director
Qualifications:	B Ec, FCA, FAPI, MAICD
Experience and expertise:	Timothy has extensive experience in the construction, property and services industries, including as a former chief operating officer of Mirvac Group and chief executive officer of TJS Services. Timothy is currently the chief executive officer and chief financial officer of the George Institute of Global Health and is also the president of Financial Executives Institute in Australia. He holds a bachelor of economics from the University of Sydney and is a Fellow of Chartered Accountants Australia and New Zealand and a Fellow of the Australian Property Institute.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	292,779 ordinary shares
Interests in options:	None

Name:	Terrence (Terry) M O'Reilly
Title:	Non-Executive Director
Qualifications:	B Comm, MBA, Masters of Applied Finance, CPA, FAICD, AIM
Experience and expertise:	Terry has extensive board, chief executive and senior executive experience in the resources (particularly coal), energy and manufacturing sectors in Australia and internationally. Terry has also served as chairman of the Australian Coal Association, Dalrymple Bay Coal Terminal, Queensland Coal Operators and NSW Minerals Council.
Other current directorships:	None
Former directorships (last 3 years):	Non-executive director of Bandanna Energy Limited (ASX: BND)
Special responsibilities:	None
Interests in shares:	1,195,000 ordinary shares
Interests in options:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary
Timothy J Regan the company secretary is also a non-executive director of the company. Timothy's qualification and experience is provided under 'Information on directors' section above.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2015, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Robert K Critchley	12	12
Timothy J Regan	12	12
Terry M O'Reilly	12	12

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)
The remuneration report, which has been audited, outlines the key management personnel ('KMP') remuneration arrangements for the company in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the company.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to KMP

Principles used to determine the nature and amount of remuneration
The Board meets as required to address matters regarding remuneration. Remuneration is reviewed periodically by the company and the Board may seek advice from external remuneration consultants, if required (see 'Use of remuneration consultants' below).

Non-executive directors remuneration
The company aims to remunerate directors at a level consistent with similarly sized listed companies, taking into account the time commitment of the role and company's performance.

Non-executive director’s remuneration consists of a base fee which incorporates the cost of any required, or otherwise made, level of superannuation contribution necessary to meet the requirements of the Superannuation Guarantee (Administration) Act. No separate director retirement allowance is payable.

There is no variable component to director’s remuneration which is directly linked to the company's financial performance. Further, no additional remuneration is paid for director’s participation on any sub-committees.

Non-executive directors do not receive share options or performance rights but they are eligible to participate in the company’s Deferred Employee Share Plan ('DESP'). No options or rights were issued during the current financial year, under the DESP.

On 12 November 2008, shareholders approved an aggregate fee pool for non-executive directors of a maximum of $750,000 per annum.

Effective 1 July, 2014, the chairman's fee was $80,000 (2014: $80,0000) per annum and other non-executive fees were $60,000 (2014: $40,000) each per annum.

Executive remuneration
During the current financial year the company did not have any executives or other KMP.

Company performance and link to remuneration
There is at present no direct link between remuneration and earnings of the company.

Use of remuneration consultants
During the financial year ended 30 June 2015, the company did not engage the services of a remuneration consultant to review its remuneration structure.

Voting and comments made at the company's 2014 Annual General Meeting ('AGM')
At the last AGM more than 90% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2014. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
The KMP of the company consisted of the directors of THO Services Limited.

Details of the remuneration of the KMP of the company are set out in the following tables:

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2015	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Employee benefits $	Equity-settled $	Total $
Non-Executive Directors:							
R Critchley (Chairman)	45,020	-	-	34,980	-	-	80,000
T Regan	54,795	-	-	5,205	-	-	60,000
T O'Reilly	54,795	-	-	5,205	-	-	60,000
	154,610	-	-	45,390	-	-	200,000

2014	Short-term benefits Cash salary and fees $	Short-term benefits Bonus $	Short-term benefits Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Employee benefits $	Share-based payments Equity-settled $	Total $
Non-Executive Directors:							
R Critchley (Chairman)	73,227	-	-	6,773	-	-	80,000
T Regan	36,613	-	-	3,387	-	-	40,000
T O'Reilly	36,613	-	-	3,387	-	-	40,000
J West	30,511	-	-	2,822	-	-	33,333
Executive Directors:							
R Comb (1)	254,948	-	6,518	11,761	-	(9,553)	263,674
Other Key Management Personnel:							
C Scholtz	126,026	50,000	11,643	10,369	-	40,733	238,771
P Brodie	137,422	-	4,273	10,369	(10,568)	141,877	283,373
B Farrar (2)	177,118	-	-	3,988	-	20,662	201,768
S Dodd	154,571	-	16,610	14,297	-	-	185,478
R Hewett	110,916	-	11,485	10,369	-	-	132,770
	1,137,965	50,000	50,529	77,522	(10,568)	193,719	1,499,167

(1) R Comb salary includes an eligible termination payment of $40,186
(2) B Farrar salary includes termination payment of $85,000

Service agreements
Non-executive directors do not have fixed term contracts with the company. On appointment to the Board, the non-executive director enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation. Non-executive directors retire by whichever is the longer period: the third AGM following their appointment, or the third anniversary date of appointment, but may then be eligible for re-election.

Share-based compensation

Issue of shares
There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2015.

Options
There were no options over ordinary shares issued to directors and other KMP as part of compensation that were outstanding as at 30 June 2015.

There were no options over ordinary shares granted to or vested in directors and other KMP as part of compensation during the year ended 30 June 2014.

Additional disclosures relating to KMP
In accordance with Class Order 14/632, issued by the Australian Securities and Investments Commission, relating to 'Key management personnel equity instrument disclosures', the following disclosures relate only to equity instruments in the company.

Shareholding
The number of shares in the company held during the financial year by each director and other members of KMP of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
R Critchley	4,804,924	-	-	-	4,804,924
T Regan	292,779	-	-	-	292,779
T O'Reilly	1,195,000	-	-	-	1,195,000
	6,292,703	-	-	-	6,292,703

Other transactions with key management personnel and their related parties
During the financial year, payments for consulting and secretarial services to Rawina Pty Limited (director-related entity of R Critchley) of $221,464 were made (2014: $288,750).

This concludes the remuneration report, which has been audited.

Shares under option
There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2015 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the previous year, the company paid a premium to insure the directors and secretary of the company, the general managers and business unit managers within each of the divisions of the company. The premium represented payment for two policies, one expiring on 3 February 2021 in relation to run-off cover which applies to all prior work of the company and the other related to annual coverage to 3 February 2015 for on-going work that combined into the run-off insurance on its expiry. The second policy was renewed during the current financial year for another year.

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 entities in the company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of 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 themselves or someone else or to cause detriment to the company.

Indemnity and insurance of auditor
The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 20 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 20 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity 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 issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of RSM Bird Cameron Partners
There are no officers of the company who are former partners of RSM Bird Cameron Partners.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 follows this report.

Auditor
RSM Bird Cameron Partners continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Robert Critchley
Chairman

28 September 2015
Sydney

RSM Bird Cameron Partners

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AUDITOR'S INDEPENDENCE DECLARATION

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

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 28 September 2015

This Corporate Governance Statement of THO Services Limited (the ‘company’) has been prepared in accordance with the 3rd Edition of the Australian Securities Exchange’s (‘ASX’) Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council (‘ASX Principles and Recommendations’) and is included in the company’s Annual Report pursuant to ASX Listing Rule 4.10.3. This listing rule requires the company to disclose the extent to which it has followed the recommendations during the financial year, including reasons where the company has not followed a recommendation and any related alternative governance practice adopted.

This statement has been approved by the company’s Board of Directors (‘Board’) on 28 September 2015 and is current as at 18 September, 2015.

The ASX Principles and Recommendations and the company’s response as to how and whether it follows those recommendations are set out below.

Principle 1: Lay solid foundations for management and oversight

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Recommendation 1.1 - A listed entity should disclose:
(a) the respective roles and responsibilities of its board and management; and
(b) those matters expressly reserved to the board and those delegated to management.

Following the sale of the majority of the business assets in the preceding year, the size and operations of the company are such that the Board have a close involvement with the management of the business. The Board has sought assistance from former key personnel and consultants to assist with key management decisions.

The company’s Board maintains the following roles and responsibilities:
- being accountable for the performance of the company;
- providing leadership and setting the strategic objectives of the company;
- appointing the Chair;
- appointing, and when necessary replacing senior executives including the Company Secretary;
- overseeing implementation of the company’s strategic objectives;
- overseeing and approving financial plans and forecasts including available resources and initiative;
- overseeing the integrity of the company’s accounting and corporate reporting systems, including the external audit;
- overseeing the company’s process for market disclosure of all material information concerning the company that a reasonable person would expect to have a material effect on the price or value of the company’s securities;
- ensuring that the company has in place an appropriate risk management framework and setting the risk parameters within which the Board expects management to operate;
- approving the company’s remuneration framework;
- monitoring the effectiveness of the company’s governance practices; and
- reporting to and communications with shareholders.

Day to day management of the company’s affairs and the implementation of the corporate strategy and initiative are formally delegated by the board to senior consultants.

Recommendation 1.2 - A listed entity should:
(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Before appointing a director, or putting forward to shareholders a director for appointment, the company undertakes comprehensive reference checks that cover elements such as the person’s character, experience, employment history, qualifications, criminal history, bankruptcy history, and disqualified officer status. Directors are required to declare each year that they have not been disqualified from holding the office of director by the Australian Securities and Investments Commission (‘ASIC’).

An election of directors is held each year. A director that has been appointed during the year must stand for election at the next Annual General Meeting (‘AGM’). Directors are generally appointed for a term of three years. Retiring directors are not automatically re-appointed.

The company provides to shareholders for their consideration information about each candidate standing for election or re-election as a director that the Board considers necessary for shareholders to make a fully informed decision. Such information includes the person's biography, which include experience and qualifications, details of other directorships, adverse information about the person that the Board is aware of including material that may affect the person's ability to act independently on matters before the Board, and whether the Board supports the appointment or re-election.

Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The terms of the appointment of a non-executive director are set out in writing and cover matters such as the term of appointment, time commitment envisaged, required committee work and other special duties, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

Other executives are issued with service contracts which detail the above matters as well as the person or body to whom they report, the circumstances in which their service may be terminated (with or without notice), and any entitlements upon termination.

Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors. The Company Secretary's role, in respect of matters relating to the proper functioning of the Board, includes:

- advising the Board and its Committees on governance matters;
- monitoring compliance of the Board and associated committees with policies and procedures;
- coordinating all Board business;
- retaining independent professional advisors;
- ensuring that the business at Board and committee meetings is accurately minuted; and
- assisting with the induction and development of directors.

Recommendation 1.5 - A listed entity should:
(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
(b) disclose that policy or a summary of it; and
(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

The company does not have a formal diversity policy, following the disposal of its business operations. The company however undertakes to assess an individual's credentials on their merit, with complete objectivity and without bias so that the company may attract, appoint and retain the best people to work within the company where all persons have equal opportunity.

Recommendation 1.6 - A listed entity should:
(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The company does not currently have a formal process for evaluating the performance of the Board, its committees or individual directors. The Board conducts an introspective annual discussion of its performance on a collective basis to identify general aspects of its performance that could be improved upon, and such analysis includes the roles played by each Board member. Such reviews therefore encapsulate collective discussion around the performance of individual Board members, their roles on specific projects during the financial year, and where relevant, how their role could be modified or suggestions for individual development or performance improvement for the future.

Until such time as the company expands to justify an expansion of Board members, the Board is of the current opinion that such performance evaluation is suitable for the company.

Recommendation 1.7 - A listed entity should:
(a) have and disclose a process for periodically evaluating the performance of its senior executives; and
(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board undertakes an annual self-assessment of its collective performance as Board and committee and the performance of the Chair to ensure the Board as a whole work efficiently and effectively.

Principle 2: Structure the board to add value

Recommendation 2.1 - The board of a listed entity should:
(a) have a nomination committee which:
- ***(1) has at least three members, a majority of whom are independent directors; and***
- ***(2) is chaired by an independent director,***

and disclose:
- ***(3) the charter of the committee;***
- ***(4) the members of the committee; and***
- ***(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or***

(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Board does not maintain a Nomination Committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The Board therefore performs the function of such a committee which includes the identification of skills and competencies required for the Board and related committees, as well as nomination, selection and performance evaluation of non-executive directors. The Board does not actively manage succession planning and instead relies upon the Board's extensive networking capabilities and/or executive recruitment firms to identify appropriate candidates when a Board vacancy occurs or when a vacancy is otherwise envisaged. Attributes of candidates put forward will be considered for 'best-fit' to the needs of the Board which are assessed at the time of the vacancy.

Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

All Board members are however expected to be able to demonstrate the following attributes:

Board member attributes	
Leadership	Represents the company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts considered; leads others to action; proactive solution seeker
Ethics and integrity	Awareness of social, professional and legal responsibilities at individual, company and community level; ability to identify independence conflicts; applies sound professional judgement; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation.
Communication	Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form; an effective communicator with executives.
Negotiation	Negotiation skills which engender stakeholder support for implementing Board decisions.
Corporate governance	Experienced director that is familiar with the mechanisms, controls and channels to deliver effective governance and manage risks

Recommendation 2.3 - A listed entity should disclose:
(a) the names of the directors considered by the Board to be independent directors;
(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
(c) the length of service of each director.

The Board assesses annually the independence of each director to ensure that those designated as independent do not have any alliance to the interests of management, substantial shareholders or other relevant stakeholders. They must be free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the company and its security holders generally.

Details of the Board of directors, their appointment dated, length of service as independence status is set out in the Director's Report under the heading 'Information on directors'.

Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.

There are currently three members on the company's Board. Having regard to the company's response to Recommendation 2.3 above, the majority of the Board are not independent. The Board considers that the company is reliant upon the business relationships and interests that it has with the non-independent directors in order to achieve its objectives at this time. Until such time as the company is of a size that warrants the appointment of additional non-executive and independent directors, the Board is of the view that the absence of a majority of independent directors is not an impediment to its operations, shareholders or other stakeholders

Recommendation 2.5 - The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Robert K Critchley is currently both Executive Chairman of the Board and CEO of the company. The Board recognises the importance that the Chair should be independent, but is of the current view that it is not in the best interests of the company or shareholders for this matter to be addressed at a time where the focus of the Board is on restructuring and recapitalising the business. Once these matters are dealt with, the company will move to appoint an independent non-executive director to be Chairman

Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The company does not have in place a formal induction program or professional development program for directors. The Chairman is responsible for providing all information considered necessary to an incoming director to enable them to contribute to the business of the company. Directors are responsible for their own development which includes identifying opportunities for them to attend courses or other information sessions to enhance their skills and knowledge.

Principle 3: Act ethically and responsibly

Recommendation 3.1 - A listed entity should:
(a) have a code of conduct for its directors, senior executives and employees; and
(b) disclose that code or a summary of it.

The company does not currently maintain a formal code of conduct for its directors, senior executives and employees. However, as part of their terms of employment or contract of service with the company, the individual is required to, at all times, display behaviours that would reasonably be expected in order to demonstrate the company has a good corporate citizen, protect the assets of the company, not make improper use of information obtained in the course of their duties, to act honestly with high standards of personal integrity, comply with laws and regulations that apply to the company and its operations, and not knowingly participate in any illegal or unethical activity.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1 - The board of a listed entity should:
(a) have an audit committee which:
(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
(2) is chaired by an independent director, who is not the chair of the board,
and disclose:
(3) the charter of the committee;
(4) the relevant qualifications and experience of the members of the committee; and
(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The company does not maintain an Audit Committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The Board therefore performs the function of such a committee which includes review and monitoring of periodic management information and the systems used to generate financial information that provides the content for the Annual Report. The Board assess the adequacy of the company's internal controls and systems on periodic basis given the current size of the company. The Board meets with the external auditor on an annual basis, and assesses the adequacy of the external audit process, the outcome and the auditors' continued independence. A change in external auditor will be contemplated on advice of the Chairman where there are concerns pertaining to quality, cost, independence or a combination thereof. This may be carried out by either requesting that the auditor resign at the next AGM, or by way of removal by resolution of the company at a general meeting.

Directors with appropriate accounting and finance experience in conjunction with the CFO are assigned to the task of handling audit and corporate reporting matters and reporting back to the Board. External accounting and compliance specialists may also be engaged to assess and to advise upon the company's reporting processes, internal controls and compliance obligations. Whilst certain individuals may assist in the financial reporting process, the Board acknowledges that it is responsible for ensuring that the financial statements reflect their understanding of operations, and provide a true and fair view as to the financial position and performance of the company.

Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

In relation to the financial statements for the financial year ended 30 June 2015 and the half-year ended 31 December 2014, the company's CEO and CFO equivalent have provided the Board with declarations, that in their option:
- the financial records of the company have been properly maintained;
- the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company; and
- has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3 - A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The external auditor attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 - A listed entity should:
(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
(b) disclose that policy or a summary of it.

The company does not have a formal written policy for complying with its continuous disclosure obligations under Listing Rule 3.1. The Chairman is involved in all significant transactions and events and would be considered the first persons within the company to come into possession of market sensitive information. The Chairman and Company Secretary jointly make an assessment as to whether the information ought to be released to the market. Where the information relates to fundamentally significant events affecting the company, the Chairman will arrange for authorisation at Board level before such information is released. Such information may relate to significant acquisitions, disposals and closures, material profit upgrades or downgrades, dividend declarations and buybacks, and any other transaction flagged by the Chairman as being fundamentally significant.

Principle 6: Respect the rights of security holders

Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.

The company maintains information in relation to governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the company's website.

Recommendations 6.2 and 6.3

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2).

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3).

The company does not have a formal investor relations program. The Board and Company Secretary engage with investors at the AGM and respond to shareholder enquiry on an ad hoc basis. Material communications are dispatched to investors either via email, surface mail, and/or via market announcement.

Recommendation 6.4 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Computershare Investor Services Pty Limited.

Principle 7: Recognise and manage risk

Recommendations 7.1 and 7.2

The board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:
- ***(1) has at least three members, a majority of whom are independent directors; and***
- ***(2) is chaired by an independent director,***
  and disclose:
- ***(3) the charter of the committee;***
- ***(4) the members of the committee; and***
- ***(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or***

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework (7.1).

The Board or a committee of the Board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).

The company does not maintain a Risk Committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The Board therefore performs the function of such a committee which includes setting of corporate governance policy and exercising due care and skill in assessing risk, developing strategies to mitigate such risk, monitoring the risk and the company's effectiveness in managing it. The company maintains internal controls which assist in managing enterprise risk, and these are reviewed as part of the scope of the external audit, with the auditor providing the Board with commentary on their effectiveness and the need for any additional controls. The Board is responsible for monitoring operational risk, ensuring all relevant insurances are in place, and ensuring that all regulatory and compliance obligations of the company are satisfied.

Recommendation 7.3 - A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The company does not have a dedicated internal audit function. The responsibility for risk management and internal controls lies with the Board who continually monitor the company's internal and external risk environment. Necessary action is taken to protect the integrity of the company's books and records including by way of design and implementation of internal controls, and to ensure operational efficiencies, mitigation of risks, and safeguard of company assets.

Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. It is also is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the company's objectives.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 - The board of a listed entity should:
(a) have a remuneration committee which:
- ***(1) has at least three members, a majority of whom are independent directors; and***
- ***(2) is chaired by an independent director,***
  and disclose:
- ***(3) the charter of the committee;***
- ***(4) the members of the committee; and***
- ***(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or***

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The company does not maintain a Remuneration Committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The Board therefore performs the function of such a committee which includes setting the company's remuneration structure, determining eligibilities to incentive schemes, assessing performance and remuneration of senior management and determining the remuneration and incentives of the directors. The Board may obtain external advice from independent consultants in determining the company's remuneration practices, including remuneration levels, where considered appropriate.

Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Non-executive directors are remunerated by way of cash fees, superannuation contributions and non-cash benefits in lieu of fees. The level of remuneration reflects the anticipated time commitments and responsibilities of the position. Performance based incentives are not available to non-executive directors as it could be perceived to impair their independence in decision making. For the same reason, equity based remuneration is limited to non-performance based instruments such as shares.

There are currently no executive directors or other members of key management personnel.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should:
(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
(b) disclose that policy or a summary of it

The use of derivatives or other hedging arrangements for unvested securities of the company or vested securities of the company which are subject to escrow arrangements is prohibited. Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the company, this will be disclosed.

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General information

The financial statements cover THO Services Limited as an individual entity. The financial statements are presented in Australian dollars, which is THO Services Limited's functional and presentation currency.

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

Level 6, Suite 7
66 Hunter Street
Sydney, NSW 2000

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 September 2015. The directors have the power to amend and reissue the financial statements.

THO Services Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2015

	Note	2015 $	2014 $
Revenue	5	486,340	93,288,164
Gain on sale of business		-	11,362,377
Expenses			
Raw materials and consumables used		(140,197)	(46,327,522)
Employee benefits expense		(118,994)	(41,824,435)
Depreciation and amortisation expense	6	(874)	(1,170,391)
Insurance expense		(143,487)	(789,579)
Professional and consulting fees	6	(860,396)	(2,763,931)
Provision for defects		(138,680)	-
Share-based payments write-back		-	692,621
Net loss on disposal of property, plant and equipment		(44,383)	(169,282)
Impairment of assets		-	(56,853)
Other expenses		(211,410)	(7,709,916)
Finance costs		(15,915)	(1,291,455)
Profit/(loss) before income tax expense		(1,187,996)	3,239,798
Income tax expense	7	-	-
Profit/(loss) after income tax expense for the year attributable to the owners of THO Services Limited		(1,187,996)	3,239,798
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of THO Services Limited		(1,187,996)	3,239,798
		Cents	**Cents**
Basic earnings per share	25	(1.05)	2.82
Diluted earnings per share	25	(1.05)	2.75

All operations are classified as discontinued. Refer to note 1 for further information

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

	Note	2015 $	2014 $
Assets			
Current assets			
Cash and cash equivalents	8	1,728,051	7,602,358
Trade and other receivables	9	21,829	353,361
Inventories		-	364,124
Prepayments		123,066	120,090
Total current assets		1,872,946	8,439,933
Non-current assets			
Property, plant and equipment	10	1,712	95,000
Prepayments		412,709	519,301
Total non-current assets		414,421	614,301
Total assets		2,287,367	9,054,234
Liabilities			
Current liabilities			
Trade and other payables	11	728,059	4,047,812
Borrowings	12	-	1,000,000
Provisions	13	163,265	1,422,383
Total current liabilities		891,324	6,470,195
Total liabilities		891,324	6,470,195
Net assets		1,396,043	2,584,039
Equity			
Contributed equity	14	30,102,340	30,102,340
Treasury stock	15	(1,121,740)	(1,121,740)
Reserves	16	-	246,425
Accumulated losses		(27,584,557)	(26,642,986)
Total equity		1,396,043	2,584,039

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

THO Services Limited
Statement of changes in equity
For the year ended 30 June 2015

	Contributed equity $	Treasury stock $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2013	30,122,379	(1,121,740)	939,046	(29,882,784)	56,901
Profit after income tax expense for the year	-	-	-	3,239,798	3,239,798
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	3,239,798	3,239,798
Transactions with owners in their capacity as owners:					
Share buy-back	(20,039)	-	-	-	(20,039)
Share-based payments write-back	-	-	(692,621)	-	(692,621)
Balance at 30 June 2014	30,102,340	(1,121,740)	246,425	(26,642,986)	2,584,039

	Contributed equity $	Treasury stock $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2014	30,102,340	(1,121,740)	246,425	(26,642,986)	2,584,039
Loss after income tax expense for the year	-	-	-	(1,187,996)	(1,187,996)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(1,187,996)	(1,187,996)
Transactions with owners in their capacity as owners:					
Transfers	-	-	(246,425)	246,425	-
Balance at 30 June 2015	30,102,340	(1,121,740)	-	(27,584,557)	1,396,043

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

THO Services Limited
Statement of cash flows
For the year ended 30 June 2015

	Note	2015 $	2014 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		736,643	42,988,581
Payments to suppliers and employees (inclusive of GST)		(5,761,123)	(45,547,459)
		(5,024,480)	(2,558,878)
Interest received		118,057	49,257
Interest and other finance costs paid		(15,915)	(770,549)
Net cash used in operating activities	24	(4,922,338)	(3,280,170)
Cash flows from investing activities			
Payments for property, plant and equipment	10	(2,041)	(738,632)
Proceeds from sale of business		-	28,997,628
Proceeds from disposal of property, plant and equipment		50,072	184,165
Net cash from investing activities		48,031	28,443,161
Cash flows from financing activities			
Payments for share buy-backs		-	(20,039)
Repayment of borrowings		-	(9,239,712)
Repayment of convertible notes		(1,000,000)	-
Net cash used in financing activities		(1,000,000)	(9,259,751)
Net increase/(decrease) in cash and cash equivalents		(5,874,307)	15,903,240
Cash and cash equivalents at the beginning of the financial year		7,602,358	(8,300,882)
Cash and cash equivalents at the end of the financial year	8	1,728,051	7,602,358

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

Note 1. Presentation of financial statements and going concern

Presentation of financial statements and discontinued operations
During the previous financial year, the company sold the majority if its operating assets and liabilities and completed the rest of its construction business. Currently the company has no continuing activities and accordingly the results and financial position represent the company as a discontinued operation as defined by AASB 5 'Non-current assets held for sale and discontinued operations'.

Comparatives in the financial statements have been reclassified, where necessary, to align with the current period presentation. There was no effect on the profit or loss or net assets.

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The company incurred a loss of $1,187,996 (2014: profit of $3,239,798), had net cash outflows from operating activities of $4,922,338 (2014: $3,280,170) and net cash inflows from investing activities of $48,031 (2014: $28,443,161) for the year ended 30 June 2015. As at 30 June 2015, the company had net current assets of $981,622 (2014: $1,969,738), cash at bank of $1,728,051 (2014: $7,602,358) and net assets of $1,396,043 (2014: $2,584,039).

While the company has adequate cash resources to meet the expected future operating expenses, the ability of the company to continue as a going concern is dependent on a number of factors, the most significant of which are the following:
- the ability of the directors to either reach a settlement amount with the Department of Defence that is within the cash resources available, or to successfully claim from the company’s insurers in respect of this claim. As disclosed in note 21, the claim has only recently been received, and the directors are currently uncertain as to the expected outcome of such claim; and
- the ability of the directors to find new business opportunities.

These factors indicate significant uncertainty as to whether the company 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 financial statements.

The directors believe, for the reasons stated above, that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

The financial statements do not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the company does not continue as a going concern.

Note 2. 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.

New, revised or amending Accounting Standards and Interpretations adopted
The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Note 2. Significant accounting policies (continued)

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

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

Foreign currency translation
The financial statements are presented in Australian dollars, which is THO Services Limited's functional and presentation currency.

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

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 company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and specific criteria have been met for each of the company’s activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The company 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 the major business activities as follows:

Services
Revenue associated with services transactions is recognised by reference to the stage of completion of the transaction at the reporting date. Where specific work is performed for clients on a "do-and-charge" basis, the revenue recognised is equal to costs plus agreed margin.

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

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

For fixed price contracts, the stage of completion is measured by reference to total costs incurred to date as a percentage of estimated total costs for each contract. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus the percentage of fees earned. The percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 2. Significant accounting policies (continued)

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at 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.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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

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

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

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

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments 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.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 60 days.

Note 2. Significant accounting policies (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company 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 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment 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.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories
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 less losses, the net amounts are presented under liabilities.

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 company’s contracting activities in general.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line or diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-15 years
Office equipment	3 years
Motor vehicles	5-8 years

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Note 2. Significant accounting policies (continued)

Impairment of non-financial assets
Non-financial 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit ('CGU').

Trade and other payables
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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

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

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

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 2. Significant accounting policies (continued)

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
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.

Earnings per share

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

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other 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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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

Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. New hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. The company will adopt this standard from 1 July 2018 and the impact of its adoption is not likely to be material.

AASB 15 Revenue from Contracts with Customers
This standard is currently applicable to annual reporting periods beginning on or after 1 January 2017. Exposure Draft (ED263) 'Effective Date of AASB 15' proposes to defer the application date by one year (1 January 2018). The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The company expects to adopt this standard from 1 July 2018, assuming ED263 is adopted, and the impact of its adoption is not likely to be material.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

Note 4. Operating segments

The information reported to the Board of Directors (being the Chief Operating Decision Makers ('CODM')), is the results as shown in the statement of profit or loss and other comprehensive income and statement of financial position.

The directors have determined that there are no operating segments identified for the year which are considered reportable.

Note 5. Revenue

	2015 $	2014 $
Sales revenue		
Revenue from rendering services and projects	368,283	93,238,907
Other revenue		
Interest	118,057	49,257
Revenue	486,340	93,288,164

Note 6. Expenses

	2015 $	2014 $
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	-	769,782
Motor vehicles	-	192,230
Office equipment	874	-
Total depreciation	874	962,012
Amortisation		
Customer contracts	-	208,379
Total depreciation and amortisation	874	1,170,391
Professional and consulting fees:		
Audit fees	50,848	195,500
Accounting and compliance fees	96,264	164,275
Consulting fees	429,018	1,680,700
Directors fees including superannuation	200,000	193,333
Legal expenses	84,266	530,123
Total professional and consulting fees	860,396	2,763,931
Finance costs		
Interest and finance charges paid/payable	(8,365)	95,528
Exchange losses on foreign currency borrowings	-	675,021
Convertible notes borrowing costs	24,280	520,906
Finance costs expensed	15,915	1,291,455
Rental expense relating to operating leases		
Minimum lease payments	69,880	5,322,601
Superannuation expense		
Defined contribution superannuation expense	1	2,231,421

Note 7. Income tax expense

	2015 $	2014 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	(1,187,996)	3,239,798
Tax at the statutory tax rate of 30%	(356,399)	971,939
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	-	62,513
Entertainment expenses	358	4,693
Sundry items	5,466	7,873
	(350,575)	1,047,018
Current year tax losses not recognised	879,995	696,962
Deferred tax asset not previously recognised	(529,420)	-
Prior year temporary differences and tax losses written off	-	(1,743,980)
Income tax expense	-	-

	2015 $	2014 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses	9,103,181	8,223,186
Impairment of receivables	15,235	20,915
Employee benefits	-	151,876
Share issue costs	-	17,368
Accrued expenses	33,578	-
Provisions	75,980	452,647
Plant and equipment	-	(5,630)
Other	-	(5,192)
Total deferred tax assets not recognised	9,227,974	8,855,170

The above potential tax benefit, for temporary differences and tax losses, has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 8. Current assets - cash and cash equivalents

	2015 $	2014 $
Cash at bank	58,974	367,784
Cash on deposit	1,669,077	7,234,574
	1,728,051	7,602,358

Note 9. Current assets - trade and other receivables

	2015 $	2014 $
Trade receivables	50,782	263,327
Less: Provision for impairment of receivables	(50,782)	(69,717)
	-	193,610
Other receivables	21,829	159,751
	21,829	353,361

The ageing of the impaired receivables provided for above are as follows:

	2015 $	2014 $
0 to 3 months overdue	-	2,750
Over 3 months overdue	50,782	66,967
	50,782	69,717

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

	2015 $	2014 $
Opening balance	69,717	389,270
Additional provisions recognised	-	69,717
Unused amounts reversed	(18,935)	(389,270)
Closing balance	50,782	69,717

Customers with balances past due but without provision for impairment of receivables amount to $nil as at 30 June 2015 ($127,278 as at 30 June 2014).

The ageing of the past due but not impaired receivables are as follows:

	2015 $	2014 $
0 to 3 months overdue	-	22,431
Over 3 months overdue	-	104,847
	-	127,278

Note 10. Non-current assets - property, plant and equipment

	2015 $	2014 $
Plant and equipment - at cost	-	622,215
Less: Accumulated depreciation	-	(527,215)
	-	95,000
Office equipment - at cost	3,276	-
Less: Accumulated depreciation	(1,564)	-
	1,712	-
	1,712	95,000

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant and equipment $	Motor vehicles $	Office equipment $	Total $
Balance at 1 July 2013	4,861,739	1,334,135	-	6,195,874
Additions	305,632	433,000	-	738,632
Disposals	(4,257,736)	(1,562,905)	-	(5,820,641)
Impairment of assets	(44,853)	(12,000)	-	(56,853)
Depreciation expense	(769,782)	(192,230)	-	(962,012)
Balance at 30 June 2014	95,000	-	-	95,000
Additions	-	-	2,041	2,041
Disposals	(94,455)	-	-	(94,455)
Transfers in/(out)	(545)	-	545	-
Depreciation expense	-	-	(874)	(874)
Balance at 30 June 2015	-	-	1,712	1,712

Note 11. Current liabilities - trade and other payables

	2015 $	2014 $
Trade payables	456,713	3,290,239
Other payables and accruals	271,346	757,573
	728,059	4,047,812

Refer to note 18 for further information on financial instruments.

Note 12. Current liabilities - borrowings

	2015 $	2014 $
Convertible notes payable	-	1,000,000

Refer to note 18 for further information on financial instruments.

During the financial year 5,000,000 convertible notes with a face value of $0.20 were settled for an amount of $1,000,000.

Note 13. Current liabilities - provisions

	2015 $	2014 $
Annual leave	-	2,482
Long service leave	-	9,533
Other	163,265	1,410,368
	163,265	1,422,383

Other
The provision represents the estimated cost to service warranty and defects in respect of services provided and onerous lease provision.

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

2015	Other $
Carrying amount at the start of the year	1,410,368
Amounts used	(1,247,103)
Carrying amount at the end of the year	163,265

Note 14. Equity - contributed equity

	2015 Shares	2014 Shares	2015 $	2014 $
Ordinary shares - fully paid	113,583,980	113,583,980	30,102,340	30,102,340

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2013	115,174,424		30,122,379
Share buy-back	11 June 2014	(1,501,346)	$0.01	(18,917)
Share buy-back	11 June 2014	(89,098)	$0.01	(1,122)
Balance	30 June 2014	113,583,980		30,102,340
Balance	30 June 2015	113,583,980		30,102,340

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There were no on-market buy-back of THO Services Limited shares during the year (2014: $20,039).

Note 14. Equity - contributed equity (continued)

Dividend reinvestment plan
The company has an established dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash.

Capital risk management
The company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

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

The capital risk management policy remains unchanged from the 30 June 2014 Annual Report.

Note 15. Equity - treasury stock

	2015 $	2014 $
Treasury stock	(1,121,740)	(1,121,740)

Treasury stock represents shares bought on market for the long term incentive scheme and held in trust by the Trustee.

Note 16. Equity - reserves

	2015 $	2014 $
Convertible notes options reserve	-	246,425

Convertible notes options reserve
The reserve is used to recognise the value of the conversion option embedded in issued convertible notes, net of tax. The reserve was transferred to accumulated losses during the financial year.

Note 17. Equity - dividends

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Franking credits

	2015 $	2014 $
Franking credits available for subsequent financial years based on a tax rate of 30%	2,223,468	2,223,468

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 18. Financial instruments

Financial risk management objectives

The company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company and to ensure that the company has adequate liquidity to continue as a going concern.

Risk management is carried out by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the company and appropriate procedures, controls and risk limits.

Market risk

Foreign currency risk

The company is not exposed to any significant foreign currency risk.

Price risk

The company is not exposed to any significant price risk.

Interest rate risk

The company's exposure to interest rate risk is limited to cash at bank and short term deposits.

As at the reporting date, the company had the following variable rate risk from bank accounts:

	2015		2014	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Cash on deposit	2.60%	1,669,077	2.68%	7,234,574
Net exposure to cash flow interest rate risk		1,669,077		7,234,574

An official increase/decrease in interest rates of 50 (2014: 100) basis points would have an favourable/adverse effect on profit before tax of $8,345 (2014: $72,346) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The company does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 18. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2015	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-%	456,713	-	-	-	456,713
Other payables	-%	271,346	-	-	-	271,346
Total non-derivatives		728,059	-	-	-	728,059

2014	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-%	3,290,239	-	-	-	3,290,239
Other payables	-%	757,573	-	-	-	757,573
Interest-bearing - fixed rate						
Convertible notes payable	6.00%	1,060,000	-	-	-	1,060,000
Total non-derivatives		5,107,812	-	-	-	5,107,812

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 19. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2015 **$**	**2014** **$**
Short-term employee benefits	154,610	1,113,308
Post-employment benefits	45,390	77,522
Long-term benefits	-	(10,568)
Termination benefits	-	125,186
Share-based payments	-	193,719
	200,000	1,499,167

Note 20. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Bird Cameron Partners, the auditor of the company:

	2015 $	2014 $
Audit services - RSM Bird Cameron Partners		
Audit or review of the financial statements	45,048	127,452
Other services - RSM Bird Cameron Partners		
Tax compliance services, including review of company tax returns	5,800	3,000
Audit of Queensland BSA licence	-	27,000
	5,800	30,000
	50,848	157,452

Note 21. Contingent liabilities

Contingent liabilities represent items that, at the reporting date, are not recognised in the statement of financial position because there is significant uncertainty as to the necessity for the company to make payments in respect of them. Following are details of the more significant of these contingent liabilities:

As detailed in note 23, the company recently received a significant claim from the Department of the Defence. The directors are currently seeking advice as to the substance of the claim and have determined that the quantification of such claim in the financial statements cannot be made at this early stage. The claim is not yet subject to court action but may result in subsequent litigation. No provision has been raised in the financial statements due the fact that the amount of the claim cannot be measured with sufficient reliability at the time of issuance of the financial statements.

The company has received other claims in the normal course of business and where relevant the directors have sought appropriate legal advice. Where considered appropriate, provisions based on this advice have been included.

Bank guarantees of $647,197 (2014: $2,487,564) to cover retentions and performance of project contracts. The bank holds a specific mortgage, pledged cash and a fixed and floating charge over the assets of the company to cover this contingent liability.

Surety bonds of $8,984 (2014: $90,574) to cover retentions and performance contracts. These bonds are secured by deed of indemnity.

Note 22. Related party transactions

Key management personnel
Disclosures relating to key management personnel are set out in note 19 and the remuneration report in the directors' report.

Note 22. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	2015 $	2014 $
Payment for goods and services:		
Payments for consulting and secretarial services to Rawina Pty Limited (director-related entity of R Critchley)	221,464	288,750
Payment for other expenses:		
Interest on convertible note payable to R Comb	-	110,784
Interest on convertible note payable to J West	-	10,364

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 23. Events after the reporting period

In August 2015 the company received a very large defect claim from the Federal Government regarding a contract signed in 2008 and work completed in 2009. No prior warning was received of this claim and the directors are investigating its validity with the company's solicitors and insurers.

No other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 24. Reconciliation of profit/(loss) after income tax to net cash used in operating activities

	2015 $	2014 $
Profit/(loss) after income tax expense for the year	(1,187,996)	3,239,798
Adjustments for:		
Depreciation and amortisation	874	1,170,391
Impairment of property, plant and equipment	44,383	56,853
Share-based payments	-	(692,621)
Convertible note expenses	-	520,906
Net gain on sale of business	-	(11,193,096)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	331,532	29,029,311
Decrease in inventories	364,124	10,513,877
Decrease/(increase) in prepayments	103,616	(396,380)
Decrease in trade and other payables	(3,319,753)	(27,114,776)
Decrease in employee benefits	(12,015)	(8,158,349)
Decrease in other provisions	(1,247,103)	(256,084)
Net cash used in operating activities	(4,922,338)	(3,280,170)

Note 25. Earnings per share

	2015 $	2014 $
Profit/(loss) after income tax attributable to the owners of THO Services Limited	(1,187,996)	3,239,798
Interest on convertible note	-	61,622
Profit/(loss) after income tax attributable to the owners of THO Services Limited used in calculating diluted earnings per share	(1,187,996)	3,301,420

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	113,583,980	115,087,277
Adjustments for calculation of diluted earnings per share:		
Convertible notes	-	5,000,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	113,583,980	120,087,277

	Cents	Cents
Basic earnings per share	(1.05)	2.82
Diluted earnings per share	(1.05)	2.75

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Robert Critchley
Chairman

28 September 2015
Sydney

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

THO SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of THO Services Limited, which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

(a) the financial report of THO Services Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Notes 1 and 21 in the financial report which describe the uncertainty related to the outcome of a claim against the company from the Department of Defence. Our opinion is not modified in respect of this matter.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 3 to 6 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

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

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

GNS

G N SHERWOOD
Partner

Sydney, NSW
Dated: 28 September 2015

THO Services Limited
Shareholder information
30 June 2015

The shareholder information set out below was applicable as at 18 September 2015.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	55	-
1,001 to 5,000	176	-
5,001 to 10,000	107	-
10,001 to 100,000	203	-
100,001 and over	126	-
	667	-
Holding less than a marketable parcel	503	-

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
MR JOHN EDWARD CORDUKES + MRS ELIZABETH JULIA MORETON CORDUKES	12,941,348	11.39
MR NEWTON FRANCIS MITCHELL	10,000,000	8.80
CITICORP NOMINEES PTY LIMITED	7,444,189	6.55
MR GEOFFREY FREDERICK O'BRIEN + MRS PATRICE ANNE O'BRIEN	5,569,786	4.90
PILRIFT PTY LIMITED	4,804,924	4.23
CLAPSY PTY LTD	3,777,843	3.33
MR ROBERT PRESTON CORDUKES	3,451,390	3.04
MRS PATRICIA JEAN COZENS	3,351,208	2.95
DEMILHAU INVESTMENTS PTY LIMITED	3,192,022	2.81
MR JONATHAN WEST + MRS SUSAN WEST	3,020,848	2.66
MR ROBERT CORDUKES + MS ROBIN POYNTER + MS SARA LANE	2,565,467	2.26
HBD SERVICES PTY LTD	2,147,000	1.89
NEJEKA PTY LTD	2,063,953	1.82
ALITON PTY LTD	1,639,087	1.44
MR GLEN DAVID THOMPSON	1,350,000	1.19
MR PAUL DEAN RAMSBOTTOM ISHERWOOD + SUZANNE RAMSBOTTOM ISHERWOOD	1,300,000	1.14
JKS SOLUTIONS PTY LTD	1,195,000	1.05
MR BRUCE MALCOLM ROBERTSON	1,149,835	1.01
AGRICO PTY LTD	1,081,353	0.95
SYNERGY HOLDINGS PTY LIMITED	1,050,000	0.92
	73,095,253	64.33

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	**% of total shares issued**
MR JOHN EDWARD CORDUKES + MRS ELIZABETH JULIA MORETON CORDUKES	12,941,348	11.39
MR NEWTON FRANCIS MITCHELL	10,000,000	8.80
CITICORP NOMINEES PTY LIMITED	7,444,189	6.55

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Directors	Robert K Critchley Timothy J Regan Terrence M O'Reilly
Company secretary	Timothy J Regan
Notice of annual general meeting	The details of the annual general meeting of THO Services Limited are: The Red Room Union, University & Schools Club 25 Bent Street Sydney NSW 2000 10:00 AM on Tuesday 10 November 2015
Registered office	Level 6, Suite 7 66 Hunter Street Sydney, NSW 2000 Phone: +61 2 9233 4211
Share register	Computershare Investor Services Pty Limited Level 5, 115 Grenfell Street Adelaide, SA 5000 GPO Box 1903 Adelaide SA 5001 Enquiries within Australia: 1300 787 272 Enquiries outside Australia: +61 3 9415 4000
Auditor	RSM Bird Cameron Level 12, 60 Castlereagh Street Sydney, NSW 2000
Solicitors	Watson Mangioni 50 Carrington Street Sydney, NSW 2000
Bankers	National Australia Bank 255 George Street Sydney, NSW 2000
Stock exchange listing	THO Services Limited shares are listed on the Australian Securities Exchange (ASX code: THO)
Website	www.thoservices.com.au

Adjustments from Appendix 4E to Annual Report 30 June 2015

Appendix 4E for THO Services Limited ('THO') released on 28 August 2015 included unaudited financial statements. Subsequent to the release of the Appendix 4E, and following the audit:

(i) The company recognised an additional liability of $20,888 relating to accruals not previously booked.

Reconciliation of loss for the year attributable to the owners of THO:	$
Loss per Appendix 4E	(1,167,108)
Additional accruals	(20,888)
Loss per Annual Report – 30 June 2015	(1,187,996)