


FORGE GROUP LTD

2013 ANNUAL REPORT

value through integration

FORGE

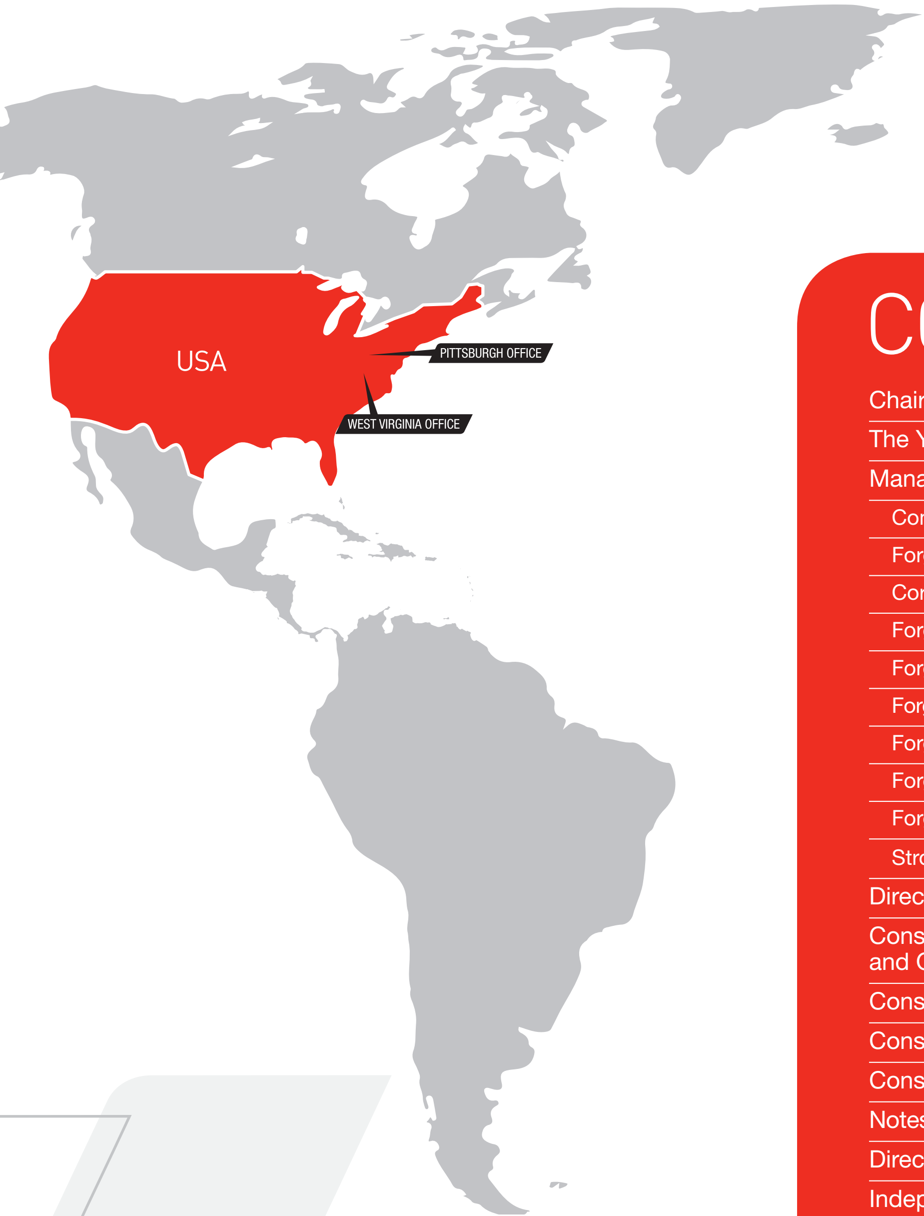
FORGE GROUP'S GLOBAL FOOTPRINT

1. Affinity Coal Preparation & Handling Plant, Sophia West Virginia, USA
2. Buckingham Coal Preparation & Handling Plant, Glouster Ohio, USA
3. Kumba Loadout Station, Sishen, Nothern Cape, South Africa

Forge Group Ltd
ABN 58 065 464 226

www.forgegroup.com

In this Annual Report "Company" refers to Forge Group Ltd. "Forge Group", "Group" and "consolidated entity" refer to Forge Group Ltd and its subsidiaries.



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CHAIRMAN'S LETTER TO SHAREHOLDERS

Forge Group Ltd has had an exceptional year in FY13, in which we took significant steps to strengthen our position globally as a leading integrated EPC and Asset Management company. In the past 12 months, Forge Group has delivered a record financial performance and we are able to reward shareholders with a final, fully franked dividend of 8c per share.

Against the backdrop of ongoing turmoil in major global markets and financial pressures in the broader mining and engineering sector, Forge Group has delivered on its promises to shareholders. I am proud to be able to represent Forge Group and provide an overview for what has been a defining year for the Company.

The financial performance of Forge Group in FY13 was outstanding and positions us well for continued growth. In the 12 months, Forge Group reported a record revenue performance of $1.1 billion and net profit after tax of $62.9 million. The excellent result was achieved during a difficult year for the broader engineering sector. Basic earnings per share was equally impressive at 73.02 cents, up 24 per cent from 58.92 cents in 2012.

I am extremely pleased that we were able to achieve these strong results while improving our safety performance with the continued success of the ForgeSafe program. We are committed to zero harm and have initiated several new programs including the inception of a Board Health, Safety & Environment Committee to strengthen this commitment. Our total recordable injury frequency rate decreased from 17.02 at 30 June 2012 to 9.61 at 30 June 2013. The safety of our staff remains the first priority for Forge Group.

Forge Group entered FY13 with the worst of the global economic downturn seemingly over. However as the year progressed it became apparent that the engineering services sector would be under increasing strain. Through our multi-disciplinary integrated business structure and prudent management, Forge Group has been able to avoid the difficulties that hit the broader sector – a fact recognised by major global investment houses.

The block trade of Forge Group shares by former major shareholder Clough Limited, resulted in sophisticated institutions taking up the full allotment of the divested stake. The strength of our register is a testament to the positive outlook for Forge Group and its stability in a turbulent investment environment.

DURING FY13 FORGE GROUP TRANSFORMED INTO A **GLOBAL INDUSTRIAL** WITH OVER 2,000 EMPLOYEES WORKING ACROSS EIGHT COUNTRIES ON FOUR CONTINENTS

The success of FY13 is built on our track record of providing value through integration. We started the year with the successful integration of the CTEC business and in the following 12 months created our Asset Management business unit, announced our first offshore acquisition and made an important step in the evolution of our Company by restructuring and re-branding our separate business units into a unified Forge Group. This has helped build recognition for our range of services among our current and prospective clients, in conjunction with promoting a common culture for our employees across the world.

The acquisition of US-based engineering, EPC and Asset Management company, Taggart Global, continued our strategy of finding opportunities for growth outside of our traditional operating regions and sectors.

Identifying growth opportunities, strong cash flows and maintaining solid margins have been the hallmarks of the first full year from our Managing Director & Chief Executive Officer, David Simpson. David's performance has been outstanding and commensurate with the skill and experience we wanted to attract to Forge Group when the Board first announced a Board and Management transition plan in March 2011.

Part of this transition saw the departure of founding Directors Peter Hutchinson, Greg McRostie and Andrew Ellison who must be thanked for their considerable contribution to the development and underlying strength of Forge Group.

The positive outlook for Forge Group is now backed by an experienced and well-credentialed Executive Management Team and I am confident in their ability to deliver on our strategy and shareholders' long term expectations.

I am pleased to present the 2013 Annual Report to you in what has been a ground breaking year.

Sincerely,

David Craig
Non-Executive Chairman

Below: *Forge Group Ltd Board of Directors. Clockwise from bottom right: David Craig (Chairman), David Simpson (MD & CEO), John O'Connor, Greg Kempton, Marcello Cardaci and Glen Smith (Company Secretary).*

THE YEAR IN REVIEW

2012

JUL	AUG	SEP	OCT	NOV	DEC

9 Jul 2012
Appointment of new MD & CEO, David Simpson

3 Sep 2012
Cape Lambert PS (EPC) $280M

17 Sep 2012
West Angelas Fuel Hubs (EPC) $70M

24 Oct 2012
Annual General Meeting. Announcement of new corporate strategy

1 Nov 2012
WA Water Corp (AMP) $12.2M

12 Dec 2012
Yarnima PS (EPC) $100M

1 Jan 2013
Re-branding, integration and restructure including inception of Asset Management

Australian Dollars unless stated otherwise   § Over previous corresponding period   PS = Power Station   O&M = Operations & Maintenance

Special Announcement

Significant Contract Win

2013

JAN | FEB | MAR | APR | MAY | JUN

23 Jan 2013
South Hedland PS
(EPC + O&M) $125M

25 Jan 2013
Forge Group Africa reached 1 Million man-hours LTI free for the Obuasi project, Ghana

1 Feb 2013
Launched ForgeSafe Behavioural & Cultural Alignment Program

4 Feb 2013
Forge Group opens Bangkok office

18 Feb 2013
Half Year Results show 60%[§] increase in NPAT to $33.9M

1 Mar 2013
Launched ForgeSafe Supervisor Training Program

Mar 2013
APLNG Project reached 12 months LTI Free

25 Mar 2013
Clough divestment

1 Apr 2013
Launched ForgeSafe Leadership Program

Apr - Jun 2013
Asset Management
(Secures Various Contracts)
$2M+

17 May 2013
Dugald River (EPC)
$290M

3 Jun 2013
Forge enters into agreement to acquire Taggart Global

20 Jun 2013
Vista Coal (EPC)
Preferred Contractor
USD $221M

30 Jun 2013
Exceeded 20%[§] reduction in TRIFR target from 17.02 down to 9.61

EPC = Engineering Procurement & Construction AMP = Asset Management Program LTI = Lost Time Injury TRIFR = Total Recordable Injury Frequency Rate

MANAGING DIRECTOR'S REPORT

I am happy to be able to provide shareholders with an overview of what has been a record breaking year for Forge Group. In the past 12 months we have reached several key milestones which will form the foundation for continued success in FY14 and beyond.

RECORD FINANCIAL PERFORMANCE

Forge Group has delivered on the financial targets it set for FY13. Our strong performance has set a benchmark which we will strive to achieve and improve on in forthcoming years. The underlying financial strength of Forge Group is highlighted by our revenue for FY13, which was up 36% from $774.9 million to $1.1 billion. Our net profit before tax increased 29% from $70.1 million to $90.1 million and our earnings before interest, tax, depreciation and amortisation (EBITDA**) rose 29% from $89.2 million to $115.5 million. We enter FY14 backed by a strong balance sheet with net assets $213 million, which will give us financial security and the ability to identify and pursue growth opportunities.

OPERATIONAL SUCCESS

Forge Group commenced FY14 with an order book valued at $1.3 billion. During the year we added circa $900 million of new contracts and now have revenue streams reaching beyond FY14.

Forge Group Minerals & Resources performed well, achieving total revenue of $96 million. Work in hand increased during the period, particularly in the areas of studies, front-end engineering and design and EPC contracts.

Forge Group Power contributed nearly 50% to Forge Group's total revenue, building on its impressive growth in recent years. The outlook for the business unit is robust, with considerable work in hand in Queensland and Western Australia, including the $430 million Diamantina Power Station EPC contract near Mount Isa.

Forge Group Construction experienced strong growth driven largely by a solid external workload combined with an upsurge in internal work generated via the integrated teams of Forge Group Minerals & Resources and Forge Group Power. As a result the business unit reported a significant boost in total revenue – up 34% from FY12 to $607 million. This was the result of an increase in demand for services and improved labour force efficiency. In addition to a strong flow of work from projects secured in 2012, the business unit also generated approximately $100 million in new small construction projects during the period.

The Forge Group Asset Management business unit was inaugurated on 1 January 2013 and contributed $14 million revenue in its first six months of operation*. The business unit has strengthened our ability to provide end-to-end project solutions to clients and it will be a key contributor to growth for Forge Group.

BUSINESS RE-BRANDING

On 1 January 2013 Forge Group completed the important process of re-branding and restructuring its four different business units to an integrated team. This involved renaming and relaunching our business units while recognising our history of providing "Value Through Integration". Since then, we have seen a positive response from clients and employees to our new unified approach to promoting Forge Group.

Operating under a single entity name promotes synergies between our business units. The re-branding creates a stronger corporate culture for all employees around the world. As Forge Group continues to grow its presence in Australia, Asia, North America and Africa, we do so with a business model befitting an international organisation. Adding to this was our recent success in obtaining the domain address www.forgegroup.com, giving us a truly global online presence and directing all internet traffic to our updated website.

GLOBAL DIVERSIFICATION

On 3 June 2013 Forge Group announced it had entered an agreement to acquire private North American-based EPC and Asset Management company Taggart Global. The acquisition, which was completed on 3 July 2013 met three of the corporate initiatives outlined by Forge Group in our FY13-FY18 Strategy. Firstly, it was a significant step in the development of our Asset Management business. Taggart has significant ongoing Asset Management contracts in North America which remains the

THE MAJOR ANNOUNCEMENT OF FY13 HAS BEEN THE **ACQUISITION OF TAGGART GLOBAL** WHICH HAS SIGNIFICANTLY BOOSTED THE ASSET MANAGEMENT BUSINESS AND MOVED US INTO NEW GEOGRAPHIES AND ALSO NEW COMMODITIES

world's largest industrial maintenance market. Secondly, the Taggart acquisition met our strategy of growing our mining services offering in diversified geographies. With projects and clients in North America and Africa, and access to low cost, high quality fabricated steel in China, the acquisition will deliver on this objective.

Finally, Forge Group has stated its intention to grow our market share in the process infrastructure market. Forge Group now has extensive expertise in coal handling processing plants and clean coal processing technology. This skill-set will position us strongly for growth, not only in Taggart's traditional home base of North America, but in other coal regions of the world, including Africa and the Eastern States of Australia.

The Taggart acquisition resulted in 600 staff joining Forge Group, based in the United States, South Africa and China. I'm pleased to say the transition from Taggart Global to Forge Group has been smooth and we welcome all new members of our growing workforce. We are excited about the opportunities this acquisition has given us. Taggart counts some of the world's leading resources and utility companies as its customers. The strength of Taggart's bidding pipeline has already been realised with the announcement of being named preferred contractor for the US$221 million EPC contract at Coalspur Mines Limited's Vista project in Alberta, Canada. Forge Group's future in important growth sectors and new geographies is strong.

STRATEGY AND OUTLOOK

Forge Group remains committed to delivering on our stated Strategic Plan for 2013 to 2018. This plan is underpinned by geographical and sector diversification. This involves replicating our capabilities into new geographies, including the East Coast of Australia, Africa, Asia and North America, as well as expanding our offering into sectors alongside the ones in which we operate.

The growth of our Asset Management business is another key strategy for Forge Group. It provides a long term recurring work platform on which we can offer our clients services from pre-project studies and engineering, all the way through to full asset maintenance and operations. Our unique Asset Management offering is prefaced by our process engineering capability leading to the delivery of better efficiency for our clients assets, followed by complete mechanical and electrical maintenance offerings.

Our unique model of self-performance EPC across all disciplines including civil, electrical, mechanical, process and non-process engineering has been complemented by the fully integrated structure of our business and brand. This places Forge Group in a good position to withstand difficult market conditions in 2014.

We expect to see further change in domestic market conditions in the forthcoming year. It has been noted that the Australian resources sector is maturing from being commodity price driven to volume driven. We believe that this will drive greater competition for engineering and construction services in 2014.

We remain confident in our ability to deliver on our operational and financial goals in FY14 and beyond. We place a great focus on contract management and maintaining healthy margins. Combined with our strong balance sheet, robust bidding pipeline and growing Asset Management capabilities, Forge Group enters FY14 with increased optimism for further success. I look forward to continuing to lead the organisation in FY14 as we realise the enormous potential of Forge Group.

Sincerely,

David Simpson
Managing Director & Chief Executive Officer

* Forge Group Asset Management's financial results are included as part of the Forge Group Construction segment for the purposes of segment reporting for FY13. This is consistent with reporting to the Board of Directors. The segment will be segregated and reported separately from 1 July 2013 onwards.

** EBITDA Reconciliation: Net profit before tax $90.1M Add back financial costs $4M and depreciation & amortisation $21.4M = EBITDA of $115.5M

COMMITMENT TO SAFETY

Forge Group is committed to the ongoing health and safety of our employees. Alongside this is a commitment to ensure the wellbeing of the environment and communities in which Forge Group operates. The Company believes all occupational injuries, illnesses and damage are preventable and holds the prevention of harm as a value equal to all other business objectives.

For FY13 it is pleasing to note that we achieved a significant reduction in our Total Recordable Injury Frequency Rate ("TRIFR") reaching twice our targeted reduction. The FY13 TRIFR of 9.61 is a 44% reduction from the 17.02 result achieved in FY12. With the stated goal of a 20% reduction exceeded, Forge Group is on the right track to achieving zero harm for all employees.

Assisting this result was the launch of several new initiatives to the ForgeSafe program. The biggest being the ForgeSafe Behavioural and Cultural Alignment Program.

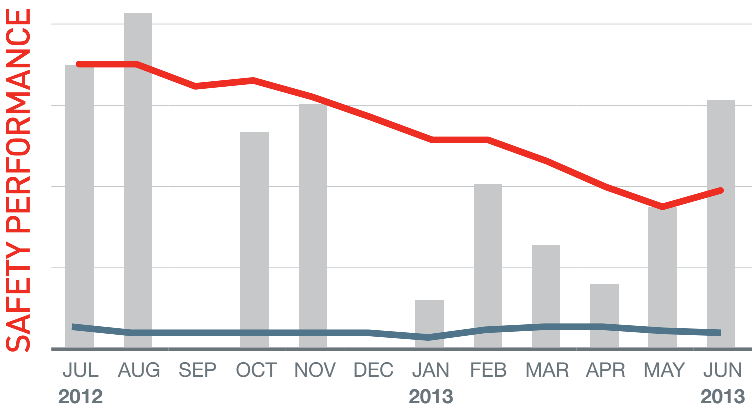
This initiative focuses on a four stage approach to safety culture covering;

- Safety and risk attitude assessment of candidates applying for employment at Forge.
- A comprehensive ForgeSafe induction program conducted during on-boarding.
- Tailor-made ForgeSafe Supervisor Training Course.
- Leadership Programs for nominated line managers and supervisors.

Forge Group is committed to leading improved health and safety performance in the workplace via the ForgeSafe program, which supports and encourages continual improvement in safety culture. This safety commitment was celebrated with accolades from several of our clients in FY13. Most notable at the Obuasi Gold Mine in Ghana, West Africa, where our site team achieved twelve months' free of lost time through injury.

Our safety performance in FY13 is a direct reflection to the quality, commitment and safe working values of all Forge employees who continue to remain committed to delivering a zero harm workplace.

FORGESAFE
THE WAY WE WORK



WE ACHIEVED AND **EXCEEDED THE 20% REDUCTION TARGET** WITH TRIFR COMING DOWN FROM 17.02 AT 30 JUNE 2012, TO 9.61 AT 30 JUNE 2013.

I WOULD LIKE TO **THANK ALL OUR PEOPLE** FOR THEIR SUPPORT, DEDICATION AND UNWAVERING COMMITMENT TO SAFETY, CLIENT DELIVERY AND QUALITY EVERY DAY.

David Simpson, MD & CEO

FORGE PEOPLE

Today Forge Group has over 2,200 people working in 8 countries across 4 continents. It is this workforce that upholds Forge Group's reputation for professionalism, quality and contract delivery. The growing workforce boasts a diversified skill set and level of experience, befitting a global industrial service provider.

Through a newly adopted integrated model, Forge Group is providing variety in work, professional development and global career opportunities. All staff are offered the development opportunities they should be afforded as part of a growing international company.

This includes workforce wellbeing which is imperative to ensuring Forge Group delivers on its obligations to customers. As such, the strain associated with staff operating in remote locations on a fly-in, fly-out ("FIFO") basis is acknowledged and Forge Group places a great emphasis on reasonable work rosters and a work-life balance for FIFO workers. In addition, all employees are given 24 hour access to the Forge Group Employee Assistance Program. This is a free and confidential counselling service for employees and their families to talk through any personal or professional issues.

DIVERSITY

Recognising the contribution of staff across all operations means ensuring all employees are equally represented. Forge Group is continuously looking at ways to expand its approach to and knowledge of diversity in the workplace. In late 2012, a series of focus groups on diversity were hosted to provide female employees an opportunity to voice their feedback and experiences working in a traditionally male-dominated industry. All female employees were invited to take part and encouraged to shape the culture of Forge Group moving forward.

Opportunities were also provided for a number of female staff members to attend events hosted by the "Women in Resources" group, where they were able to network and seek advice from some of the leading female executives in Australia.

In addition, Forge is working towards a position where it can confidently set quantifiable Workforce Diversity targets. In line with the Workplace Gender Equality Act, during the year the Board of Directors endorsed the Diversity Management Plan which outlined the following key areas of focus:

- Consult with our workforce to identify issues and opportunities.
- Educate our management and employees on effective diversity practices.
- Increase cultural diversity with effective use of migrant labour and management of cultural interfaces.
- Assess female participation levels at all levels of the organisation and ensure practices are in place to ensure high retention rates.
- Build indigenous participation rates and retain indigenous employees.
- Improved retention and knowledge management between different age groups at all levels of the organisation.
- Eliminate both positive and negative discrimination across gender, ethnicity and abilities.
- Review and improve business and people practices to identify opportunities for change and improvement.
- Review and enhance policies and processes that impact diversity and equality.
- Develop and implement ideas and initiatives that support good business and diversity practices.
- Ensure clear Management accountability.
- Measure and report progress.

The plan provided a number of measurable objectives to address these key areas, and work continues on the remaining objectives to ensure they are completed in 2014. Furthermore in accordance with statutory requirements, on 16 May 2013 Forge Group lodged its annual public report with the Workforce Gender Equality Agency. A copy of the data is available at www.wgea.gov.au.

As Forge Group grows globally, we continue to focus on people initiatives that will optimise the new integrated operating model, embrace core values and support strategy through attraction, development and retention of people at all levels.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FORGESAFE
THE WAY WE WORK
FORGE
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CORPORATE SOCIAL RESPONSIBILITY

Forge Group maintains an active sponsorship program. Notably in 2013 the company was a major sponsor of Forge Group Power's Engineer, Henry Bardolf-Smith's Mt Kilimanjaro climb for World Vision. After a seven day hike Henry reached Africa's highest point (at 5,895m) and unfurled a Forge Group banner. The money raised from his effort will support a broad range of activities, from emergency relief through to long-term efforts to help communities tackle the causes of poverty. Henry got to see first-hand World Vision's work at the Mukulat Area Development Program in northern Tanzania.

Forge Group also sponsored and participated in several community events during the year, including the RAC Freeway Bike Hike for Asthma, the Chevron City to Surf for Activ, numerous employee sporting clubs and has committed to platinum sponsorship of the Association for the Blind (WA) Gala Dinner in August 2013.

Forge Group places great emphasis on ensuring it operates fairly in all jurisdictions around the world. There is a zero tolerance approach to unethical business practices and inappropriate staff conduct. The Company continues to follow a "see something, say something" protocol for any suspected improper activity.

ABOVE: *Forge Group Power Engineer, Henry Bardolf-Smith climbs Mt Kilimanjaro with World Vision.*

LEFT: *Chidlow Football Club sponsored by Forge Group.*

PAGE 12: *Forge Group Construction Project Manager, Andrew Ling was part of a 20 strong Forge squad in the 70km Freeway Bike Hike for Asthma in March.*

TOP LEFT: *Prue MacKenzie and Annabel Robertson-Hopa competed in the run and bike legs of the 2012-2013 Telstra Triathlon Series at Hillarys Boat Harbour along with 18 other Forge employees.*

FORGE GROUP NORTH AMERICA

Forge Group acquires Taggart Global, a world leader in asset management, engineering and EPC across the minerals processing and materials handling sector.

OVERVIEW

In June 2013, Forge Group made great strides towards its strategy of becoming a global integrated EPC and Asset Management service provider. The announcement of the intention to acquire Taggart Global LLC, sent a clear signal of Forge Group's growth and expansion ambitions. Founded in 1993 and based in Pittsburgh, Pennsylvania, Taggart is a world leader in asset management, engineering and EPC across the minerals processing and materials handling sector. Taggart services the coal, clean coal technology, power utilities and broader minerals sectors, and has almost 600 people in the North America, South Africa and China.

The acquisition, which was finalised in July 2013, met three objectives of Forge Group's FY13-FY18 Corporate Strategy:

- Develop the Asset Management services business
- Grow EPC power and mining services in diversified geographies
- Grow market share in oil & gas and process infrastructure

This acquisition brought Forge Group a large asset management and industrial maintenance capability in North America with significant growth prospects in the coal, clean coal technology and power utilities sectors. This presents a major opportunity to organically grow Taggart's asset management capabilities in North America, the world's largest industrial maintenance market. With more than 70% of Taggart's revenue coming from North America, Forge Group is now well placed to benefit from the recovering USA economy. Taggart's well regarded EPC coal processing and materials handling operations in North America have excellent growth prospects in that market, and they present Forge Group with an opportunity to offer these services to coal and clean coal technology customers in the Eastern States of Australia.

In addition, Taggart brought with it an engineering capability to complement Forge Group's construction operations in Africa, where it has successfully traded for 15 years. It also added a low cost, high quality, detailing and steel fabrication sourcing operation in China which will deliver competitively priced fabricated products to Forge Group clients.

The upfront acquisition price of US$43 million represented a multiple of less than 3x Taggart's forecast FY14 EBITDA. In addition, Forge Group entered into an earn-out arrangement with the vendors where payments of up to a maximum of US$25 million will be made if earnings milestones are met between FY14 and FY16. These payments are based on a 70/30 cash and scrip basis.

Rosebud Mining's Dutch Run coal preparation plant in Shelocta, Pennsylvania, USA.

THE ACQUISITION OF TAGGART GLOBAL BROUGHT FORGE GROUP A LARGE **ASSET MANAGEMENT AND INDUSTRIAL MAINTENANCE CAPABILITY** IN NORTH AMERICA AND OTHER GEOGRAPHIES.

INTEGRATION

Taggart offered a seamless match-up of business units with Forge Group's existing business units. Taggart's engineering and construction division has integrated into Forge Group Minerals & Resources, the operations and maintenance division has integrated into Forge Group Asset Management and the China sales and fabrication business will work across the group integrating into Operational Services.

As part of the 100 day integration plan Taggart has been renamed and re-branded to Forge Group. The acquired subsidiaries will adopt the existing Forge Group policy and governance framework ensuring a smooth transition and continuing the Group's strong history of producing "Value Through Integration".

Senior management personnel from Taggart remain with Forge Group and continue to drive the business' growth prospects in the market. Joining the Taggart team are key Forge Group executives from the Perth head office, who relocated to the USA as part of the integration program. Forge Group has a successful track record of integrating acquisitions and this continues to be a key focus for the Taggart Forge team.

OUTLOOK

Taggart has some of the world's leading blue chip resources and utility companies as customers with long-term contracts and relationships spanning many years. Among them are ArcelorMittal, GlencoreXstrata, BHP Billiton and Peabody Energy Corporation.

In late June 2013, less than a month after Forge Group agreed to acquire the company, Taggart was named preferred EPC contractor for Coalspur Mines Ltd's Vista Coal Project in Alberta, Canada. The US$221 million contract will involve construction of a 6Mtpa thermal coal facility and is expected to be completed by mid-2015. Taggart will be responsible for the design, construction and commissioning of the coal handling, preparation and processing plant, the overland conveyors and the load-out infrastructure. The announcement of Taggart's preferred-contractor status was a strong indicator of the underlying strength of the business.

Forge Group North America has a solid order book of US$465 million, a steady revenue stream from ongoing maintenance contracts and a strong pipeline of new tendering opportunities. The business is expected to contribute US$350 million of revenue to Forge Group in FY14.

DARRYL & ROSE

Manager of Field Operations, Huntington, WV USA

Project Management Assistant, Pittsburgh, PA USA

"We, as construction people, are always looking for new challenges in different areas, something we get excited about. We look forward to further professional growth through Forge's expanded opportunities and business diversification."

EMPLOYEE INSIGHT

FORGE GROUP AFRICA YEAR IN REVIEW

The Forge Group Africa workforce provides comprehensive engineering, procurement and construction services to the energy and resources sector.

AFRICA IS A KEY DEVELOPING MARKET AND PIVOTAL TO THE SUCCESS OF OUR CORPORATE GROWTH STRATEGY

OVERVIEW

Forge Group's ability to deliver for clients in Africa is underpinned by many years of operational experience. The Company is well recognised for its ability to perform in remote locations including those serviced by minimal infrastructure.

Forge Group's ability to undertake and deliver projects in Africa has been strengthened by the acquisition of Taggart Global. Through this transaction, the Company has gained the expertise of African businesses including Jim Harrison Design Associates Pty Ltd, LSL Consulting Pty Ltd and Tekpro Projects Pty Ltd. These businesses are a leading force in the African engineering and EPC industries, with experience in the processing and materials handling industries for the coal, diamonds, iron ore, manganese, chrome ore and bauxite sectors.

HIGHLIGHTS

In FY13, Forge Group Africa completed London Mining's Marampa Stage 1B iron ore project development in Sierra Leone. Following on from this was the award of the $13 million contract for Phase 1C of the Marampa project.

During the year, Forge Group Africa achieved twelve months free of lost time through injury at AngloGold Ashanti's Obuasi gold mine development in Ghana. At Obuasi, Forge Group Minerals & Resources is responsible for the design of the new gold flotation, leaching and refining process plant.

OUTLOOK

Forge Group anticipates continued success from its African business unit in FY14 and beyond. As a developing region, Forge Group recognises the enormous potential for growth in Africa. Having already formed a solid foundation in the continent, Forge Group is well placed to benefit from increased resources and utilities investment in Africa.

Right: *Kumba Iron Ore Tertiary Crushing Plant and Loadout Station, Sishen South Africa.*

Below Left: *Obuasi South Treatment Plant, Ghana.*

Below Right: *Exxaro Grootegeluk Medupi Expansion Project, South Africa.*

Marampa Project, Sierra Leone

Sandfire Resources' DeGrussa copper project, near Meekatharra in Western Australia, completed in November 2012.

FORGE GROUP MINERALS & RESOURCES YEAR IN REVIEW

Forge Group Minerals & Resources provides a wide range of engineering, design and construction services for the mining and metals sector. The business unit has an extensive service offering including metallurgical test work program development and management, studies and front-end engineering and design and full EPC project delivery of processing facilities and infrastructure.

OVERVIEW

During FY13, Forge Group Minerals & Resources performed well, achieving total revenue of $96 million. Work in hand increased during the period, particularly in the areas of studies, front-end engineering and design and EPC contracts.

The Minerals & Resources' study division continues to perform solidly, having delivered a range of study services during the year. These services included desktop project evaluations and reviews through to complete feasibility studies for clients looking to fund and develop projects.

HIGHLIGHTS

Forge Group Minerals & Resources completed a number of substantial contracts in FY13 for clients including Sandfire Resources NL, Lynas Corporation Ltd, Shark Bay Resources Pty Ltd and London Mining plc.

In Western Australia, the business unit completed a contract at Sandfire's DeGrussa Copper Project. The $65 million EPC contract, completed in October 2012, included a 1.5 Mtpa copper concentrator, associated infrastructure and an additional $25 million in free issue equipment.

In April 2013, Minerals & Resources completed a $38 million EPC contract for Lynas at its Mt Weld LAMPSUP Rare Earth Project in WA. The contract involved a brownfields upgrade to the existing processing plant to double the processing throughput. The project was delivered one month ahead of schedule.

Minerals & Resources also completed the Useless Loop Washplant Upgrade Project for Shark Bay Resources during FY13. The contract, worth $30 million, included the design and construction of a new salt washplant, transfer of conveyors linking into the existing overland conveyor and the demolition and removal of the existing washplant.

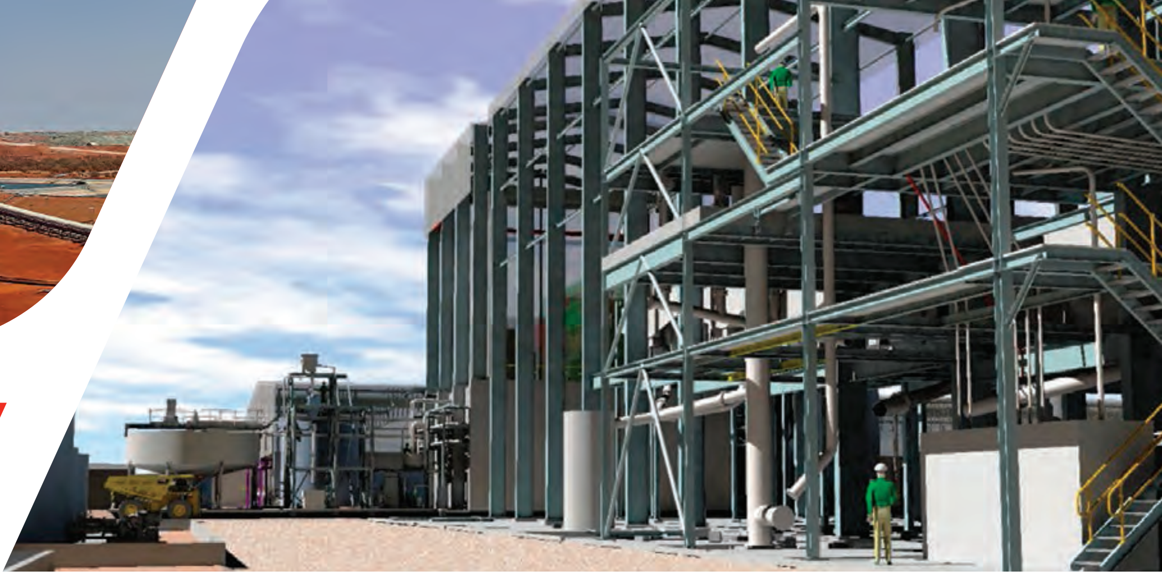
In Africa, Minerals & Resources completed the construction of process plant facilities to the value of $15.8 million as part of London Mining's Marampa Iron Ore Stage 1B Project in Sierra Leone.

EMPLOYEE INSIGHT

INNOCENT

HSE Advisor, Forge Group Africa.

"Forge has trained several African nationals in HSE and provided the opportunity to work in various countries, learning and passing down our skills and knowledge to the nationals of these countries. I am thankful for the support, confidence and trust in me."



Engineering in progress for MMG's Dugald River project

PROJECT CASE STUDY

Degrussa Copper Plant

Client:	Sandfire Resources NL	**Completion Date:**	Oct 2012
Location:	Western Australia	**Contract Value:**	$65 Million
Sector:	Minerals	**Man-Hours:**	240,000
Scope	$65 Million EPC of1.5 Mtpa Copper-Gold Concentrator with the addition of $25 Million Free Issued Equipment Management. Completed under an integrated model with Forge Group Construction with an aggressive fast tracked implementation schedule.		

Importantly, Shark Bay Resources, Lynas Corporation and London Mining are all repeat clients of Forge Group Minerals & Resources – which is a testament to our ability to establish and maintain strong relationships across our client base both domestically and abroad.

Work in hand during the period remained strong for the Minerals & Resources business unit, with a number of contract wins announced. In May 2013, the unit was awarded the $290 million EPC contract for MMG Limited's 2.5 Mtpa Dugald River lead-zinc concentrator in Queensland. The Dugald River contract includes the design and construction of all process plant facilities and services and procurement management of an additional $50 million of free issued equipment.

Forge Group Minerals & Resources are also working towards completion of the $58 million EPC contract for AngloGold Ashanti Ltd in Ghana. Minerals & Resources is responsible for the design and construction of the new gold flotation, leaching and refining process facilities in the existing Obuasi gold plant. In addition to the recently completed Marampa Iron Ore Stage 1B Project for London Mining, Minerals & Resources are now working on the $13 million Stage 1C upgrade. The current contract includes the construction of additional plant facilities.

OUTLOOK

The past 12 months has been a turbulent period for resources companies across the globe and as a result the outlook for the sector has softened considerably. Forge Group Minerals & Resources continues to deliver by diversifying its tender activities across new geographies, commodity sectors and clients.

The business unit has benefited from the increased international enthusiasm for EPC model contracts, with Forge Group being well positioned in markets such as North America, Asia and South Africa.

The acquisition of leading US-based EPC and asset management business, Taggart Global, in July 2013, broadened our geographic presence into North America. Through Taggart and its affiliated business interests, Minerals & Resources has inherited a global EPC delivery model in coal processing plants. The new expertise and resources available in North America and South Africa provide the business with an established base to generate additional coal project opportunities over the next 12 months. Importantly, Taggart has delivered a number of projects under the EPC contracting model and as a result has a skill set well-aligned with the Forge Group business model.

In the Australian resources sector, we are continuing to provide a strong EPC model, integrating our key business units Forge Group Power, Forge Group Construction and Forge Group Asset Management. The business strategy in the next 12 months will see Minerals & Resources continue to offer a scalable EPC delivery model tailored specifically to suit the demands of individual clients and projects throughout the Minerals & Resources sector.

In addition, Minerals & Resources will strive to lower its overall cost base through the utilisation of our expanded resources base in overseas locations and through procurement and fabrication capability with established and proven supply chains in Southeast Asia.

FORGE GROUP POWER YEAR IN REVIEW

McKee Power Station (New Zealand) completed in November 2012

Forge Group Power provides turnkey power generation solutions to the energy and utilities sectors. The business unit specialises in combined and open-cycle configuration gas turbine power plants for base load or peaking use application.

OVERVIEW

Forge Group Power had an extremely successful FY13. Building on its proven track record of contract delivery as CTEC Pty Ltd (prior to January 1 2013), the business unit experienced a significant increase in revenue in the 12 months. Power recorded $495 million of revenue in FY13, a massive 86% jump from FY12. The exceptional result accounted for almost 50% of the total Forge Group revenue.

This outstanding performance was a result of Power's experienced staff delivering projects for customers in a diverse range of locations including Taranaki, New Zealand; Mount Isa, Queensland; and in Western Australia's iron-ore rich Pilbara region.

HIGHLIGHTS

In FY13, Power was involved in six major EPC projects across Australia and New Zealand. Among these, the business unit completed the NZ$77 million EPC contract for Nova Energy's 100MW Open Cycle McKee Power Station in Taranaki. Power designed, constructed and commissioned two GE LM6000 gas turbine generator packages and balance of plant with the ability to provide 100MW of peaking capacity.

At 30 June 2013, Power had significant project work in hand, with $371 million of secured contract work under execution in Australia. This includes the $150 million EPC contract for Rio Tinto's West Angelas Power Station in the Pilbara. Power will

PROJECT CASE STUDY

McKee Power Station

Client:	Nova Energy	**Completion Date:**	21 Dec 2012
Location:	New Zealand	**Contract Value:**	NZ$33 Million
Sector:	Energy (Generation)	**Man-Hours:**	145,000
Scope:	Fast track 100MW turnkey power station project. Completed ahead of schedule, on budget with zero lost time injuries.		

Forge Directors' view the turbine at Diamantina Power Station (June 2013)

Rio Tinto's West Angelas Power Station (May 2013)

provide a 100MW Open Cycle Power Station using low emission GE LM6000 PF Sprint Gas Turbines.

The business unit secured further work for Rio Tinto at the Cape Lambert port facility, also in the north-west of Western Australia. As part of the $280 million contract, Power will provide a 120MW Combined Cycle Gas Turbine Power Station using two GE LM6000 Gas Turbines, a steam turbine generator and two once-through steam generator boilers.

Work in hand also includes a contract with one of the world's leading mining companies, BHP Billiton. Power has a $100 million construction contract for BHP's Yarnima Power Station in Newman, Western Australia. The business unit will construct the main power blocks associated with the 190MW Combined Cycle Power Station.

On the east coast of Australia, Power continues work on Forge Group's largest single project to date; the $430 million Diamantina Power Station near Mount Isa. Power is responsible for the EPC of DPS Pty Ltd's 242MW Combined Cycle Power Station.

The latest project to be awarded to Power is the $125 million South Hedland Power Station EPC and Asset Management contract. This fast-tracked project has started well and offers the business unit the opportunity to not only develop its EPC relationships with public utility Horizon Power, but to also showcase its Asset Management capabilities to the power market in Australia via Forge Group Asset Management.

OUTLOOK

Forge Group Power heads into FY14 with a solid order book underpinned by the Cape Lambert project. Significantly, this will be the first project the Power team has completed, from start to finish, as part of Forge Group. The Cape Lambert contract was made possible by utilising Forge Group's strong balance sheet and integrated company structure.

Power is well positioned to continue to deliver value for Forge Group and its shareholders. The future for gas-fired power generation is strong in Australia and Asia and the business unit's relationships with key technology owners are well developed. Through the integrated efforts with Forge Group Minerals & Resources, Forge Group Construction and Forge Group Asset Management, Power will continue to deliver a one-stop EPC solution to the Gas Turbine market.

CHARLENE

Proposals Coordinator, Forge Group Ltd
Perth Western Australia

"I love that my role provides exposure to a variety of projects from small expressions of interests to big tenders and for a wide range of industries."

EMPLOYEE INSIGHT

FORGE GROUP CONSTRUCTION YEAR IN REVIEW

Forge Group Construction is a multidisciplinary contractor with over 40 years of experience in design, construction and fabrication. Our complete suite of construction services cover all disciplines including heavy civil, structural, mechanical, piping, tanks, electrical, instrumentation, and building.

OVERVIEW

Forge Group Construction had a very successful FY13, experiencing strong growth driven largely by a solid external workload combined with an upsurge in internal work generated via the integrated teams of Forge Group Minerals & Resources and Forge Group Power. As a result the business unit reported a significant boost in total revenue – up 34% from FY12 to $607 million. This increase was the product of an increase in demand for services and improved labour force efficiency, with the number of construction personnel remaining similar to FY12 and peaking at 1,200. In addition to a strong flow of work from projects secured in FY12, the business unit also generated approximately $100 million in new small construction projects during the period.

HIGHLIGHTS

In FY13, the external workload for Construction included ongoing contracts for the Fortescue Metals Group (FMG) Solomon Primary Crushing Hubs, the FMG Solomon OPF Civil Works, Rio Tinto Iron Ore's (RTIO) West Angelas Fuel Hubs, BHP Billiton (BHPB) Port Hedland NPI Works, RTIO's Hope Downs 4 NPI Works, CBI APLNG's LNG Storage Tanks and Woolworths Margaret River Shopping Complex.

In addition, new external projects were secured for the FMG Solomon Kings Valley De-sanding Plant and MMG Limited's Dugald River 100 Man Construction Camp.

Importantly, Forge Group Construction and Forge Group Minerals & Resources are continuing to build upon the strong relationship established between Cimeco and Abesque prior to their integration into Forge Group in January 2013.

Construction worked seamlessly during FY13 with the Minerals & Resources business unit in delivering a number of Western Australian-based projects.

One of the larger contracts completed was at Sandfire Resources Limited's DeGrussa Copper Project. The EPC contract, valued at $65 million, involved Construction undertaking civil, structural, mechanical, piping, electrical and instrumentation works.

In April 2013, Construction worked with the Minerals & Resources unit on the $38 million EPC contract for Lynas Corporation at their Mt Weld LAMPSUP Rare Earth Project. The contract involved a brownfields upgrade to the existing processing plant.

PROJECT CASE STUDY

Solomon OPF's and Primary Crushing Hubs

Client:	Fortescue Metals Group	**Completion Date:**	Dec 2012
Location:	Western Australia	**Contract Value:**	$219 Million
Sector:	Mining	**Man-Hours:**	461,000
Scope	EPC contract for civil and concrete works for all major structures on BID and CID ore processing facilities (incl >30,000m^3 of cast in-situ concrete) as well as engineering design, supply, fabrication, procurement, construction and commissioning of three Sizer Hubs.		

DeGrussa Copper Project near Meekatharra, Western Australia

Mt Weld Rare Earths Project near Laverton, Western Australia.

In addition, the Construction unit worked internally on the $30 million Onslow Salt Washplant Upgrade Project for Shark Bay Salt. The contract included brownfields demolition and removal of the existing washplant material in conjunction with the design and construction of a new loop road, crushing and materials handling systems and linking into the existing plant.

Construction also worked closely with the Power unit across a number of key projects including civil works for the APA Diamantina Power Station project; civil, structural, mechanical, piping, electrical and instrumentation works for RTIO's West Angeles and Cape Lambert Power Station projects, BHP's Yarnima Power Station and Horizon Energy's South Hedland Power Station project.

Another key focus of the business unit during FY13 was continuing to develop its relationship with indigenous joint venture partner, Forge Pilbara Logistics Western Australia (FPLJV). Construction has tendered several non-process infrastructure packages for various clients that were still pending at the end of the reporting period. In addition, the two projects (RTIO HD4 and BHPB Port Hedland NPI) currently being undertaken by the FPLJV are progressing well despite heavy rain throughout January/February 2013.

In early 2013, Forge Group revised its indigenous engagement strategy with the view to pursuing further opportunities that will increase the numbers of indigenous people employed across Forge Group projects.

Construction's internal plant division was restructured during FY13 to allow the division to gain a significant competitive advantage over rival companies when tendering large scale construction projects. The restructure will ensure that the entire Company owned fleet is adequately maintained at all times for optimal performance.

OUTLOOK

Forge Group Construction has a very solid order book across the next 12 months and will continue to focus on securing additional work in Western Australia and Queensland that is complementary to the business unit's existing skill set and capabilities. Forge Group's ability to perform and deliver has strengthened several key relationships with major iron ore producers such as FMG and RTIO.

Furthermore, the vertically integrated EPC model is attracting a substantial amount of client interest, as there has been a consistent trend away from the traditional EPCM business model. The integration of the Forge Group business units undertaken in December 2012 has already resulted in shared opportunities that will generate further construction work within the business.

PAT

Civil Estimating Manager, Forge Group Construction Perth, Western Australia.

“This year I've seen the business ethic evolve considerably through the implementation of the One Forge model.”

EMPLOYEE INSIGHT

FORGE GROUP ASSET MANAGEMENT YEAR IN REVIEW

Forge Group Asset Management completes the Group's life-cycle services offering with a broad range of asset management services, including comprehensive operations, managed maintenance services and sustaining capital works covering all disciplines.

OVERVIEW

Forge Group Asset Management was inaugurated on 1 January 2013 and has strengthened Forge Group's ability to provide end-to-end project solutions to global clients. In addition, its unique integrated service delivery model will add significant value by coupling a client's capital project with ongoing operational maintenance requirements.

Asset Management will be a key contributor to growth for Forge Group as it diversifies into North America, Asia and Africa while continuing to perform in Australia. The business unit contributed $14 million of revenue to Forge Group in the six months to 30 June 2013*.

HIGHLIGHTS

Asset Management's initial core business was centred on the Western Australian region where it successfully executed minor capital works, and shut-down maintenance works in the water, power and minerals processing sectors. Key wins included operations and maintenance works at Horizon Power's South Hedland Power Station, tank and terminal works for BP at Geraldton and Broome, construction works on a program of well upgrades for Water Corporation and shut-down works at Cockburn Cement. These works will continue to grow with Asset Management successfully winning a position on the panel of preferred suppliers for the provision of Principal Administered Minor Works for the Water Corporation of Western Australia.

As a new business unit, Asset Management has four key growth initiatives for FY14. Firstly, the acquisition of Taggart Global will facilitate global expansion. Taggart provides a significant boost to the global operations and maintenance capabilities and

EMPLOYEE INSIGHT

CHARLES

Forge Group China, Beijing

"We are thrilled to be a part of Forge's expanding global footprint and believe that Forge Group China will provide a competitive advantage as Forge continues to broaden its capabilities and geographic presence."

revenue of Forge Group. Asset Management now manages the operations and maintenance activities of 13 major coal handling plants and 10 clean coal facilities in North America, which will boos revenue by $100 million per annum. This is expected to grow in the next five years as the asset management capabilities are extended into new sectors in North America. These capabilities, coupled with the process engineering capability, are directly transferable into the coal mining regions of central Queensland and New South Wales.

Sector expansion is the second key growth initiative for Asset Management. Further expansion into the Eastern States of Australia is planned via a focus on the coal, power and coal seam gas sectors. The expansion will be based on the delivery of value add services through electrical and instrumentation, commissioning, asset reliability support and business improvement processes underpinned by a skilled trades execution capability.

Thirdly, the establishment of a strategic partnering arrangement with GE Industrial Solutions places Asset Management as a GE accredited supplier for warranty servicing, installation and commissioning on GE's medium voltage equipment in Australia. GE in turn will be a supplier of medium voltage equipment on Forge Group Asset Management projects. Our team of E&I commissioning engineers are working closely with GE Industrial Solutions to establish a customised service facility in Brisbane.

Finally, the development of a technology services division within Asset Management will focus on the supply and servicing of equipment for access control, security, closed circuit television surveillance and fire detection and protection services. This provides Asset Management with in-roads into this highly specialised field which has application across the resources, mining, oil and gas and commercial real estate sectors. It also facilitates in-house delivery of these services for the Power, Minerals & Resources and Construction business units thereby eliminating third party risk to delivery.

OUTLOOK

Forge Group Asset Management is poised for growth in the FY13-FY18 period. From a start-up business delivering $14 million of revenue in its first half year of operation and the inclusion of the North American operations and maintenance capabilities, the expected global Asset Management revenue is expected to significantly increase FY14*.

PROJECT CASE STUDY

Water Corp 160 Prevention of Falls

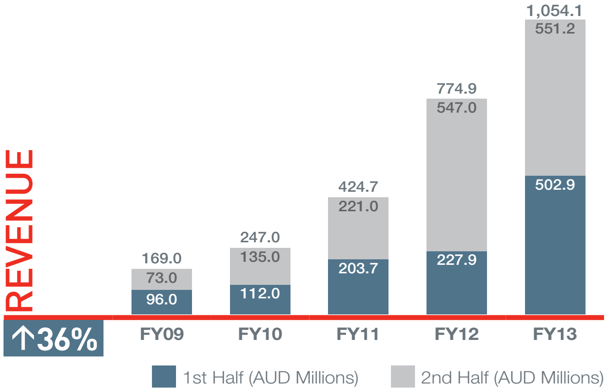
Client:	Water Corporation	Completion Date:	July 2013
Location:	Perth, Western Australia	Contract Value:	$6 Million
Sector:	Utilities	Man-Hours:	20,586
Scope	Design and construction of Prevention of Falls by upgrading the existing infrastructure at 160 Dry Well Pumping. LTI free for entire life of Project.		

* Forge Group Asset Management financial results are included as part of the Forge Group Construction segment for the purposes of segment reporting for the FY13 financial year. This is consistent with reporting to the Board of Directors. The segment will be segregated and reported separately from 1 July 2013 onwards.

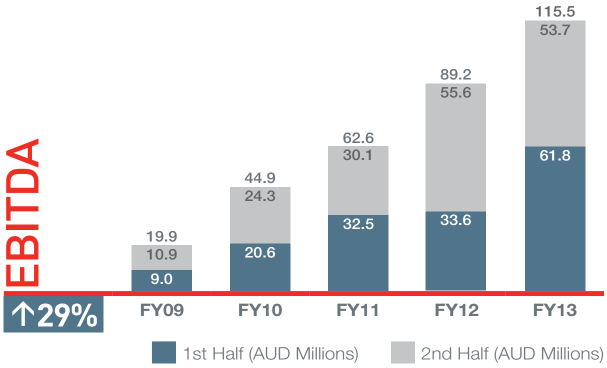
STRONG FINANCIAL PERFORMANCE

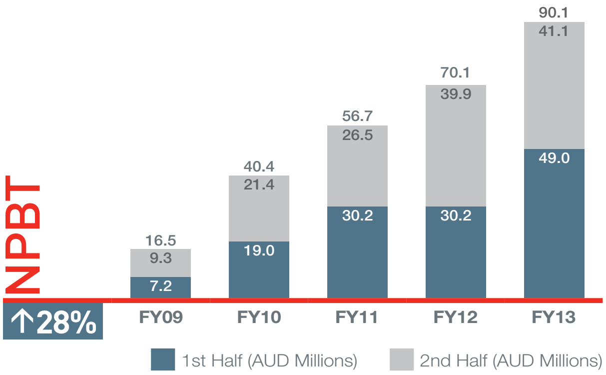
Financially, the Group has continued to exceed expectations and has enjoyed its seventh consecutive year of growth. This was highlighted by a 36% increase in revenue to over $1 billion for the year. Revenue growth and sustained project margins have increased net profit before tax by 29% to $90.1 million. Creation of shareholder wealth is clearly evident by the increase in basic earnings per share for the period which has increased by 24% from 58.9 cents per share to 73.0 cents per share. Return of this wealth to shareholders is evident by a strong and consistent dividend payout. The Group will distribute over $15 million in dividends from the current year profit which equates to 25% of earnings per share. The distribution equates to 18 cents per share which is an increase of 29% on the prior year dividend of 14 cents per share.

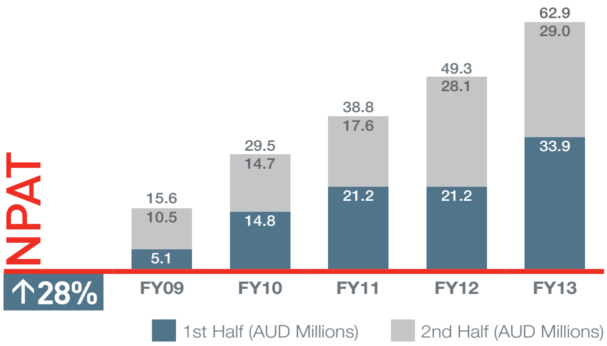
The Balance Sheet for the Group remains strong after another year of investment in capital equipment with purchases of over $19 million increasing the Group's property, plant and equipment value to over $71m. The cash position of the Group (including term deposits) is over $103m. Movements in working capital balances reflect changes to the stages of completion of the groups projects, milestone payment dates, and the growth of the business. The large increase in construction work in progress from $11.3m at June 2012 to $150.5m at June 2013 had a significant impact on the net cash provided from operating activities which reduced from $91.2m in 2012 to $17.9m in 2013. Cash balances (including term deposits) reduced from $137.8m at June 2012 to $103.9m at June 2013. Significant cash outflows in the year other than from operating activities include a $19.8m payment of deferred consideration relating to the prior acquisition of CTEC (now Forge Group Power).

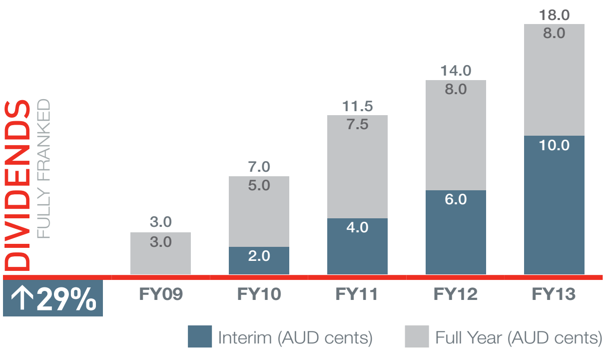


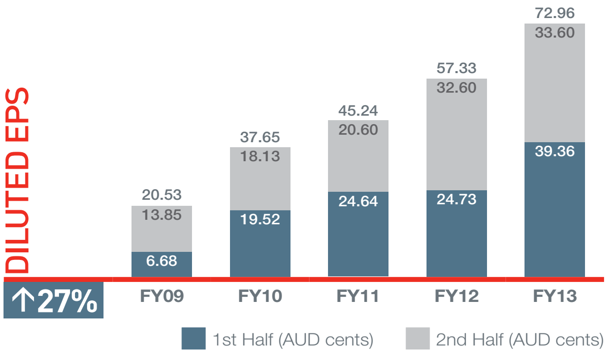
* Interest income has been excluded from the revenue disclosed for 2013 and 2012 to align the figures with the financial statements. Revenue shown for 2009 to 2011 includes interest income











Diamantina Power Station, Mt Isa, Queensland, Australia (June 2013)


FORGE
FORGE

DIRECTORS' REPORT

The directors of Forge Group Ltd submit herewith the annual report of the Group for the financial year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

INFORMATION ABOUT THE DIRECTORS

The names and particulars of the directors of the Company during or since the end of the financial year are:

David Simpson	Appointed 9 July 2012
David Craig	
Marcello Cardaci	
John O'Connor	Appointed 29 November 2012
Gregory Kempton	Appointed 29 November 2012
Peter Hutchinson	Resigned 9 July 2012
Andrew Ellison	Resigned 31 July 2012
Gregory McRostie	Resigned 30 November 2012
Neil Siford	Resigned 28 March 2013
Kevin Gallagher	Resigned 28 March 2013

David Simpson	**Managing Director** (appointed 9 July 2012)
Qualifications	Dip Law (LPAB), Masters of Law and Management
Term of office	Director since 9 July 2012
Experience	Mr Simpson has extensive experience specific to the engineering and construction sectors both in Australia and internationally. Prior to joining Forge, he was Chief Executive of UGL's Resources division, servicing the mining and mineral processing, oil and gas, chemicals and petrochemicals, and industrial processing industries. He also held various legal and corporate roles with UGL including Chief Legal Officer and Chief Commercial Officer. Before this David worked for Leighton Contractors, Daimler Chrysler (Adtranz) and Asea Brown Boveri (ABB).
Interest in ordinary shares of Forge Group Ltd	None
Interests in options/rights of Forge Group Ltd	653,396 performance rights
Special responsibilities	Member of the Defence Committee; Member of the Health, Safety & Environment Committee; Member of the Nomination Committee
Directorships currently held in other listed entities	None
Former listed directorships held in last 3 years	None

David Craig	**Non-Executive Chairman**
Qualifications	BJuris (Hons) LLB (Hons) LLM (London) GDipAppFin (FINSIA)
Term of office	Director since 8 March 2011, Chairman since 8 June 2012
Experience	Mr Craig is an experienced Chairman, Director and businessman with an accomplished background in business and law. Current and past Board appointments have involved the law, mining, construction, mining services, financial services and the oil and gas industry, as well as with professional bodies and not-for-profit community organisations. As a partner of a major Perth law firm he specialised in resources and commercial legal advice, which included work on resources joint ventures, the acquisition and disposal of interests in companies and projects, and capital raising by companies. This was followed by ten years in the financial services industry as a stockbroker and an executive director in a national stockbroking and investment banking company. Mr Craig then spent five years working with Woodside Petroleum Ltd in an executive position in the field of public and government affairs.
Interest in ordinary shares of Forge Group Ltd	6,000
Interests in options/rights of Forge Group Ltd	None
Special responsibilities	Non-Executive Chairman; Chairman of the Defence Committee; Member of the Health, Safety & Environment Committee; Chairman of the Nomination Committee.
Directorships currently held in other listed entities	Moly Mines Limited (appointed 19 May 2009) Gunson Resources Ltd (appointed 8 March 2011) Southern Hemisphere Mining Ltd (appointed 2 December 2009)
Former listed directorships held in last 3 years	ADG Global Supply Limited (ceased 31 July 2010) Entek Energy Ltd (ceased 25 November 2010) Nomad Building Solutions Ltd (ceased 31 July 2012)

Marcello Cardaci	Non-Executive Director
Qualifications	BJuris, BCom, LLB
Term of office	Director since 4 June 2007
Experience	Mr Cardaci is a partner in the Australian legal practice of Gilbert & Tobin. He is experienced in a wide range of corporate and commercial matters with a particular emphasis on public and private equity risings and mergers and acquisitions.
Interest in ordinary shares of Forge Group Ltd	None
Interests in options/rights of Forge Group Ltd	None
Special responsibilities	Chairman of the Remuneration Committee; Member of the Audit & Risk Committee; Member of the Nomination Committee
Directorships currently held in other listed entities	Lemur Resources Ltd (appointed 8 November 2010) Manhattan Corporation Ltd (appointed 18 December 2006) Style Limited (appointed 16 May 2013)
Former listed directorships held in last 3 years	Sphere Minerals Ltd (ceased 16 November 2010)

John O'Connor	Non-Executive Director
Qualifications	BSc (Applied Mathematics) (Hons)
Term of office	Director since 29 November 2012
Experience	Mr O'Connor had 24 years of experience as an audit Partner with PricewaterhouseCoopers (PwC) serving clients of all sizes across a range of industries. He held a number of leadership positions at PwC, including Managing Partner of the firm's Perth Office. Prior to retiring as a partner of PwC in March 2013, Mr O'Connor specialised in providing accounting advice and assurance to boards and management, particularly in the resources sector.
Interest in ordinary shares of Forge Group Ltd	None
Interests in options/rights of Forge Group Ltd	None
Special responsibilities	Chairman of the Audit & Risk Committee; Member of the Remuneration Committee; Member of the Nomination Committee
Directorships currently held in other listed entities	None
Former listed directorships held in last 3 years	None

Gregory Kempton	Non-Executive Director
Qualifications	Dip BTech, Grad AMP (Harvard)
Term of office	Director since 29 November 2012
Experience	Mr Kempton has more than 39 years of industry experience in the construction, property, and civil and mining sectors. He recently retired as Managing Director of Watpac where he was instrumental in taking the business from being a $120 million turnover building contractor in Queensland to a diversified $1.5 billion company with presence in all States and providing mining, building, infrastructure, landscaping, engineering, property development and tourism services. He is Chairman of Skills Queensland, an independent statutory authority driving the State of Queensland's skills policy, planning and investment.
Interest in ordinary shares of Forge Group Ltd	5,000
Interests in options/rights of Forge Group Ltd	None
Special responsibilities	Chairman of the Health, Safety & Environment Committee; Member of the Remuneration Committee; Member of the Audit & Risk Committee; Member of the Nomination Committee
Directorships currently held in other listed entities	None
Former listed directorships held in last 3 years	Watpac Limited (ceased 28 May 2012)

COMPANY SECRETARY

The following persons held the position of Company Secretary during the financial year:

ANDREW TODD BELL

B.Bus, Grad.Dip.Co.Secr., FCIS, FCPA
(Company Secretary until 9 April 2013).

Mr Bell has over 22 years of financial management experience and has worked within the Mining, Oil & Gas and Construction industries for the past 18 years. Mr Bell's career includes extensive experience in senior financial management roles with fast growing Engineering and Construction companies and in development of effective financial control, risk mitigation and management systems.

GLEN ANDREW SMITH

BCom, Grad Dip ACG, ACIS
(Company Secretary from 9 April 2013 to present).

Glen Smith joined Forge Group in April 2013 and has responsibility to manage, oversee and coordinate all company secretariat and corporate governance matters. He is a professional chartered secretary with more than 10 years of company secretarial experience across a number of industries, including engineering, technology, mining and resources.

MEETINGS OF DIRECTORS

The numbers of meetings of Forge's Board of Directors and each Board Committee held during the year ended 30 June 2013, and the numbers of meetings attended by each director were:

	Board		Board Committees							
			Audit & Risk		Defence		Remuneration		Health, Safety & Environment	
	A	B	A	B	A	B	A	B	A	B
David Craig	12	12	5	5	2	2	2*	2	1	1
David Simpson	12	12	5*	5	2	2	2*	2	1	1
Marcello Cardaci	11	12	5	5	-	-	2	2	-	-
Greg McRostie	5	5	2*	3	-	-	-	-	-	-
Andrew Ellison	1	1	-	-	-	-	-	-	-	-
Kevin Gallagher	6	9	1*	4	-	-	-	-	-	-
Neil Siford	8	9	4	4	1	1	-	-	-	-
John O'Connor	8	8	2	2	2	2	2	2	1*	1
Greg Kempton	8	8	2	2	1*	2	2	2	1	1

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the relevant Committee during the year
* = Indicates that a Director attended some meetings by invitation whilst not being a member of a specific Committee

No separate Nomination Committee meetings were held during the current financial year, instead this function was performed by the full Board.

PRINCIPAL ACTIVITIES

During the year the continuing principal activities of the Group consisted of global engineering, procurement and construction (EPC) services, together with asset management solutions for the resources, energy and public utility sectors.

Further detailed information about the activities of the segments within the Group are provided in Note 25 to the financial statements.

There were no other significant changes in the nature of the principal activities of the Group during the financial year.

REVIEW OF OPERATIONS

Forge Group commenced FY14 with an order book valued at $1.3 billion, with $900 million of new contracts added in the 12 month period.

The Minerals & Resources business unit achieved total revenue of $96 million. Work in hand increased during the period particularly in the areas of studies, front-end engineering and design and EPC contracts.

Forge Group Power contributed $494.9 million to Forge Group's revenue in FY13 - nearly 50% of the Company's total earnings. Work at hand includes projects in Queensland and Western Australia. Among these is the largest ever single project for Forge Group; the $430 million Diamantina Power Station EPC contract.

Forge Group Construction's growth was due to a combination of external workload and internal work generated from the Minerals & Resources and Power business units. Construction reported total revenue of $606.6 million. This was the result of an increase in demand for services and improved labour force efficiency, with the number of construction personnel remaining similar to FY12 at about 1,200. In addition to a flow of work from projects secured in FY12, the business unit generated approximately $100 million in new small construction projects during the period.

The Forge Group Asset Management business unit was inaugurated on 1 January 2013 and contributed $14 million revenue in its first six months of operation. The business unit has strengthened Forge Group's ability to provide end-to-end project solutions to clients.

Forge Group's balance sheet is strong, with $103.9 million in cash, cash equivalents and term deposits.

Further information about Forge Group's operations in FY13 can be found in the Managing Director's Report.

ENVIRONMENTAL REGULATIONS

Forge Group maintains certified ISO 14001 environmental guidelines for a large majority of its operations. This independent, third-party accreditation is audited on an annual basis.

In line with Forge's significant growth over the past 12 months, an Energy & Efficiency Strategic Business Plan has been developed. This plan sets out the objectives for expanding the level of compliance for both environmental management systems and energy efficiency requirements across multiple jurisdictions. To achieve this increased level of compliance and to meet the continually changing legislative landscape, Forge Group will further develop its management systems with a view to establishing a high level global approach towards compliance. This will increase the ability of Forge Group to operate effectively with all client and jurisdictional requirements.

Alongside this initiative, Forge Group has implemented a capability-building program within the Functional Support Management Team. This program aims to not only recruit senior roles but importantly offers a cadet program designed to enable opportunity and development for those seeking a career in environmental and energy efficiency management.

Forge Group is required to operate under licences, laws and regulations of numerous environmental and government agencies. Adherence to these requirements is closely monitored by management. Inspections of worksites by these agencies have not identified any areas of non-compliance in the past 12 months. Forge Group may sometimes be subject to various state and local government, environmental and town planning regulations incidental to the development of its operating sites. These regulatory requirements are addressed as and when they arise.

Forge Group was exempt from the reporting requirements of the Energy Efficiency Opportunities Act 2006 in FY13 as its energy consumption was below the 0.5 petajoule registration threshold. If this threshold is exceeded in future reporting periods, it will be required to register with the Department of Resources, Energy and Tourism and complete an Energy Savings Action Plan. This plan assesses the energy usage of the Group and identifies opportunities for the Group to reduce its energy consumption.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the period, the Group implemented a Board and Management Transition Plan which has resulted in the appointment and resignation of several individuals in key roles within the Group. Further details are provided in the Remuneration Report, the Chairman's Report and the Managing Director's Report.

Other than the above, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

FUTURE DEVELOPMENTS

Likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is discussed in the Chairman's letter to shareholders and also in the strategy and outlook section of the Managing Director's report.

DIVIDENDS

Dividends paid or declared for payment during the current and previous financial year are as follows:

Dividends	Amount per Security	Franked Amount per Security	Total Dividend Amount $000	Payment Date
2013				
Unrecognised Amounts:				
2013 Final dividend	8.0 cents	8.0 cents (100%)	$6,893	26 September 2013
Recognised Amounts:				
2012 Final dividend	8.0 cents	8.0 cents (100%)	$6,893	26 September 2012
2013 Interim dividend	10.0 cents	10.0 cents (100%)	$8,617	29 March 2013
	18 cents	**18 cents (100%)**	**$15,510**	
2012				
Unrecognised Amounts:				
2012 Final dividend	8.0 cents	8.0 cents (100%)	$6,893	26 September 2012
Recognised Amounts:				
2011 Final dividend	7.5 cents	7.5 cents (100%)	$6,257	26 September 2011
2012 Interim dividend	6.0 cents	6.0 cents (100%)	$5,008	30 March 2012
	13.5 cents	**13.5 cents (100%)**	**$11,265**	

SUBSEQUENT EVENTS

ACQUISITION OF TAGGART GLOBAL

Prior to year end, the Group entered into an agreement to acquire select subsidiaries of Taggart Global USA LLC ("Taggart"), a US based asset management, engineering and EPC business. The proposed purchase price consisted of an upfront payment of US$43 million and potential future earn-outs to a maximum of US$25 million which are based on earnings milestones through to 2016. The agreement was subject to conditions precedent, including: third party consents; delivery of certain information; execution of other agreements and releases by certain individuals and excluded subsidiaries; no material adverse effect; and applicable regulatory consents and approvals. The conditions were subsequently satisfied on 3 July 2013 and the acquisition was completed on that date. The up-front cash payment was financed through the ANZ banking facility detailed below.

PROPOSED DIVIDEND

The Group declared a fully franked dividend of 8 cents per ordinary share. This brings the total dividend for FY13 to 18 cents per share. The record date for the dividend is 12 September 2013 and the proposed payment date is 26 September 2013.

BANK FACILITIES

From July 2013, the Group has changed its bankers from NAB to ANZ. The Group is in the process of establishing a club facility, with ANZ as Mandated Lead Arranger. As set out in a commitment letter from ANZ dated 17 June 2013, the total club facility will consist of the following facilities:

- Guarantee facilities of $150 million (of which ANZ have committed $90 million).
- Acquisition facilities of $50 million (of which ANZ have committed $50 million).
- Asset finance facilities of $10 million (of which ANZ have committed $4 million).

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

At the date of this Report, the unissued ordinary shares of Forge Group Ltd under option were nil. Unissued performance rights at the date of this Report amounted to 1,378,730.

During the year ended 30 June 2013, no ordinary shares of Forge Group Ltd were issued on the exercise of options or performance rights granted.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Group paid a premium in respect of a contract insuring the Directors of the Company (as named above), the Company Secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

PROCEEDINGS ON BEHALF OF THE GROUP

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

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

NON-AUDIT SERVICES

There were no non-audit fees paid to KPMG during the year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 42.

A MESSAGE FROM THE FORGE GROUP BOARD - 2013 REMUNERATION REPORT

Dear Shareholders,

This report outlines our remuneration policy & framework and illustrates how our strong performance for the 2013 Financial Year has resulted in the reported remuneration outcomes.

The Remuneration Committee has taken positive steps this year to ensure Forge Group's remuneration program is sustainable and focused on driving and rewarding executive performance for the achievement of the Company's strategy and objectives. This approach will ultimately drive the creation of long term growth in shareholder wealth.

Despite the challenging market conditions in our sector, Forge Group continued to perform strongly in 2013. We saw a solid improvement in revenue for the year, achieving a result of $1,054,100,270 (FY12: $774,879,245), achieved Net Profit Before Tax result of $90,108,605 (FY12: $70,082,492) and delivered Diluted Earnings Per Share result of 72.96 cents (FY12: 57.33 cents). Importantly, the Group also achieved a Total Recordable Injury Frequency Rate of 9.61 (FY12:17.02).

During the year Forge Group made the successful transition from a portfolio of businesses to a fully integrated EPC organisation, renewed the Board of Directors to a conventional structure and recruited a team of high calibre Senior Executives to lead future strategy & growth of the Company. Given these significant transitional changes in the Company, the Remuneration Committee is pleased to advise shareholders it has overseen the following developments in the 2013 Financial Year:

- Reviewed the Remuneration Committee charter for current relevance, recognising the importance of strong corporate governance, current executive remuneration practice and risk management.
- Appointment of additional Non-Executive Directors and moving composition of the Board to a conventional structure.
- Recruitment of experienced Senior Executive team, ensuring the outlook for Forge Group is now backed by an Executive team with appropriate skills & experience.
- Benchmarked Non-Executive Director and Key Management Personnel remuneration packages to ensure balance as compared to the policy position of targeting performance of 75th percentile as compared to market.
- A structured Short Term Incentive ("STI") program was implemented, focusing on delivery of targeted EBIT and improvement in Group Safety performance.
- Implemented a structured Long Term Incentive ("LTI") plan for Senior Executives with a focus on Total Shareholder Return ("TSR") and Earnings Per Share ("EPS") growth over a 3 year performance period.
- Common performance management processes were deployed across all businesses to ensure individual employee performance and behaviours appropriately influence final Short Term Incentive outcomes.
- Implementation of a formal Remuneration Policy framework across the business, taking into consideration all levels of the organisation.
- Reviewed remuneration performance in respect to the 2013 Financial Year and set plans for the 2014 Financial Year - including alignment of target STI & LTI levels for Senior Executives and ensured continuity of existing STI and LTI plans to maintain Executive focus and business momentum.
- Provided our shareholders with an improved and transparent Remuneration Report that is presented in a conventional structure.

We hope you find the 2013 Remuneration Report informative and consistent with our approach to providing good corporate governance.

FORGE GROUP BOARD OF DIRECTORS

REMUNERATION REPORT - AUDITED

1. REMUNERATION REPORT - OVERVIEW

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Forge Group Ltd's Key Management Personnel for the financial year ended 30 June 2013. The term Key Management Personnel ("KMP") refers to those employees having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the consolidated entity.

The following were KMP of Forge Group during the 2013 Financial Year and unless otherwise indicated were KMP for the entire year:

NON-EXECUTIVE DIRECTORS

Mr David Craig, Non-Executive Chairman

Mr Marcello Cardaci, Non-Executive Director

Mr John O'Connor, Non-Executive Director (commenced 29 November 2012)

Mr Greg Kempton, Non-Executive Director (commenced 29 November 2012)

EXECUTIVE DIRECTOR

Mr David Simpson, Managing Director & Chief Executive Officer (commenced 9 July 2012)

FORMER NON-EXECUTIVE DIRECTORS

Mr Kevin Gallagher, Non-Executive Director (resigned 28 March 2013)

Mr Neil Siford, Non-Executive Director (resigned 28 March 2013)

FORMER EXECUTIVE DIRECTORS

Mr Peter Hutchinson, Managing Director (resigned 9 July 2012)

Mr Andrew Ellison, Executive Director (resigned 31 July 2012)

Mr Greg McRostie, Executive Director (resigned 30 November 2012)

SENIOR EXECUTIVES

Mr Brett Smith, Chief Operating Officer (commenced 1 September 2012)

Mr Donald Montgomery, Chief Financial Officer (commenced 15 October 2012)

Mr Clive Ross, Chief Executive Asset Management (appointed 29 March 2013)

Mr Mark Rankmore, Chief People Officer and Head of Corporate Affairs (commenced 3 December 2012)

Mr Lee Arasu, Chief Development Officer (appointed 15 March 2013)

Mr Robert Mancini, Group General Counsel (commenced 12 November 2012)

FORMER SENIOR EXECUTIVES

Mr Andrew Bell, Chief Financial Officer & Company Secretary (ceased as KMP 15 October 2012)

For the purposes of this report, unless otherwise stated, the term "Executive" or "Senior Executive" comprise those Key Management Personnel who are not Non-Executive Directors.

2. REMUNERATION GOVERNANCE

The Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations to the Board in relation to:

- Non-Executive Director fees.
- Executive Remuneration quantum (Directors and Senior Executives).
- The over-arching Executive Remuneration Framework and incentive plan schemes.
- Reviewing and setting the Company's wider remuneration practices.

The objective of the Remuneration Committee is to ensure that remuneration policies and structures are fair, market competitive and aligned with the long-term interests of the Group.

The Corporate Governance Statement provides further information on the role of the Remuneration Committee.

3. USE OF REMUNERATION ADVISERS

During 2013, the Remuneration Committee approved the engagement of consulting firm Ernst & Young to review its existing Executive Remuneration policies and to provide recommendations in respect of Non-Executive Director fees, provide advice on Senior Executive Management remuneration benchmarking and provide advice on the design of the LTI plan. The recommendations were provided to Forge as an input into decision making only. The Remuneration Committee considered the recommendations along with other factors in making their remuneration decisions.

These recommendations also covered the Group's KMP. Under the terms of the engagement, consultants provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and were paid $15,000 for these services. A total of $112,630 were paid for other remuneration services.

Ernst & Young have confirmed that any recommendations made were made free from undue influence by members of the group's KMP. The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- The advisor was engaged by, and reported directly to, the Chairman of the Remuneration Committee. The agreement for the provision of remuneration consulting services was executed by the Chairman of the Remuneration Committee.
- The KMP to whom the advice relates were not involved in the selection and appointment of, or contract negotiations with Ernst & Young as remuneration advisors.
- The report containing the remuneration recommendations was provided by the advisors directly to the Chairman of the Remuneration Committee.
- The advisor was permitted to speak to management throughout the engagement to understand Company processes, practices and other business issues and obtain management perspectives.
- Where remuneration recommendations were provided to the Remuneration Committee relating to Non-Executive Director fees, in addition to the normal quality and risk review, a further review of the recommendation report was

undertaken by a Partner who was independent to the engagement team and other work related to the Company.

As a result, the Board is satisfied that the recommendations were made free from undue influence from any members of the KMP.

4. REMUNERATION POLICY

The Executive Remuneration Policy of Forge has been designed to align executive objectives with shareholder and business objectives. This is achieved by providing a market competitive fixed remuneration component and offering specific STIs and LTIs based on key performance areas affecting the Group's financial, operational and safety results.

The policy aims to ensure that the business is effective and flexible in its ability to attract and retain the best Senior Executives to run and manage the Group, as well as recognise and reward performance in the context of a competitive and buoyant employment marketplace within the sector we operate.

It is the objective of Forge to offer remuneration and benefits to Senior Executives that:

1. Attract high calibre candidates.
2. Motivate and retain existing key talent and skills.
3. Reward Senior Executives fairly as compared to the 75th percentile of relevant market capitalisation and industry peers.
4. Support individual differentiation based on performance and contribution.
5. Ensure sufficient flexibility in the structure of remuneration to adjust to changing economic conditions.

Where certain levels of Management are eligible to receive either STI's of LTI's, Forge aims to structure overall remuneration packages so there is balance between fixed and incentive pay, short and long term performance objectives appropriate to the Company's circumstances and objectives.

5. MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

This section specifically deals with remuneration arrangements for Mr David Simpson, Managing Director & Chief Executive Officer of Forge Group for the 2013 Financial Year.

Set out below are the remuneration arrangements currently in place for Mr Simpson.

5.1 Fixed Annual Remuneration

In 2013 Mr Simpson received a base salary of $1,000,000 per year (including superannuation).

5.2 Short Term Incentive

For the 2013 Financial Year, Mr Simpson was eligible to receive a maximum of $500,000 in Short Term Incentive benefit subject to achievement of diluted Earnings Per Share ("EPS") growth exceeding 10% as compared to the 2012 Financial Year. A result of 27% diluted EPS growth was achieved, resulting in the full $500,000 payment being due and payable to Mr Simpson.

The Board at its absolute discretion, has also awarded Mr Simpson with an additional ex-gratia payment of $300,000 relating to over-performance in the 2013 Financial Year in a number of key areas which materially benefited Forge Group shareholders.

In particular, the Board took into consideration the following objective criteria in relation to over-achievement in the 2013 Financial Year when awarding Mr Simpson with this ex-gratia payment:

- Total Recordable Injury Frequency Rate of 9.61 (FY12: 17.02), improvement of 44%.
- Lost Time Injury Frequency Rate of 0.96 (FY12: 1.34), improvement of 28%.
- Diluted Earnings Per Share of 72.96 cents (FY12: 57.33 cents), growth of 27%.
- Net Profit Before Tax result of $90,108,605 (FY12: $70,082,492), growth of 29%.
- New contracts negotiated & executed in the 2013 Financial Year exceeding $900 million.
- Consolidated Group unweighted pipeline with value exceeding $4 billion.
- Full integration and re-brand of existing Forge Group businesses under a single brand ahead of schedule and budget.
- Attraction and recruitment of key Senior Executives with Tier 1 contractor and / or ASX100 experience to drive and lead the next stage of Forge's evolution.
- Negotiation, execution and closing of Sale Purchase Agreement relating to acquisition of Taggart Global.
- Recalibrated and rebalanced the investor register from individuals to major institutions.

The Board believes the significant achievements as led by Mr Simpson over the past 12 months justify this additional ex-gratia payment. In making this determination, the Board took into consideration comparison to similar organisations, overall quantum of annual STI payments and STI opportunity available to equivalent roles as compared by market capitalisation and industry.

5.3 Long Term Incentive

As approved by shareholders at the 2012 Annual General Meeting, Mr Simpson received a LTI Megagrant totalling $2,500,000, vesting over a 5 year period (assuming an annual entitlement of $500,000) subject to performance conditions. The Megagrant relates to a grant of performance rights which is in excess of what would typically be granted to Mr Simpson for one year.

Performance targets used for the Megagrant were as follows:

- 30% of the performance rights entitlement will be deemed to be earned upon achieving a 20% increase in dilutive earnings per share for each year above the base year (the base year will be the financial year ending 30th June 2012) for the first 5 years.
- 70% of the performance rights entitlement will be deemed to be earned upon achieving a compound 14.87% increase in dilutive earnings per share for each year for the first 5 years.

NB. EBITDA Reconciliation is as such: Net profit before tax $90.1M Add back financial costs $4M and depreciation & amortisation $21.4M = EBITDA of $115.5M

Performance rights may vest (after being earned in accordance with points 1 and 2 above) in equal portions of the Megagrant after calculation of the entitlement at the completion of years 3, 4 and 5 after Mr Simpson's commencement date.

Mr Simpson will have no entitlement to dividends paid during the Megagrant performance period.

5.4 Other Benefits

Mr Simpson also received a one-off $750,000 sign on fee to compensate him for foregone annual incentive, equity and retention benefits payable under his previous employment arrangements. In making this determination, the Board made due consideration to Mr Simpson's tenure and subsequent entitlements as a recognised Senior Executive under his previous employer.

6. SENIOR EXECUTIVES

An overview of the elements of remuneration for the 2013 Financial Year for Senior Executives (other than the Managing Director & Chief Executive Officer) is set out in the table below.

Overall remuneration levels for Senior Executives are reviewed annually through a process which considers individual performance and overall performance of the business. External consultants also provide analysis and guidance both to the Company and to the Remuneration Committee, to ensure Senior Executive remuneration levels remain competitive and in line with current market trends.

Remuneration Element	Overview	Results Achieved
Base Salary	▪ Comprises salary, superannuation and salary-sacrificed non-monetary benefits ▪ Market competitive, reviewed annually and determined by reference to S&P/ASX200 Index companies and market peers with consideration given to individual performance, skills and experience ▪ Positioned to deliver base remuneration at the 75th percentile according to external benchmarking guidelines wherever possible	▪ External market benchmarking conducted following review of KMP role & responsibility ▪ Assessment of FY13 personal performance goals & key behavioural competencies consistent with the values of the Group ▪ Assessment of current capability & positioning of the role within the Group in terms of contribution and future career progression of each incumbent ▪ Adjustments were to made to base salary consistent with policy and other factors considered relevant such as budgets applying to the wider Forge Group employee population
Short Term Incentive (STI) plan	▪ 2013 STI plan focused on achievement of set targets specifically relating to Earnings Before Interest and Taxes ("EBIT") (80% weighting) and Group Safety performance (20% weighting) ▪ 12 month annual performance period ▪ Objective is to drive annual performance consistent with market expectation	▪ FY13 EBIT result was $94,166,025 (FY12: $72,932,810) ▪ FY13 TRIFR result was 9.61 (FY12: 17.02) ▪ All Financial and Safety targets were significantly over achieved, resulting the STI plan vesting in full for the 2013 financial year
Long Term Incentive (LTI) plan	▪ 2013 LTI plan focused on Total Shareholder Return ("TSR") (50% weighting) and Earnings Per Share ("EPS") growth (50% weighting) hurdles over the performance period ▪ Three year performance period commencing 1 July 2012 ▪ Additional holding lock for 12 month period following vesting ▪ Objective is to directly align LTI measures with business performance and creation of growth in shareholder wealth	▪ Performance rights were issued during the 2013 Financial Year ▪ Year 1 EPS growth was 24%
Other Benefits	▪ Relative to sign on & retention payments received by KMP ▪ Some KMP were also required to relocate interstate to Perth during the 2013 financial year resulting in non-monetary benefits being provided	▪ One-off sign on payments made to Donald Montgomery and Brett Smith to compensate for benefits forgone under previous employment arrangements ▪ Retention payments were made to former founding Executive Directors Andrew Ellison and Greg McRostie relating to previously disclosed retention arrangements under the Board & Management transition plan ▪ Reasonable relocation benefits were provided to Brett Smith and Mark Rankmore consistent with policy and normal practice for Senior Executives

7. REMUNERATION DETAILS OF KEY MANAGEMENT PERSONNEL

		Short-term					Post Employment		Share-based payments				
Personnel	Year	Cash salary & fees	Sign-on / Retention Bonus	Performance Related Cash Bonus	Non-monetary benefits	Total Short term benefits	Superannuation	Termination benefits	Equity	Options and Rights	Total	Remuneration as options (%)	Performance related (%)
		$		$		$	$	$	$	$	$		
EXECUTIVE DIRECTOR													
D Simpson[1]	2013	958,112	750,000	800,000	69,309	2,577,421	16,470	-	-	312,107	2,905,998	11%	38%
FORMER EXECUTIVE DIRECTORS													
P Hutchinson[2]	2013	27,792	-	-	-	27,792	1,386	472,362	-	-	501,540	0%	0%
	2012	955,710	-	900,000	-	1,855,710	50,728	-	-	-	1,906,438	0%	47%
A Ellison[3]	2013	87,391	500,000	-	-	587,391	4,334	163,102	-	-	754,827	0%	0%
	2012	848,157	-	450,000	-	1,298,157	51,314	-	-	-	1,349,471	0%	33%
G McRostie[4]	2013	431,250	500,000	-	-	931,250	11,058	-	-	-	942,308	0%	0%
	2012	757,388	-	150,000	-	907,388	35,868	-	-	-	943,256	0%	16%
NON-EXECUTIVE DIRECTORS													
D Craig	2013	150,601	-	-	-	150,601	13,554	-	-	-	164,155	0%	0%
	2012	77,409	-	-	-	77,409	6,967	-	-	-	84,376	0%	0%
M Cardaci	2013	84,863	-	-	-	84,863	7,638	-	-	-	92,501	0%	0%
	2012	77,409	-	-	-	77,409	6,967	-	-	-	84,376	0%	0%
J O'Connor[6]	2013	54,670	-	-	-	54,670	4,920	-	-	-	59,590	0%	0%
G Kempton[6]	2013	53,956	-	-	-	53,956		-	-	-	53,956	0%	0%
FORMER NON-EXECUTIVE DIRECTORS													
N Siford[5]	2013	69,375	-	-	-	69,375	-	-	-	-	69,375	0%	0%
	2012	71,637	-	-	-	71,637	-	-	-	-	71,637	0%	0%
K Gallagher[5]	2013	69,375	-	-	-	69,375	-	-	-	-	69,375	0%	0%
	2012	59,060	-	-	-	59,060	-	-	-	-	59,060	0%	0%
TOTAL DIRECTORS													
	2013	**1,987,385**	**1,750,000**	**800,000**	**69,309**	**4,606,694**	**59,360**	**635,464**	**-**	**312,107**	**5,613,625**		
	2012	**2,846,770**	**-**	**1,500,000**	**-**	**4,346,770**	**151,844**	**-**	**-**	**-**	**4,498,614**		
SENIOR EXECUTIVES													
D Montgomery[7]	2013	368,029	50,000	159,000	-	577,029	12,353	-	-	31,077	620,459	5%	31%
B Smith[8]	2013	504,294	150,000	195,000	78,080	927,374	37,373	-	-	38,113	1,002,860	4%	23%
C Ross[9]	2013	113,338	-	45,342	-	158,680	4,118	-	-	22,957	185,755	12%	37%
M Rankmore[10]	2013	251,225	-	135,000	43,390	429,615	9,608	-	-	26,386	465,609	6%	35%
L Arasu[11]	2013	117,696	-	81,709	-	199,405	5,490	-	-	20,523	225,418	9%	45%
R Mancini[12]	2013	241,077	-	126,000	-	367,077	11,927	-	-	21,988	400,992	5%	37%
FORMER SENIOR EXECUTIVES													
A Bell[13]	2013	97,482	-	40,413	-	137,895	4,804	-	-	32,287	174,986	18%	42%
	2012	314,771	-	25,000	-	339,771	15,728	-	-	-	355,499	0%	7%
TOTAL SENIOR EXECUTIVES													
	2013	**1,693,141**	**200,000**	**782,464**	**121,470**	**2,797,075**	**85,673**	**-**	**-**	**193,331**	**3,076,079**		
	2012	**314,771**	**-**	**25,000**	**-**	**339,771**	**15,728**	**-**	**-**	**-**	**355,499**		
GRAND TOTAL													
	2013	**3,680,526**	**1,950,000**	**1,582,464**	**190,779**	**7,403,769**	**145,033**	**635,464**	**-**	**505,438**	**8,689,704**		
	2012	**3,161,541**	**-**	**1,525,000**	**-**	**4,686,541**	**167,572**	**-**	**-**	**-**	**4,854,113**		

1. Commenced 9 July 2012
2. Resigned 9 July 2012
3. Resigned 31 July 2012
4. Resigned 30 November 2012
5. Resigned on 28 March 2013
6. Commenced 29 November 2012
7. Commenced 15 October 2012
8. Commenced 1 September 2012
9. Appointed as KMP 29 March 2013
10. Commenced 3 December 2012
11. Appointed as KMP 15 March 2013
12. Commenced 12 November 2012
13. Ceased as KMP 15 October 2012

8. RELATIONSHIP BETWEEN REMUNERATION POLICY AND GROUP PERFORMANCE

The Forge Group Remuneration Policy has been tailored to ensure goal alignment between shareholders and Senior Executives. Two methods have been applied to achieve this goal, the first being a performance-based bonus based on key performance indicators, and the second being the issue of performance rights to Key Management Personnel (KMP)to encourage the alignment of Executive and Shareholder interests. Forge believes this policy has been effective in increasing shareholder wealth and will continue to be effective in the future.

Key Performance Indicators ("KPI") for the Short Term Incentive program are set annually, with a certain level of consultation with KMP and business planning processes to ensure buy-in. The KPI target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and takes into consideration respective industry standards in the markets in which Forge operates.

Performance in relation to the KPI is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of each KPI achieved. Following the assessment, the KPI are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPI are set for the following year.

The following table shows the gross revenue, profits and dividends for the last five years for the Group, as well as the share prices at the end of the respective financial years. Analysis of the actual figures shows an increase in profits each year as well as an increase in dividends paid to shareholders.

The Board is satisfied with the overall upwards trend in shareholder wealth over the past five years.

	2009	2010	2011	2012	2013
Revenue ($ million)	168.6	247.1	424.7	774.9	1054.1
Net Profit After Tax ($ million)	15.6	29.5	38.8	49.3	62.9
Share Price at year end ($)	0.46	2.69	5.46	4.37	4.20
Dividends (interim/finals) (c)	3.0	7.0	11.5	14.0	18.0
Basic Earnings Per Share	22.81	41.66	47.62	58.92	73.02

9. PERFORMANCE INCOME AS A PROPORTION OF TOTAL REMUNERATION

Senior Executives are paid performance based bonuses based on set targets relative to proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Remuneration Committee has set these bonuses as part of the annual STI plan to encourage achievement of specific targets that have been given a high level of importance in relation to the growth and profitability of Forge.

The Remuneration Committee will continue to review performance based remuneration to gauge effectiveness against achievement of set targets, and adjust any future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

KMP Name	% of performance bonus recieved	% of performance bonus forfeited
Mr David Simpson	100%	0%
Mr Brett Smith	100%	0%
Mr Donald Montgomery	100%	0%
Mr Clive Ross	100%	0%
Mr Mark Rankmore	100%	0%
Mr Lee Arasu	100%	0%
Mr Robert Mancini	100%	0%

10. NON-EXECUTIVE DIRECTOR REMUNERATION

The Group's policy is to competitively remunerate Non-Executive Directors within market rates (for comparable companies) for time, commitment and responsibilities. Fees for Non-Executive Directors are not linked to the performance of the Group, however to align Non-Executive Directors' interests with shareholders' interests, Directors are encouraged to hold shares in the Group.

Fees paid to Non-Executive Directors are set by reference to payments made by other companies of similar size and market capitalisation in the industry and by reference to the skills and experience of those Directors.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. The current approved fee pool is $700,000.

As Forge has undergone significant international growth and transformation in the last 12 months, this has also resulted in an increase to Non-Executive Director commitments and responsibilities. In addition, under current fee arrangements Non-Executive Directors do not receive additional fees for serving on Board committees.

Within the context of increasing time commitments, workloads and continued growth, the Board has undertaken a review on its Non-Executive Director fee structure. Based on this review, a conventional base fee and committee fee structure will be implemented in the 2014 Financial Year based on the following objectives:

- Enable the Company to competitively remunerate existing Non-Executive Directors consistent with overall Forge remuneration policy position.
- Ensuring the Company has the flexibility to increase the number of Board members through having a conventional fee structure that will attract future additional high calibre Non-Executive Directors with appropriate skills and experience.

To assist in implementing such a conventional structure and achieving the stated objectives, a resolution relating to an increase in the maximum aggregate fee pool for Non-Executive Director fees will be proposed to shareholders at the 2013 Annual General Meeting.

11. TERMS AND CONDITIONS OF EMPLOYMENT - KEY MANAGEMENT PERSONNEL

11.1 Managing Director & Chief Executive Officer

Mr David Simpson was appointed Managing Director & Chief Executive Officer of Forge Group on 9 July 2012 under an ongoing employment agreement. A summary of termination provisions under Mr Simpson's employment agreement are as follows:

Termination by Forge

Twelve (12) months' notice must be provided by Forge or payment in lieu of notice.

In the event of gross misconduct or breach of contract, employment may be terminated immediately without notice (or payment in lieu of notice) if Mr Simpson commits any act or omission justifying summary dismissal at common law.

Termination by Mr Simpson

Six (6) months' notice must be provided by Mr Simpson.

Termination on Material Diminution

If Mr Simpson suffers a material diminution in his status or position as Managing Director & Chief Executive Officer relative to a diminution in his authority in respect of the business as a whole, or a change in his reporting relationship with the Board, termination benefits are payable to Mr Simpson if he elects to provide written notice within two (2) months of the diminution occurring. The provision is applicable for 5 years from the date of his appointment.

Post-Employment Conditions

Mr Simpson is also subject to a twelve (12) month post-employment restraint and 12 month non-solicitation clause.

11.2 Other Senior Executive Contract Details

Brett Smith, Donald Montgomery, Clive Ross, Mark Rankmore, Lee Arasu and Robert Mancini all had ongoing contracts as at 30 June 2013.

For all Senior Executives, employment may be terminated immediately without notice (or a payment in lieu of notice) if the Executive commits any act or omission justifying summary dismissal at common law.

Termination provisions for Senior Executives are outlined in the table below.

	Period of Notice by Company	Period of Notice by Executive
Mr Brett Smith	Six (6) months (or payment in lieu)	Six (6) months
Mr Donald Montgomery	Twelve (12) months (or payment in lieu)	Six (6) months
Mr Clive Ross	Six (6) months (or payment in lieu)	Six (6) months
Mr Mark Rankmore	Six (6) months (or payment in lieu)	Six (6) months
Mr Lee Arasu	Six (6) months (or payment in lieu)	Six (6) months
Mr Robert Mancini	Six (6) months (or payment in lieu)	Six (6) months

12. PERFORMANCE RIGHTS GRANTED AS COMPENSATION TO KEY MANAGEMENT PERSONNEL

Details of performance rights that were granted as compensation to key management personnel during the reporting period are presented below:

	Number of performance rights granted during the year						
	Group A	Group B	Group C	Group D	Total granted	% vested during the year	% forfeited during the year
D Simpson	653,396		-	-	653,396	0%	0%
D Montgomery	-	21,722	21,722	-	43,444	0%	0%
B Smith	-	26,640	26,640	-	53,280	0%	0%
C Ross	-	16,046	16,046	-	32,092	0%	0%
M Rankmore	-	18,443	18,443	-	36,886	0%	0%
L Arasu	-	14,345	14,345	-	28,690	0%	0%
R Mancini	-	15,369	15,369	-	30,738	0%	0%
A Bell	-	-	-	31,558	31,558	0%	0%
Total	**653,396**	**112,565**	**112,565**	**31,558**	**910,084**		

Each performance right confers on the holder the right to obtain one ordinary share in Forge Group Ltd. No exercise price is attached to the performance rights. Rights issued to Group A, C & D are subject to non-market related hurdles and were valued using a Black-Scholes option pricing model. Performance rights issued to Group B are subject to market related hurdles have been valued using a Monte Carlo simulation. The inputs to the valuation models are shown below.

Grant Date	Vesting Date	Vesting Conditions
Group A Granted 24 October 2012	Tranche 1 – 9 July 2015 Tranche 2 – 9 July 2015 Tranche 3 – 5 days after release to ASX of the Company's audited financial statements for the year ended 30 June 2015 Tranche 4 – 5 days after release to ASX of the Company's audited financial statements for the year ended 30 June 2016 Tranche 5 – 5 days after release to ASX of the Company's audited financial statements for the year ended 30 June 2017	- 30% of each tranche of Performance Rights will vest if the Company's diluted Earnings Per Share (EPS) in respect of the Performance Period is at least 20% greater than the EPS for the financial year ended 30 June 2012; and - 70% of each tranche of Performance Rights will vest: (i) if diluted EPS increases in total by 14.87% over the period 1 July 2012 to 30 June 2013; (ii) if diluted EPS increases in total by 31.95% over the period 1 July 2012 to 30 June 2014; (iii) if diluted EPS increases in total by 51.75% over the period 1 July 2012 to 30 June 2015; (iv) if diluted EPS increases in total by 74.11% over the period 1 July 2012 to 30 June 2016; or (v) if diluted EPS increases in total by 100% over the period 1 July 2012 to 30 June 2017.
Group B Granted 17 December 2012	30 June 2015	Total Shareholder Return (TSR) over the three year performance period must sit above the 50th percentile of the TSR achieved by the S&P/ASX200. If Forge's TSR falls in the 50th percentile of the S&P/ASX200, 50% of the Relative TSR Rights will vest. If Forge's TSR is above the 75th percentile of the S&P/ASX200, 100% of the Relative TSR Rights will vest. Vesting will take place in a linear fashion for a TSR falling between the 50th and 75th percentiles of the S&P/ASX200
Group C Granted 17 December 2012	30 June 2015	The compound annual growth rate ("CAGR") in EPS over the three year performance period from 1 July 2012 is at least 7.5%. If Forge's CAGR in EPS is 7.5% then 50% of the EPS Rights will vest. If Forge's CAGR in EPS is above 15%, 100% of the EPS Rights will vest. Vesting will take place in a linear fashion for a CAGR of EPS falling between 7.5% and 15%
Group D Granted 17 December 2012	30 June 2015	3 years' employment service

Details of the grant date, vesting date, and performance criteria of the performance rights issued during the year are as follows:

	Group A					Group B	Group C & D
	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Market related hurdles	Non-Market related hurdles
Fair value at grant date	$3.78	$3.78	$3.74	$3.60	$3.46	$2.25	$4.10
Share price at grant date	$4.21	$4.21	$4.21	$4.21	$4.21	$4.54	$4.54
Expected volatility	N/A	N/A	N/A	N/A	N/A	40%	N/A
Performance period	2.7 yrs	2.7 yrs	2.93 yrs	3.93 yrs	4.93 yrs	2.53 yrs	2.53 yrs
Expected dividends	4%	4%	4%	4%	4%	4%	4%
Risk free interest rate	2.61%	2.61%	2.61%	2.62%	2.70%	2.80%	2.80%

AUDITOR'S INDEPENDENCE DECLARATION

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

To: the directors of Forge Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

KPMG

KPMG

Grant Robinson

Partner

Perth

28 August 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 $000	Consolidated 2012 $000
Revenue		1,054,100	774,879
Materials, plant and subcontractor costs		(656,334)	(516,867)
Employee benefits expense		(256,515)	(164,502)
Depreciation and amortisation expense	3	(21,361)	(16,292)
Consulting fees		(5,380)	(582)
Other expenses		(21,033)	(12,711)
Other gains and losses	2	188	257
Results from operating activities		**93,665**	**64,182**
Finance Income		6,939	5,698
Finance costs	4	(4,816)	(2,850)
Net Finance Income		**2,123**	**2,848**
Share of profit/(loss) of jointly controlled entities accounted for using the equity method	17	(5,679)	3,052
Net Profit Before Tax		**90,109**	**70,082**
Income tax expense	5	(27,190)	(20,780)
Net Profit After Tax		**62,919**	**49,302**
OTHER COMPREHENSIVE INCOME			
Items that may be re-classified to profit or loss			
Exchange differences arising on translation of foreign operations		1,826	(310)
Other comprehensive income for the year (net of tax)		**1,826**	**(310)**
Total comprehensive income for the year		**64,745**	**48,992**
Profit attributable to members of the parent entity		**62,919**	**49,302**
Total comprehensive income attributable to members of the parent entity		**64,745**	**48,992**
EARNINGS PER SHARE			
Basic earnings per share (cents)	9	73.02	58.92
Diluted earnings per share (cents)	9	72.96	57.33

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying Notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	30 June 2013 $000	30 June 2012 Restated* $000	30 June 2011 $000
CURRENT ASSETS				
Cash and cash equivalents	10	90,728	51,091	78,285
Short term deposits	10	2,748	72,500	-
Trade and other receivables	11	83,254	196,884	49,542
Inventories and construction work in progress	12	150,491	11,331	29,622
Current tax assets		2,535	-	-
Other assets	16	1,560	2,487	1,574
Total Current Assets		**331,316**	**334,293**	**159,023**
NON-CURRENT ASSETS				
Trade and other receivables	11	1,424	7,051	-
Term deposits	10	10,468	14,260	-
Property, plant and equipment	14	71,546	67,736	36,577
Deferred tax assets	20	9,124	4,273	2,043
Investments accounted for using the equity method	17	-	2,545	-
Intangible assets	15	40,332	48,243	15,637
Total Non-Current Assets		**132,894**	**144,108**	**54,257**
Total Assets		**464,210**	**478,401**	**213,280**
CURRENT LIABILITIES				
Trade and other payables	18	219,568	267,169	72,845
Borrowings	19	11,139	8,734	3,272
Current tax liabilities		-	8,367	6,387
Provisions	21	3,970	825	755
Total Current Liabilities		**234,677**	**285,095**	**83,259**
NON-CURRENT LIABILITIES				
Trade and other payables	18	-	9,246	-
Borrowings	19	14,547	17,453	4,901
Deferred tax liabilities	20	1,067	2,793	51
Investments accounted for using the equity method		-	-	308
Provisions	21	493	489	299
Total Non-Current Liabilities		**16,107**	**29,981**	**5,559**
Total Liabilities		**250,784**	**315,076**	**88,817**
Net Assets		**213,426**	**163,325**	**124,462**
EQUITY				
Issued capital	22	45,430	45,430	44,294
Profit reserve	30	62,919	-	-
Other reserves	30	1,471	(1,221)	(911)
Retained earnings / (accumulated losses)		103,606	119,116	81,079
Total Equity		**213,426**	**163,325**	**124,462**

* Refer to Note 10 for details on the restatement.

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

			Reserves				
		Issued Capital	Share Option Reserve	Foreign Currency Translation Reserve	Profit Reserve	Retained Earnings	Total Equity
	Note	$000	$000	$000	$000	$000	$000
Balance at 1 July 2011		**44,294**	**1,918**	**(2,829)**	**-**	**81,079**	**124,462**
Profit for the year		-	-	-	-	49,302	49,302
Other comprehensive income for the year, net of income tax		-	-	(310)	-	-	(310)
Total comprehensive income for the year		**-**	**-**	**(310)**	**-**	**49,302**	**48,992**
Issue of ordinary shares, net of transaction costs		1,136	-	-	-	-	1,136
Dividends paid	8	-	-	-	-	(11,265)	(11,265)
Balance at 30 June 2012		**45,430**	**1,918**	**(3,139)**	**-**	**119,116**	**163,325**
Balance at 1 July 2012		**45,430**	**1,918**	**(3,139)**	**-**	**119,116**	**163,325**
Profit for the year		-	-	-	62,919	-	62,919
Other comprehensive income for the year, net of income tax	30	-	-	1,826	-	-	1,826
Total comprehensive income for the year		**-**	**-**	**1,826**	**62,919**	**-**	**64,745**
Share Based Payments		-	866	-	-	-	866
Dividends paid	8	-	-	-	-	(15,510)	(15,510)
Balance at 30 June 2013		**45,430**	**2,784**	**(1,313)**	**62,919**	**103,606**	**213,426**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
		2013	2012 restated*
	Note	$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		1,176,226	744,720
Payments to suppliers and employees (inclusive of goods and services tax)		(1,113,073)	(631,924)
Income taxes paid		(45,231)	(21,537)
Net cash provided by operating activities	26	**17,922**	**91,259**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(19,521)	(39,737)
Proceeds from disposal of property, plant and equipment		869	500
Interest received		7,379	5,649
Term deposits matured/expired		73,545	(86,760)
Amounts received from jointly controlled entities		130	-
Net cash outflow on acquisition of subsidiary		-	(3,439)
Payment of deferred consideration		(19,798)	-
Net cash provided by / (used in) investing activities		**42,604**	**(123,787)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	1,136
Proceeds from borrowings		9,152	23,011
Repayment of borrowings		(9,654)	(4,698)
Interest paid		(4,877)	(2,850)
Dividends paid		(15,510)	(11,265)
Net cash provided by / (used in) financing activities		**(20,889)**	**5,334**
Net increase/(decrease) in cash and cash equivalents		39,637	(27,194)
Cash and cash equivalents at the beginning of the financial year		51,091	78,285
Cash and cash equivalents at the end of the financial year	10	**90,728**	**51,091**

* Refer to Note 10 for details on the restatement.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Forge Group Ltd is a listed company incorporated in Australia. The address of Forge Group Ltd's registered office and principal place of business is:

28 Troode Street, West Perth, Western Australia 6005

The principal activities of the Forge Group Ltd and its subsidiaries (the Group) are described in Note 25, Operating Segments.

1.2 STATEMENT OF COMPLIANCE

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity. There is a deed of cross guarantee in place within the group under ASIC Class order 98/1418 whereby each entity in the group is jointly and severally liable for the liabilities of the closed group. Refer note 33 for details. Accounting Standards include Australian Accounting Standards. The financial statements and notes of the Group and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 28 August 2013.

1.3 BASIS OF PREPARATION

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at fair values, as explained in the accounting policies below.

All amounts are presented in Australian dollars, and rounded to the nearest thousand as permitted by ASIC Class Order 98/100, unless otherwise noted. Comparative amounts have been reclassified where necessary so they are consistent with amounts reported in the current year.

1.4 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of Forge Group Ltd and entities (including special purpose entities) controlled by Forge Group Ltd (its subsidiaries). Control is achieved where Forge Group Ltd has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of Forge Group Ltd and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of Forge Group Ltd. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in Forge Group Ltd's ownership interests in subsidiaries that do not result in Forge Group Ltd losing control are accounted for as equity transactions. The carrying amounts of Forge Group Ltd's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of Forge Group Ltd.

When Forge Group Ltd loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if Forge Group Ltd had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

1.5 JOINT ARRANGEMENTS

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control).

Joint venture arrangements involve the establishment of a separate entity in which each venturer has rights to the net assets of the arrangement. The Group reports its interests in jointly controlled entities using the equity method after the initial investment has been recognised at cost. Under the equity method, the Group's share of the profits or losses of the jointly controlled entity are recognised in the profit or loss in one line "Share of profit/(loss) of jointly controlled entities accounted for using the equity method" with a corresponding movement in the investment in the jointly controlled entity in the balance sheet.

A joint operation exists when the Group has rights to the assets and obligations for the liabilities relating to the arrangement. The Group accounts for each of its assets, liabilities and transactions including its share of those held or incurred jointly in relation to the joint operation on a line by line basis.

1.6 BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree, are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The policy described above is applied to all business combinations that took place on or after 1 July 2009.

1.7 GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see Note 1.6 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.8 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

1.9 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of Goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Construction Contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Rendering of Services

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

1.10 OTHER INCOME

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

1.11 LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.12 FOREIGN CURRENCIES

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Australian dollars ('$'), which is the functional currency of the parent and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the parent's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

1.13 BORROWING COSTS

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

1.14 EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

1.15 SHARE-BASED PAYMENTS TRANSACTIONS OF THE GROUP

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

1.16 TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period in jurisdictions relevant to where the Group's subsidiaries operate and generate taxable income.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax consolidation

Forge Group Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under Australian tax consolidation legislation. Forge Group Ltd is the head entity in the tax consolidated group.

1.17 PROPERTY, PLANT AND EQUIPMENT

Leasehold improvements held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their historical cost, being the fair value at the date of purchase, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties and leasehold improvements in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is stated at historical cost and is not depreciated. Plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land, properties under construction and leasehold improvements) less their residual values over their useful lives, using the reducing balance method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Leasehold improvements are depreciated over the shorter of the lease term and the useful lives of the assets using the straight-line method.

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

Class of Asset	Depreciation Rate
Plant and equipment	7.5% - 40.0%
Leased plant and equipment	10.0% - 20.0%
Leasehold improvements	10.0% - 15.0%

An item of property, plant and equipment is derecognised upon disposal. Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

1.18 INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

IT development and software

Costs incurred in developing products or systems and in acquiring software that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised. Amortisation is calculated on a straight-line basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

1.19 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of each reporting period, the Group reviews both internal and external sources of information to determine whether there is any indication that assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.20 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

1.21 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.22 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised in profit or loss when incurred.

1.23 FINANCIAL ASSETS

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss. Subsequent recoveries of amounts previously written off are recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss, to the extent that the carrying amount of the investment at the date the impairment is reversed, does not exceed what the amortised cost would have been, had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1.24 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss (FVTPL)' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

1.25 GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

1.26 PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, Forge Group Ltd, disclosed in the financial report has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Forge Group Ltd. Dividends received from associates are recognised in the parent entity's profit or loss.

Tax consolidation legislation

Forge Group Ltd and its wholly-owned Australian controlled entities form a single tax consolidated group as allowed under Australian tax legislation. The parent entity, Forge Group Ltd, and the controlled entities, each account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. Tax assets and liabilities sit in the parent entity and are passed through the intercompany account from each subsidiary.

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

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

Share-based payments

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

1.27 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of ordinary shares outstanding 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

1.28 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The following are key estimates and judgements made by management in the preparation of this financial report:

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience , lease terms, and turnover policies. Adjustments to useful lives are made when considered necessary.

Impairment testing of goodwill and intangible assets

Assets are allocated to cash generating units and assessed for impairment annually. Recoverable amounts of relevant assets are assessed using value-in-use calculations for each cash generating unit which incorporate various key assumptions. An assessment is done at each reporting period for any further indicators of impairment.

With respect to cash flow projections, long-term sustainable growth rates have been factored into valuation models on the basis of comparability to industry and market averages. The modelling is based on an average post-tax discount rates specific to each cash generating unit.

The discount rates reflect management's estimate of the time value of money and the risks specific to each cash generating unit that are not already reflected in its cash flows. In determining appropriate discount rates for each cash generating unit, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for country and business risks specific to the relevant cash generating unit.

No impairment losses have been recognised in respect of goodwill at the end of the reporting period.

Taxation

The Group's accounting policy for taxation requires management's judgment as to interpretations of tax legislation. Judgment is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position.

Recovery of deferred tax assets and liabilities

Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

Provision for impairment of receivables

Judgement is exercised by management in reviewing trade receivables for any risk of impairment. Such debts are impaired where necessary through an allowance account to reduce the carrying amount of the trade receivables to their recoverable amount.

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Judgement and estimation is required by management in order to determine the total forecast costs to complete on fixed price (lump sum) contracts. These estimates are based on the most recent evidence and information available to management at the time the estimates are made and are continually reassessed each month as the work progresses. Judgement is applied by management based on historical experience in estimating contract costs. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.29 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

Standards affecting presentation and disclosure

The following new and revised Standards and Interpretations have been adopted in the current year:

Standard / Interpretation	Description	Impact on Forge Group
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	The amendments to AASB 132 clarify when an entity has a legally enforceable right to set-off financial assets and financial liabilities permitting entities to present balances net on the balance sheet.	Forge Group have presented financial liabilities and assets on a net basis on the statement of financial position as permitted under AASB 132.
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	This standard gives effect to many consequential changes to a number of standards arising from the issuance of the new consolidation and joint arrangements standard.	Forge Group have complied with the requirements of this new Standard in assessing the appropriateness of the accounting treatment of its joint venture operations and subsidiaries.
AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (June 2012)	AASB 7 is amended to increase the disclosures about offset positions, including the gross position and the nature of the arrangements.	Forge Group have presented financial liabilities and assets on a net basis on the balance sheet as permitted under AASB 7.
AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive income	These amendments make a number of changes to the presentation of other comprehensive income including presenting separately those items that would be reclassified to profit or loss in the future and those that would never be reclassified to profit or loss and the impact of tax on those items	Forge Group have complied with the disclosure requirements of this new Standard.

Standards and Interpretations affecting the reported results or financial position

The Group has adopted all new and revised Accounting Standards issued by the Australian Accounting Standards Board effective for the current year that are relevant to its operations. There are no adjustments to the reported results or financial position for the current or previous financial years as a result of new Standards adopted.

Standards and Interpretations in issue not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending	Expected impact on Forge Group
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014	No material impact anticipated
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014	No material impact anticipated
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014	No material impact anticipated
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014	No material impact anticipated
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014	No material impact anticipated
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014	No material impact anticipated
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014	No material impact anticipated
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014	No material impact anticipated
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014	The amendment will reduce the disclosure requirements of the Group in relation to key management personnel.
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014	No material impact anticipated.
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015	No material impact anticipated
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2015	30 June 2016	No material impact anticipated

At the date of authorisation of the financial statements, the following International Accounting Standards and International Financial Reporting Interpretations Committee Interpretations (IFRIC) were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016

As noted above, a number of Australian Accounting Standards and Interpretations and IFRS and IFRIC Interpretations are in issue but are not effective for the current year end. The potential effect of the revised Standards/Interpretations on the Group's financial statements has been assessed on a high level as shown above. A more detailed review will be conducted in due course. It is anticipated that the reported results and position of the group will not change significantly on adoption of these pronouncements as they do not result in any significant changes to the Group's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements. The Group does not intend to adopt any of these pronouncements before their effective dates.

NOTE 2. OTHER GAINS AND LOSSES

	Notes	2013 $000	2012 $000
OTHER GAINS AND LOSSES			
Rebates		43	39
Rents and sub-lease payments		25	-
Foreign currency translation gains		1,173	642
Net loss on disposal of plant and equipment		(1,053)	(424)
		188	**257**

NOTE 3. EXPENSES

	Notes	2013 $000	2012 $000
OTHER EXPENSES			
Rental expense on operating leases		4,585	3,223
Depreciation and amortisation			
Depreciation	14	13,450	8,822
Amortisation	15	7,911	7,470
Total depreciation and amortisation		**21,361**	**16,292**
Employee benefits expense			
Defined contribution superannuation expense		13,018	11,440

NOTE 4. FINANCE COSTS

	Notes	2013 $000	2012 $000
FINANCE COSTS			
Finance fees and charges		759	246
Interest on hire purchase liabilities		1,737	1,171
Movement in fair value of deferred consideration		2,320	1,433
Total finance costs		**4,816**	**2,850**

NOTE 5. INCOME TAX EXPENSE

	Notes	2013 $000	2012 $000
THE COMPONENTS OF TAX EXPENSE COMPRISE			
Current Tax		33,712	20,947
Deferred Tax		(5,900)	(207)
Over/ (under) provision prior years		(622)	40
Income tax expense reported in Statement of Profit or Loss and Other Comprehensive Income		**27,190**	**20,780**

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

	2013 $000	2012 $000
Prima facie tax on profit from ordinary activities before income tax at 30% (2012: 30%)	27,092	21,025
Adjust for tax effect of:		
- other non-allowable items	3,378	6,657
- effect of different tax rates of subsidiaries	(891)	(688)
- other deductible items	(1,767)	(6,254)
- over/ (under) provisions in prior years	(622)	40
Income tax expense attributable to entity	**27,190**	**20,780**
The applicable weighted average effective tax rates are as follows:	30.17%	29.65%

NOTE 6. INTERESTS OF KEY MANAGEMENT PERSONNEL

Note: Rounding of the figures in this Note is not permitted.

Names and positions held for the Group's key management personnel in office at any time during the financial year are:

Person	Position
D Simpson	Managing Director (commenced 9 July 2012)
P Hutchinson	Managing Director (resigned 9 July 2012)
A Ellison	Executive Director (resigned 31 July 2012)
G McRostie	Executive Director (resigned 30 November 2012)
M Cardaci	Non Executive Director
D Craig	Non Executive Director
N Sifford	Non Executive Director (resigned 28 March 2013)
K Gallagher	Non Executive Director (resigned 28 March 2013)
J O'Connor	Non Executive Director (commenced 29 November 2012)
G Kempton	Non Executive Director (commenced 29 November 2012
D Montgomery	Chief Financial Officer (commenced 15 October 2012)
A Bell	Chief Financial Officer & Company Secretary (ceased as KMP 15 October 2012)
B Smith	Chief Operating Officer (commenced 1 September 2012)*
C Ross	Chief Executive Asset Management (appointed 29 March 2013)*
M Rankmore	Chief People Officer & Head of Corporate Affairs (commenced 3 December 2012)*
L Arasu	Chief Development Officer (appointed 15 March 2013)*
R Mancini	Group General Counsel (commenced 12 November 2012)*

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2013.

* These positions have been created in the current financial year.

The total remuneration paid to key management personnel of the Group during the year is follows:

	2013	2012
	$	$
Short-term employee benefits	7,403,769	4,686,541
Post-employment benefits	780,497	167,572
Share based payments	505,438	-
	8,689,704	**4,854,113**

KEY MANAGEMENT PERSONNEL SHARE OPTION AND PERFORMANCE RIGHT HOLDINGS

There were no share options held by members of key management personnel during the current period. The number of options over ordinary shares held by each key management personnel of the Group during the previous financial year is as follows:

	Balance 1 July 2011	Options Exercised During the Year	Net Change Other[1]	Balance 30 June 2012
PG Hutchinson	1,500,000	-	(1,500,000)	-
AB Ellison	1,000,000	-	(1,000,000)	-
Total	**2,500,000**	**-**	**(2,500,000)**	**-**

[1] These options were transferred to Clough Limited as part of an off-market sale.

During the year, performance rights were granted to key management personnel as part of the Group Long Term Incentive Plan as shown below. No performance rights were granted in the prior year. Refer to the Remuneration Report and Note 27 for further details on the Plan:

	Performance Rights					
	Balance 1 Jul 2012	Granted as Remuneration	Exercised During the Year	Balance 30 June 2013	Total vested 30 June 2013	Exercisable 30 June 2013
D Simpson	-	312,107	-	312,107	-	-
D Montgomery	-	31,077	-	31,077	-	-
B Smith	-	38,113	-	38,113	-	-
C Ross	-	22,957	-	22,957	-	-
M Rankmore	-	26,386	-	26,386	-	-
L Arasu	-	20,523	-	20,523	-	-
R Mancini	-	21,988	-	21,988	-	-
A Bell	-	32,287	-	32,287	-	-
Total	**-**	**505,438**	**-**	**505,438**	**-**	**-**

KEY MANAGEMENT PERSONNEL SHAREHOLDINGS

The number of ordinary shares in Forge Group Ltd held by each key management personnel of the Group during the financial year is as follows:

	Balance	*Purchase*	*Sale*	*Balance*
FY2012	1 July 2011			30 June 2012
A Ellison	500,000	-	(50,000)	450,000
G McRostie	1,000,000	-	(700,000)	300,000
D Craig	-	6,000	-	6,000
Total	**1,500,000**	**6,000**	**(750,000)**	**756,000**
FY2013	1 July 2012			30 June 2013
A Ellison	450,000	-	(450,000)	-
G McRostie	300,000	-	(300,000)	-
D Craig	6,000	-	-	6,000
G Kempton	-	5,000	-	5,000
Total	**756,000**	**5,000**	**(750,000)**	**11,000**

For details of other transactions with key management personnel, refer to Note 29: Related Party Transactions.

NOTE 7. AUDITORS REMUNERATION

Note: Rounding of the figures in this Note is not permitted.

	Consolidated Group 2013	Consolidated Group 2012
	$	$
Remuneration of the auditors of the parent entity for auditing and reviewing of the Group financial statements	194,800	202,336
Remuneration of other auditors of subsidiaries for auditing or reviewing the financial statements of subsidiaries	75,000	88,476
Other services in relation to tax services in subsidiaries	5,000	-
Total auditors remuneration	**274,800**	**290,812**

During the year the Group appointed KPMG as auditors to whom 2013 audit fees were paid. Fees paid to auditors in 2012 were paid to Grant Thornton.

NOTE 8. DIVIDENDS

The following dividends were declared and paid by the Group:

	2013		2012	
	cents per share	$000	cents per share	$000
RECOGNISED AMOUNTS				
Fully paid ordinary shares				
Current year interim dividend:	10.0	8,617	6.0	5,008
Final dividend from prior year:	8.0	6,893	7.5	6,257
		15,510		**11,265**
UNRECOGNISED AMOUNTS				
Fully paid ordinary shares				
Current year final dividend:	8.0	6,893	8.0	6,893
Total current year dividend:	**18.0**	**15,510**	**14.0**	**11,901**

The franked portions of the final dividends recommended after 30 June 2013 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2014.

	2013	2012
	$	$
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2012 - 30%)	76,009	38,386

The Company declared a fully franked dividend of 8 cents per ordinary share on 28 August 2013. The proposed payment date is 26 September 2013.

NOTE 9. EARNINGS PER SHARE

	2013	2012
	cents per share	cents per share
Basic earnings per share attributable to the ordinary equity holder	73.02	58.92
Diluted earnings per share attributable to the ordinary equity holder	72.96	57.33
	$000	$000
Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	62,919	49,302
	Nº	Nº
Weighted average number of shares used as the denominator in calculating basic earnings per share	86,169,014	83,677,206
Weighted average number of options and rights	68,656	2,324,270
Weighted average number of shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**86,237,670**	**86,001,476**

NOTE 10. CASH, CASH EQUIVALENTS AND TERM DEPOSITS

	2013	2012 Restated
	$000	$000
Cash at bank and on hand	90,728	51,091
Short-term bank deposits	2,748	72,500
Term deposits (Non-current)	10,468	14,260
	103,944	**137,851**

Reconciliation of cash:

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2013	2012 Restated
Cash and cash equivalents	90,728	51,091
Balance per statement of cashflows	**90,728**	**51,091**

A. RECLASSIFICATION OF TERM DEPOSITS

Previously the Group has disclosed all term deposits as cash and cash equivalents. Due to the maturity term of a number of the Group's term deposits being in excess of 90 days, they have been reclassified as short term deposits (current asset). In addition, the term deposits that are considered restricted have been re-classified as term deposits (non-current) due to these deposits being held by the bank as security in line with the Group's facility agreement with the ANZ and National Australia Bank which for 30 June 2012, extended beyond twelve months after the reporting period. The impact on the financial statements is outlined below:

	30 June 2012 Financial Report	30 June 2012 Restated
	$000	$000
Cash and cash equivalents	137,851	51,091
Short-term bank deposits	-	72,500
Term deposits (Non-current)	-	14,260
Total cash and cash equivalents	**137,851**	**137,851**

Impact on key financial data	30 June 2012 Financial Report	30 June 2012 Restated	Variance
	$000	$000	
Current assets	348,553	334,293	(14,260)
Non-current assets	129,848	144,108	14,260
Total assets	**478,401**	**478,401**	**-**

There was no impact on the financial statements at 30 June 2011 as there were no short term deposits which were held as security at reporting date. Short term deposits with a maturity date in excess of 90 days were correctly distinguished from cash and cash equivalents.

B. CASH BALANCES NOT AVAILABLE FOR USE

The amount disclosed as term deposits (Non-current) consists of restricted cash which has been provided as security on certain projects. As at 30 June 2013, certain funds are considered restricted and hence are disclosed as Non-current. Subsequent to year end, all funds held as restricted will be released as part of the club facility arrangement with ANZ. Refer to Note 28 for details.

C. CREDIT STANDBY ARRANGEMENTS WITH BANKS

The major facilities are summarised as follows:	Total Facility		Amount Un-utilised	
	2013	2012	2013	2012
	$000	$000	$000	$000
i. Bank Guarantee Facility				
- National Australia Bank	80,000	50,000	25,332	1,754
- Australia New Zealand Bank	77,469	19,795	10,261	6
ii. Master Asset Finance1				
- National Australia Bank	5,750	5,750	3,937	5,388
- Other financial institutions	31,051	28,826	-	-
iII. Credit Card Facility				
- National Australia Bank	536	336	400	226
- Australia New Zealand Bank	50	-	-	-
Total Facility	**194,856**	**104,707**	**39,930**	**7,374**

FACILITY BY COUNTERPARTY[1]		
- National Australia Bank	86,286	56,086
- Australia New Zealand Bank	77,519	19,795
- Other financial institutions	31,051	28,826
Total Facility	**194,856**	**104,707**

The master asset finance facility is to be utilised on hire purchase finance arrangements.

D. NEW BANK FACILITY

From 1 July 2013, the Group has changed its bankers from NAB to ANZ. The Group is in the process of establishing a club facility, with ANZ as Mandated Lead Arranger. Refer to Note 28 for details.

NOTE 11. TRADE AND OTHER RECEIVABLES

	2013	2012
Trade and Other Receivables	$000	$000
CURRENT		
Trade receivables	83,836	197,151
Provision for impairment	(582)	(267)
	83,254	**196,884**
NON-CURRENT		
Trade receivables	1,424	7,051
	84,678	**203,935**

(i) Provision for Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30 day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

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

	2013	2012
	$000	$000
Opening balance at 1 July	(267)	(142)
Provision for impairment recognised in the year	(358)	(267)
Unused amounts reversed	43	142
Closing balance at 30 June	**(582)**	**(267)**

(ii) Credit Risk – Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than those receivables specifically provided for. Refer to Note 31 for details. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant credit risk exposures in Australia, West Africa and New Zealand given the substantial operations in those regions. The Group's exposure to credit risk for receivables at reporting date in those regions is as follows:

	2013	2012
	$000	$000
Australia	78,334	200,629
West Africa	6,258	1,830
New Zealand	86	1,476
	84,678	**203,935**

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

	2013	2012
	$000	$000
Within initial trade terms	55,844	176,847
0 - 30 days past due not impaired	9,825	13,495
31 - 60 days past due not impaired	5,792	591
61 - 90 days past due not impaired	2,926	232
91+ days past due not impaired	10,291	12,771
Past due and impaired	582	267
	85,260	**204,203**

The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

NOTE 12. INVENTORIES AND CONSTRUCTION WORK IN PROGRESS

	2013	2012
	$000	$000
Work in progress	150,491	11,331

NOTE 13. SUBSIDIARIES

Parent Entity: Forge Group Ltd

Ultimate parent entity: Forge Group Ltd

A. SIGNIFICANT INVESTMENTS IN SUBSIDIARIES.

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policies described in Note 1.

		2013	2012
Consolidated entities	Country of incorporation	% Voting rights ownership	
Subsidiaries of Forge Group Ltd:			
Forge Group Construction Pty Ltd	Australia	100	100
Forge Group Power Pty Ltd	Australia	100	100
Forge Group Minerals & Resources Ltd	Australia	100	100
Webb Construction West Africa Limited	Ghana	100	100
Webb Construction Africa Pty Ltd	South Africa	100	100
Forge International Pty Ltd	Australia	100	100
Forge Group Inc.	United States of America	100	nil
Forge Group Asia Pte Ltd	Singapore	100	nil
Alanthus Nominees Pty Ltd	Australia	100	100

The portion of ownership interest is equal to the proportion of voting power held.

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

Cost and Accumulated Depreciation:	2013 $000	2012 $000
Freehold land at cost	1,246	1,246
Total freehold land	1,246	1,246
Plant and equipment at cost	96,632	81,918
Accumulated depreciation	(30,058)	(18,682)
Total plant and equipment	66,574	63,236
Leasehold improvements at cost	5,861	4,738
Accumulated depreciation	(2,135)	(1,484)
Total leasehold improvements	3,726	3,254
Total property plant and equipment	**71,546**	**67,736**

Movements in Carrying Amounts

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

	Plant & Equipment $000	Leasehold improvements $000	Land $000	Total $000
Balance at 1 July 2011	**34,956**	**1,621**	**-**	**36,577**
Additions	36,075	2,416	1,246	39,737
Additions via subsidiary acquisition	1,358	-	-	1,358
Disposals - written down value	(790)	(75)	-	(865)
Depreciation expense	(8,208)	(614)	-	(8,822)
Foreign exchange revaluation	(155)	(94)	-	(249)
Balance at 30 June 2012	**63,236**	**3,254**	**1,246**	**67,736**
Additions	18,540	981	-	19,521
Disposals - written down value	(2,511)	(31)	-	(2,542)
Depreciation expense	(12,968)	(482)	-	(13,450)
Foreign exchange revaluation	277	4	-	281
Balance at 30 June 2013	**66,574**	**3,726**	**1,246**	**71,546**

Depreciation of property, plant and equipment

Refer to Note 1.16 for depreciation rates and depreciation methods.

NOTE 15. INTANGIBLE ASSETS

	Goodwill $000	Customer contracts $000	Computer software $000	Total $000
Reconciliation:				
Balance at 1 July 2011	15,580	-	57	15,637
Additions	23,568	16,483	25	40,076
Amortisation charge	-	(7,440)	(30)	(7,470)
Closing carrying value at 30 June 2012	**39,148**	**9,043**	**52**	**48,243**
Balance at 1 July 2012	39,148	9,043	52	48,243
Amortisation charge	-	(7,891)	(20)	(7,911)
Closing carrying value at 30 June 2013	**39,148**	**1,152**	**32**	**40,332**

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and Other Comprehensive Income. Goodwill has an indefinite life.

Impairment Disclosures

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

	2013	2012
	$000	$000
Forge Group Construction	15,580	15,580
Forge Group Power	23,568	23,568
Total	**39,148**	**39,148**

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a three year period. The cash flows are discounted using a post-tax nominal discount rate which is based on the Forge Group Ltd Weighted Average Cost of Capital adjusted for risks specific to each cash generating unit.

The following assumptions were used on the value-in-use calculations:	Growth Rate	Discount Rate
Forge Group Construction	5.0%	15%
Forge Group Power	5.0%	15%

Management has based the value-in-use calculations on approved budgets for each cash generating unit. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the periods which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are nominal post-tax and are adjusted to incorporate risks associated with a particular cash generating unit.

The impairment assessment demonstrated sufficient headroom between the value-in-use of the assets and carrying value to allow management to reasonably assume that no foreseeable changes in the assumptions used in the impairment model will result in impairment.

No impairment loss has been recognised in respect of goodwill or other intangible assets for the year ended 30 June 2013 (2012: Nil).

NOTE 16. OTHER ASSETS

	2013	2012
	$000	$000
Prepayments and other sundry	1,265	2,018
Security deposits	295	269
Amounts advanced to jointly controlled entities	-	200
	1,560	**2,487**

NOTE 17. INTEREST IN JOINT VENTURES

The Group holds interests in two joint ventures, Clough Forge Pty Ltd and Forge Pilbara Logistics Joint Venture (formerly Cimeco Pilbara Logistics Joint Venture). The Group's interest in these joint ventures is outlined below:

		2013	2012
Joint Venture	Note	$000	$000
Clough Forge Pty Ltd		-	101
Forge Pilbara Logistics Joint Venture		-	2,444
		-	**2,545**
Provision for joint venture contract losses	21	(3,065)	-
		(3,065)	**-**

CLOUGH FORGE PTY LTD

The Group holds a 50% participating interest in Clough Forge Pty Ltd, an incorporated jointly controlled entity with Clough Limited. The joint venture is accounted for using the equity method under AASB 131 'Interests in Joint Ventures'. All assets were distributed out of the joint venture in the current year. 100% of the Joint Venture results and position as at 30 June 2013 is shown below:

	2013	2012
Balance Sheet	$000	$000
Current assets	-	5,341
Non current assets	-	-
Total assets	**-**	**5,341**
Current liabilities	-	(5,140)
Non current liabilities	-	-
Total liabilities	**-**	**(5,140)**
Net assets	**-**	**201**

Statement of Profit or Loss and Other Comprehensive Income	$000	$000
Revenue	631	1,477
Expenses	(832)	(260)
Net profit/(loss) before tax	**(201)**	**1,217**

There are no capital commitments or contingent liabilities in the joint venture.

FORGE PILBARA LOGISTICS JOINT VENTURE (FPLJV)

(Previously Cimeco Pilbara Logistics Joint Venture)

The Group entered into a joint venture agreement with Pilbara Logistics (WA) Pty Ltd on 23 September 2011 for the construction of mine buildings and support facilities under the Hope Downs 4 Mine Project contract. The joint venture established upon the execution of this agreement was then called the "Cimeco Pilbara Logistics Joint Venture" but is now called the "Forge Pilbara Logistics Joint Venture" (FPLJV). This agreement was renewed on 4 May 2012 under similar terms.

The Group also entered into a joint venture agreement with Pilbara Logistics (WA) Pty Ltd on 4 May 2012 for the construction of the Non-Processing Infrastructure under the Finucane Island project contract. The joint venture is accounted for using the equity method under AASB 131 'Interests in Joint Ventures'. The joint venture contains two projects of which FPLJV have a 75% interest in each. 100% of the joint venture results and position as at 30 June 2013 is shown below:

	2013	2012
Balance Sheet	$000	$000
Current assets	26,428	12,208
Total assets	**26,428**	**12,208**
Current liabilities	(30,283)	(8,718)
Total liabilities	**(30,283)**	**(8,718)**
Net assets	**(3,855)**	**3,490**

Statement of Profit or Loss and Other Comprehensive Income	$000	$000
Revenue	117,175	28,200
Expenses	(124,520)	(24,710)
Net profit/(loss) before tax	**(7,345)**	**3,490**

There are no capital commitments or contingent liabilities in the joint venture.

NOTE 18. TRADE AND OTHER PAYABLES

	2013 $000	2012 $000
CURRENT		
Unsecured liabilities		
Trade payables	44,954	49,415
Short-term employee benefits	16,373	11,418
Construction contract advances received	22,139	128,072
Accrued expenses	136,102	69,680
Deferred Consideration	-	8,584
	219,568	**267,169**
NON CURRENT		
Deferred Consideration	-	9,246
	-	**9,246**

NOTE 19. BORROWINGS

	2013 $000	2012 $000
CURRENT		
Secured liabilities		
Finance lease liabilities	11,139	8,734
	11,139	**8,734**
NON CURRENT		
Secured liabilities		
Finance lease liabilities	14,547	17,453
	14,547	**17,453**
Total Borrowings	**25,686**	**26,187**

COLLATERAL PROVIDED

As at 30 June 2013, the National Australia Bank has a first ranking and floating charge over the assets and undertakings of the Group. Throughout the year, the Group has been fully compliant with all covenants being:

a. A Liquidity Ratio of not less than 1.00 (2012: 1.25) times

b. A Gearing Ratio of not more than 1.40 times

c. A Leverage Ratio of not more than 2.00 times

d. An Asset Security Ratio of more than 1.00 times

e. Reporting of these financial covenants quarterly to NAB within 45 days of the quarter end for the Group.

The Capital Adequacy Ratio was removed during the period.

From 3 July 2013, upon drawdown against a new ANZ banking facility, ANZ took the first ranking and floating charge over the Group's assets and undertakings. As a result, the National Australia Bank no longer has a first ranking charge over the Group and have waived the requirement for covenant compliance for the quarter ending 30 June 2013.

NOTE 20. DEFERRED TAX

DEFERRED TAX ASSETS

	2013 $000	2012 $000
The deferred tax asset balance comprises temporary differences of:		
Employee benefits	3,065	3,419
Provisions and accruals	732	589
Property, plant & equipment	700	-
Blackhole expenditure	992	117
Borrowing costs	216	-
Consulting fees	1,060	-
Foreign exchange	1,370	-
Other	989	148
Total deferred tax assets	**9,124**	**4,273**
Deferred tax assets expected to be recovered within 12 months	8,463	4,067
Deferred tax assets expected to be recovered after 12 months	661	206
Total deferred tax assets	**9,124**	**4,273**

Movements during the period:	Employee benefits	Provisions and accruals	Property, plant & equipment	Blackhole Expenditure	Borrowing Costs	Consulting fees	Foreign Exchange	Other	Total
As at 30 June 2011	**1,673**	**-**	**-**	**314**	**-**	**-**	**-**	**56**	**2,043**
To profit or loss	1,746	589	-	(146)	-	-	-	92	2,281
To other comprehensive income	-	-	-	(51)	-	-	-	-	(51)
As at 30 June 2012	**3,419**	**589**	**-**	**117**	**-**	**-**	**-**	**148**	**4,273**
To profit or loss	(354)	143	700	925	216	1,060	1,370	841	4,901
To other comprehensive income	-	-	-	(50)	-	-	-	-	(50)
As at 30 June 2013	**3,065**	**732**	**700**	**992**	**216**	**1,060**	**1,370**	**989**	**9,124**

DEFERRED TAX LIABILITIES

	2013 $000	2012 $000
The Deferred Tax Liability balance comprises temporary differences of:		
Other	721	80
Customer contracts	346	2,713
Total deferred tax liability	**1,067**	**2,793**
Deferred tax liabilities expected to be recovered within 12 months	1,067	2,793

	$000	$000
Movements during the period:		
As at 1 July	2,793	51
To profit or loss	(1,726)	29
To intangibles	-	2,713
As at 30 June	**1,067**	**2,793**

NOTE 21. PROVISIONS

	Note	2013 $000	2012 $000
CURRENT			
Provision for joint venture contract losses	17	3,065	-
Employee benefits		905	825
		3,970	**825**
NON CURRENT			
Employee benefits		493	489
		4,463	**1,313**

Provision for Employee Benefits

A provision has been recognised for employee benefits relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1.

NOTE 22. ISSUED CAPITAL

	2013 $000	2012 $000
A. SHARE CAPITAL		
Fully paid ordinary shares	45,430	45,430

	Nº	Nº
Number of ordinary shares on issue	86,169,014	86,169,014

B. MOVEMENTS IN ORDINARY SHARE CAPITAL

At the beginning of reporting period	86,169,014	82,924,014
Shares issued as a result of exercising options	-	3,245,000
At the end of the reporting period	86,169,014	86,169,014

Ordinary shares participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

C. PERFORMANCE RIGHTS

For information relating to the Forge Group Limited performance rights issued under the employee long term incentive scheme refer to Note 27. For information relating to performance rights issued to key management personnel during the financial year, refer to Note 6.

D. CAPITAL MANAGEMENT

Management controls the capital of the Group in order to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. Refer to Note 19 for externally imposed capital requirements.

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

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The capital margin ratio for the year ended 30 June 2012 and 30 June 2013 are as follows:

	Note	2013 $000	2012 $000
Total borrowings	19	25,686	26,187
Less cash and cash equivalents	10	(90,728)	(51,091)
Net debt		**(65,042)**	**(24,904)**
Total equity		213,426	163,325
Capital Margin Ratio		30.48%	15.25%

NOTE 23. CAPITAL AND LEASING COMMITMENTS

A. FINANCE LEASE COMMITMENTS

	2013 $000	2012 $000
Payable - minimum lease payments:		
- not later than 12 months	12,495	10,253
- between 12 months and five years	15,368	18,936
Minimum lease payments	27,863	29,189
Less: future finance charges	(2,177)	(3,002)
Present value of minimum lease payments	**25,686**	**26,187**

	2013 $000	2012 $000
Owned property, plant and equipment	39,633	40,554
Plant and equipment under finance lease	30,667	27,182
Property, plant and equipment (excluding land)	**70,300**	**67,736**

B. OPERATING LEASE COMMITMENTS

	2013 $000	2012 $000
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	5,173	2,898
- between 12 months and five years	11,673	7,500
- later than five years	3,979	-
	20,825	**10,398**

The Group has various non-cancellable property leases. The leases have varying terms, escalation clauses and renewal rights.

NOTE 24. CONTINGENT LIABILITIES

Contingent Liabilities

(i) The Group has provided a fully inter-locking guarantee and indemnity in respect of National Australia Bank facilities totalling $86.3 million (2012: $56.1 million) supported by a fixed and floating charge over all the assets and undertakings of the parent entity and controlled entities, including uncalled capital.

(ii) Insurers have provided the Group with a $333 million (2012: $175 million) insurance bond facility. The total insurance bonds on issue as at 30 June 2013 totalled $185.6 million (2012: $113.6 million). Insurance bonds are required to secure large construction contracts.

(iii) Contingent liabilities relating to claims and possible claims have arisen in the course of business against entities in the Group. The outcome of which cannot be foreseen at present and the liability is not probable, therefore the Group has not provided for such amounts in this Financial Report.

(iv) Certain members of the consolidated entity have in the normal course of business, incurred contractor's liability in relation to construction contracts. This liability may include claims by or against the consolidated entity and / or joint venture arrangements in which the consolidated entity has an interest. It is not possible to estimate the financial effect of these claims should they be successful. The Board of Directors is of the opinion that adequate allowance has been made for any such items.

(v) The nature of the Company's construction contracts necessarily requires variations and claims to be submitted to clients in the normal execution of these contracts. The Company believes its variations and extension of time claims are valid and applies judgement in the determination of whether any amounts should be recorded as revenue in accordance with AASB 111 Constructions Contracts. Actual outcomes may differ from the amounts recognised within profit or loss at reporting date.

For information about guarantees given by entities within the Group, including the parent entity, please refer to note 33.

No material losses are anticipated in respect to any of the above contingent liabilities.

NOTE 25. OPERATING SEGMENTS

SEGMENT INFORMATION

Identification of reportable segments

Reportable operating segments have been identified based on the internal reports that are reviewed and used by the Senior Executives and ultimately the Board of Directors (chief operating decision makers) in assessing performance of the Group and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the type or class of customer for the products or services;
- the distribution method; and
- external regulatory requirements.

TYPES OF SERVICES BY SEGMENT

(i) Forge Group Ltd ("Forge")

Forge is the holding company of Forge Group Construction, Forge Group Africa, Forge Group Minerals and Resources, and Forge Group Power. Forge Group provide a wide range of engineering and construction services to a diverse range of clients, particularly in the resource and oil and gas sectors, through its operating entities.

(ii) Forge Group Construction (formerly Cimeco Pty Ltd)

Provides construction services across a wide range of disciplines including commercial building, civil, concrete, structural, mechanical, piping, tanks and electrical. Forge Group Construction is a leader in commercial building, steel and tank fabrication, manufacturing and onsite civil and mechanical contracting. In the current period, the results of Forge Group Asset Management have been included in the segment results of Forge Group Construction; however the results of Forge Group Asset Management will be reported as a separate identifiable segment from 1 July 2013.

(iii) Forge Group Minerals & Resources (formerly Abesque Engineering Ltd)

Specialises in the provision of engineering design, project management services to the resources sector including base metals, gold and iron ore. It also supplies engineering design capabilities across all project disciplines including earthworks, civil works, structural, mechanical, piping, electrical and instrumentation. Forge Group Minerals & Resources provides expert services to prepare feasibility studies for mineral processing facilities and associated infrastructure.

(iv) Forge Group Africa (Webb Construction West Africa Ltd)

Specialises in structural, mechanical and pipe installation, tank fabrication and erection. This segment includes Webb's operations in Ghana, Sierra Leone and South Africa.

(v) Forge Group Power (formerly CTEC Pty Ltd)

Forge Group Power provides engineering, procurement, construction, operations and maintenance solutions to the energy and utilities sectors.

BASIS OF ACCOUNTING FOR PURPOSES OF REPORTING BY OPERATING SEGMENTS

a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Executive Committee, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

b) Inter-segment transactions

All inter-segment transactions are eliminated on consolidation of the Group's financial statements. Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transactions costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

c) Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives the majority of the economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

d) Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurring of the liability and the operations of the segment. Borrowings and tax liabilities are considered at each reportable segment. Segment liabilities include trade and other payables and certain direct borrowings.

e) Unallocated items

All items of revenue, expenses, assets and liabilities are allocated to operating segments as they are considered part of the core operations of any segment.

SEGMENT REVENUE AND PROFIT

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Revenue		Profit before tax	
	2013	2012	2013	2012
	$000	$000	$000	$000
Forge Group Construction	606,564	453,006	107,588	58,585
Forge Group Minerals & Resources	95,997	126,372	1,672	4,456
Forge Group Africa	57,404	30,262	3,510	3,263
Forge Group Power	494,891	266,230	13,173	25,950
	1,254,856	875,870	125,943	92,254
Intersegment eliminations/un-allocated	(200,756)	(100,991)	(35,834)	(22,172)
	1,054,100	**774,879**	**90,109**	**70,082**

OTHER SEGMENT INFORMATION

Segment Assets and Liabilities

	Assets		Liabilities	
	2013	2012	2013	2012
	$000	$000	$000	$000
Forge parent entity	74,468	159,934	10,603	135,303
Forge Group Construction	138,620	218,950	97,207	85,002
Forge Group Minerals & Resources	63,952	38,103	10,574	24,689
Forge Group Africa	18,311	7,442	4,188	10,082
Forge Group Power	167,998	64,845	128,212	49,288
	463,349	489,274	250,784	304,364
Intersegment eliminations/ un-allocated	861	(10,873)	-	10,712
Total Assets / Liabilities	**464,210**	**478,401**	**250,784**	**315,076**

GEOGRAPHICAL INFORMATION

Revenue by Geographical Region

	2013	2012
	$000	$000
Australia	980,254	738,105
West Africa	59,617	30,262
New Zealand	14,229	12,210
	1,054,100	**780,577**

Assets by Geographical Region

	2013	2012
	$000	$000
Australia	438,434	462,955
West Africa	22,435	7,441
New Zealand	3,341	8,005
	464,210	**478,401**

MAJOR CUSTOMERS

The Group has a number of customers to whom it provides both products and services. The Group had three external customers during the year which each contributed more than 10% of the Groups external revenue as shown below:

		2013
Customer	Segment	$000
A	Forge Group Power	218,901
B	Forge Group Power	195,337
C	Forge Group Construction	261,448
		675,686

Customer	Segment	2012 $000
D	Forge Group Construction	143,907
E	Forge Group Construction	81,385
F	Forge Group Power	178,619
		403,911

Additions to non-current assets

	2013 $000	2012 $000
Forge parent entity	2,868	1,932
Forge Group Construction	12,828	32,206
Forge Group Minerals & Resources	16	800
Forge Group Africa	2,437	3,991
Forge Group Power	1,372	808
Total	**19,521**	**39,737**

NOTE 26. CASH FLOW INFORMATION

A. RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT AFTER INCOME TAX

	Consolidated	
	2013 $000	*2012 Restated** $000
Profit for the year after income tax	62,919	49,302
Depreciation and amortisation	21,361	16,292
Interest received	(7,379)	(5,649)
Interest expense	4,877	2,850
Net loss on disposal of non-current assets	1,053	424
Share of profits of jointly controlled entities	5,679	(3,052)
Transfer of assets constructed through operations	-	(318)
Impairment losses	-	224
Tax impact on acquisition	-	650
Other non cash items included in profit	961	322
Share based payments expense	866	-
Net exchange differences (Forex)	1,078	(642)
Net operating assets and liabilities acquired from business combination	-	(20,468)
Deferred consideration resulting from business combination	-	(17,829)
Decrease / (Increase) in trade debtors and other receivables	119,258	(154,393)
(Increase) / Decrease in inventories and construction work in progress	(139,160)	18,291
Decrease / (Increase) in other current assets	927	(913)
Increase in deferred tax assets	(4,851)	(2,231)
(Decrease) / Increase in trade and other payables	(37,123)	203,417
(Decrease) /Increase in current tax liabilities	(10,903)	1,980
(Decrease) / Increase in deferred tax liabilities	(1,727)	2,742
Increase in other provisions	86	260
Net cash inflow from operating activities	**17,922**	**91,259**

* Net cash flows from operating activities in 2012 are largely influenced by the addition of assets and liabilities acquired through a business combination.

NOTE 27. SHARE-BASED PAYMENTS

During the year, employees were granted performance rights under the Group Long Term Incentive (LTI) plan. The performance rights are subject to a number of vesting conditions as set out below which comprise of both market and non-market related hurdles.

For performance rights which have a market related vesting condition attached, the fair value of the performance rights was determined on grant date and is expensed over the vesting period of the performance rights as an expense in the profit and loss. For performance rights which have a non-market related vesting condition hurdle, the number of instruments that is expected to vest is re-assessed each reporting date, and the fair value is expensed over the vesting period of that right in line with AASB 2.

Performance rights were granted to four groups of employees with each performance right conferring on the holder the right to one ordinary share in Forge Group Limited. No exercise price is attached to the performance rights. For further information on the LTI plan refer to the Remuneration Report included in the Directors' Report. No performance rights were on issue in 2012.

In 2012, all remaining employee share options on issue were exercised. Performance rights were issued instead of employee share options in 2013.

	2013		2012	
	Nº of Performance rights	Weighted average exercise price	Nº of Share options	Weighted average exercise price
Employee share option plan				
Outstanding at the beginning of the year	-	-	3,245,000	0.35
Granted	1,378,730	-	-	-
Exercised	-	-	(3,245,000)	0.35
Outstanding at year-end	**1,378,730**	**-**	**-**	**-**

The performance rights were issued to four groups of employees. Rights issued to Group A, C & D are subject to non-market related hurdles and were valued using a Black-Scholes option pricing model. Performance rights issued to Group B are subject to market related hurdles have been valued using a Monte Carlo simulation. The inputs to the valuation models are shown below.

	Group A					Group B	Group C & D
	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Market related hurdles	Non-Market related hurdles
Fair value at grant date	$3.78	$3.78	$3.74	$3.60	$3.46	$2.25	$4.10
Share price at grant date	$4.21	$4.21	$4.21	$4.21	$4.21	$4.54	$4.54
Expected volatility	N/A	N/A	N/A	N/A	N/A	40%	N/A
Performance period	2.7 yrs	2.7 yrs	2.93 yrs	3.93 yrs	4.93 yrs	2.53 yrs	2.53 yrs
Expected dividends	4%	4%	4%	4%	4%	4%	4%
Risk free interest rate	2.61%	2.61%	2.61%	2.62%	2.70%	2.80%	2.80%

Grant date	Number of Rights	Vesting conditions
Group A Granted 24 October 2012	Tranche 1 – 127,550 Tranche 2 – 127,550 Tranche 3 – 127,550 Tranche 4 – 132,635 Tranche 5 – 138,121	▪ 30% of each tranche of Performance Rights will vest if the Company's diluted Earnings Per Share (EPS) in respect of the Performance Period is at least 20% greater than the EPS for the financial year ended 30 June 2012; and ▪ 70% of each tranche of Performance Rights will vest: (i) if diluted EPS increases in total by 14.87% over the period 1 July 2012 to 30 June 2013; (ii) if diluted EPS increases in total by 31.95% over the period 1 July 2012 to 30 June 2014; (iii) if diluted EPS increases in total by 51.75% over the period 1 July 2012 to 30 June 2015; (iv) if diluted EPS increases in total by 74.11% over the period 1 July 2012 to 30 June 2016; or (v) if diluted EPS increases in total by 100% over the period 1 July 2012 to 30 June 2017.
Group B Granted 17 December 2012	233,789	Total Shareholder Return (TSR) over the three year performance period must sit above the 50th percentile of the TSR achieved by the S&P/ASX200. If Forge's TSR falls in the 50th percentile of the S&P/ASX200, 50% of the Relative TSR Rights will vest. If Forge's TSR is above the 75th percentile of the S&P/ASX200, 100% of the Relative TSR Rights will vest. Vesting will take place in a linear fashion for a TSR falling between the 50th and 75th percentiles of the S&P/ASX200.
Group C Granted 17 December 2012	233,789	The compound annual growth rate ("CAGR") in EPS over the three year performance period from 1 July 2012 is at least 7.5%. If Forge's CAGR in EPS is 7.5% then 50% of the EPS Rights will vest. If Forge's CAGR in EPS is above 15%, 100% of the EPS Rights will vest. Vesting will take place in a linear fashion for a CAGR of EPS falling between 7.5% and 15%.
Group D Granted 17 December 2012	257,756	3 years' employment service

As at 30 June 2013, the weighted average remaining contractual life of performance rights is 2.35 years. The total expense arising from share based payment transactions recognised during the year as part of employee benefit expense was $866,000 (2012: nil).

NOTE 28. EVENTS AFTER THE REPORTING DATE

ACQUISITION OF TAGGART GLOBAL

Prior to year end, the Group entered into an agreement to acquire select subsidiaries of Taggart Global USA LLC ("Taggart"), a US based asset management, engineering and EPC business. The proposed purchase price consisted of an upfront payment of US$43 million and potential future earn-outs to a maximum of US$25 million which is based on earnings milestones through to 2016. The agreement was subject to conditions precedent, including: third party consents; delivery of certain information; execution of other agreements and releases by certain individuals and excluded subsidiaries; no material adverse effect; and applicable regulatory consents and approvals. The conditions were subsequently satisfied on 3 July 2013 and the acquisition was completed on that date. The purchase price allocation has not been finalised at the date of issue of these financial statements. The up-front cash payment was financed through the ANZ banking facilities detailed below.

PROPOSED DIVIDEND

On 28 August 2013 the Group declared a fully franked dividend of 8 cents per ordinary share. The aggregate amount of dividends to be paid out of retained earnings but not recognised as a liability at year-end is $6.9 million. The record date for the dividend is 12 September 2013 and the proposed payment date is 26 September 2013.

BANK FACILITIES

From the 1st of July 2013, the Group has changed its bankers from NAB to ANZ. The Group is in the process of establishing a club facility, with ANZ as Mandated Lead Arranger. As set out in a commitment letter from ANZ dated 17 June 2013, the total club facility is expected to consist of the following facilities:

- guarantee facilities of $150 million (of which ANZ have committed $90 million)
- acquisition facilities of $50 million (of which ANZ have committed $50 million)
- asset finance facilities of $10 million (of which ANZ have committed $4 million)

The above facilities are in addition to the existing ANZ facilities of $75 million which brings ANZ's total commitment to $219 million.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 29. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2013 $	2012 $
A. KEY MANAGEMENT PERSONNEL		
Rent paid to Allmont Pty Ltd, a company controlled by Mr A Ellison (resigned 31 July 2012)	13,650	23,400
Legal fees paid to Gilbert & Tobin (formerly Blakiston & Crabb), a legal firm in which Mr M Cardaci is a partner.	272,793	288,895
Mr A Ellison (resigned 31 July 2012) was invoiced for services rendered by Forge Group Construction Pty Ltd.	-	138,261
Mr J Smith's wages were paid directly to Clough Ltd at his request. (J Smith resigned 2 November 2011)	-	20,000
Mr N Siford's wages were paid directly to Clough Ltd at his request. (N Siford resigned 28 March 2013)	63,647	78,084
Mr K Gallagher's wages were paid directly to Clough Ltd at his request. (K Gallagher resigned 28 March 2013)	63,647	64,375
Options held by Clough Ltd were converted to ordinary shares. Clough Ltd ceased to be a shareholder in Forge Group Ltd on 25 March 2013.	-	(875,000)
Mr A Ellison was a director of Forge Group Ltd and Forge Group Construction Pty Ltd. Central Systems has a sub contract agreement with Forge Group Construction to provide labour, and plant and equipment. Mr A Ellison resigned as a director on 31 July 2012. Services provided by Central Systems over the period Mr Ellison was a Director.	2,556,733	37,228,209
Payments were made to Clough Ltd in relation to rent and labour costs. Clough ceased to be a shareholder in Forge Group Ltd on 25 March 2013.	264,322	-
Services rendered in relation to the Clough Forge Joint Venture	-	789,207
Mr J O'Connor held the position of partner at PwC while also holding the position of Non-Executive Director of Forge Group Ltd between 29 November 2012 and 31 March 2013. Fees were paid to PwC for consulting services in this period.	45,273	n/a

Note: Rounding of figures in related party disclosures is not permitted under ASIC Class Order 98/100.

NOTE 30. RESERVES

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

Option Reserve

The option reserve records items expensed by the Group in relation to share based payments which relate to the issue of share options and performance rights.

Profit Reserve

A new reserve has been created in the current year to hold profits for distribution in the future. The creation of this reserve preserves the characteristic of the amount as a profit. Such profits are available to enable payment of franked dividends in the future should the Directors declare by resolution.

NOTE 31. FINANCIAL RISK MANAGEMENT

SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency risk.

The total for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial instruments are as follows:

	Note	2013 $000	2012 $000
FINANCIAL ASSETS			
Cash and cash equivalents	10	90,728	51,091
Short term deposits	10	2,748	72,500
Term deposits	10	10,468	14,260
Trade and other receivables	11	84,678	203,935
Security deposits	16	295	269
Amounts advanced to jointly controlled entities	16	-	200
Total financial assets		**188,917**	**342,255**
FINANCIAL LIABILITIES			
Financial liabilities at amortised cost			
- Trade and other payables	18	219,568	148,344
- Borrowings	19	25,686	26,187
Total financial liabilities		**245,254**	**174,531**

FINANCIAL RISK MANAGEMENT POLICIES

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

The Board of Director's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of credit risk policies and future cash flow requirements.

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to and from subsidiaries, and hire purchases.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

Treasury Risk Management

Senior executives of the Group meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

Financial Risks Exposure and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

A. CREDIT RISK

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

	2013 $000	2012 $000
Counterparties not rated – trade receivables	84,678	203,936
Cash and term deposits	103,944	137,851
Total	**188,622**	**341,787**

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

The maximum exposure to credit risk by class of recognised financial assets at reporting date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Credit risk is managed on a Group basis and reviewed regularly by senior executives. It arises from exposures to customers as well as through deposits with financial institutions.

Senior executives monitor credit risk by actively assessing the rating quality and liquidity of counter parties:

- Only banks and financial institutions with an 'A' rating are utilised.
- All potential customers are rated for credit worthiness taking into account their size, market position and financial standing.

The Group does not have any material credit risk exposure to any single receivable or financial instrument entered into by the Group.

B. PRICE RISK

The Group is not materially exposed to commodity price risk arising from purchase of raw materials. Exposure to large fluctuations in the price of sub-contracted works is mitigated through fixed price contracts.

C. LIQUIDITY RISK

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- Preparing forward looking cash flow analysis in relation to its operational, investing and financing activities.
- Maintaining a reputable credit profile.
- Only investing surplus cash with major financial institutions.

Financial Liability Maturity Analysis

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

		Carrying amount	Total contractual cash flows	Within 1 year	1 to 5 years
		2013	2013	2013	2013
	Note	$000	$000	$000	$000
Finance lease liabilities	23	25,686	27,863	12,495	15,368
Trade and other payables	18	219,568	219,568	219,568	-
Total expected outflows		**245,254**	**247,431**	**232,063**	**15,368**

		2012	2012	2012	2012
	Note	$000	$000	$000	$000
Deferred Consideration		17,829	19,798	19,798	-
Finance lease liabilities	23	26,187	29,189	29,189	-
Trade and other payables	18	148,344	148,344	148,344	-
Total expected outflows		**192,360**	**197,331**	**197,331**	**-**

D. INTEREST RATE RISK

Exposure to interest rate risk arises on the Group's borrowings and cash deposits. Borrowings at variable rates expose the Group to cash flow interest rate risk whilst borrowings at fixed rates expose the Group to fair value interest rate risk. Interest rate risk is managed using a mix of fixed and floating rates of interest.

The Group's fixed rate borrowings and fixed rate term deposits are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB7 since neither the carrying value nor the future cash flows will fluctuate due to a change in market interest rates.

	2013	2012
	$000	$000
Financial Assets		
Cash and cash equivalents	90,728	51,091

The weighted average interest rate on cash and cash equivalents is 4.20% (2012: 4.46%)

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at reporting date would have been affected by interest rate changes that management considers to be reasonably possible. Management considers a reasonable change to be 20 basis points (2012: 100). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant. The basis point movement is based on the movement in selected interest rates over the 6 months ended 30 June 2013. This movement selected is considered to be a reasonable estimate of the reasonably possible change in interest rates at year end.

Sensitivity Analysis	Profit or Loss ($000)		Equity ($000)	
	20bp increase	20bp decrease	20bp increase	20bp decrease
30 June 2013				
Cash and cash equivalents	181	(181)	181	(181)
	181	181	181	181
30 June 2012				
Cash and cash equivalents	511	(511)	511	(511)
	511	(511)	511	(511)

Prior year comparatives have been amended to recognise that short-term bank deposits and term deposits have a fixed interest rate at the end of the reporting period and are therefore not subject to interest rate sensitivity analysis. It is assumed that the interest rate for the short term bank deposits and term deposits would roll over at a similar rate in the following financial year. Refer to Note 10.

E. FOREIGN CURRENCY RISK

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services, and investments in currencies other than the respective entities functional currencies. None of the monetary assets and monetary liabilities presented below are designated as cash flow hedges.

	30 June 2013 ($000)				30 June 2012 ($000)
	AUD	USD	Euro	THB	USD
Cash and cash equivalents	-	3,064	-	-	3,017
Trade receivables	3,265	163	-	-	3,161
Trade and other payables	(43)	(59,770)	(1,112)	(20)	(1,219)
Net statement of financial position exposure	**3,222**	**(56,543)**	**(1,112)**	**(20)**	**4,959**

The following table illustrates sensitivities to the Group's exposures to changes in exchange rates. The table indicates the impact on how profit and equity values reported at reporting date would have been affected by foreign exchange rate changes that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

Sensitivity Analysis	Profit or Loss ($000)		Equity ($000)	
	20bp increase	20bp decrease	20bp increase	20bp decrease
30 June 2013	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
AUD (1.6%)	52	(52)	52	(52)
USD (3.1%)	(1,753)	1,753	(1,753)	1,753
Euro (3.8%)	(42)	42	(42)	42
THB (3.6%)	(1)	1	(1)	1
30 June 2012	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
USD (1.4%)	69	(69)	69	(69)

The sensitivity percentages for the respective currencies are based on the movement in the foreign exchange rates over the financial year. On this basis, and recognising the inherent volatility in foreign exchange markets, management considers the foreign exchange rates above to be reasonable.

F. NET FAIR VALUES

Fair Value Estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the Statement of Financial Position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

	2013 ($000)		2012 ($000)	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
Cash and cash equivalents	90,728	90,728	51,091	51,091
Short-term cash deposits	2,748	2,748	72,500	72,500
Term deposits	10,468	10,468	14,260	14,260
Receivables	84,678	84,678	203,935	203,935
Other assets	-	-	200	200
Security deposits	295	295	269	269
	188,917	**188,917**	**342,255**	**342,255**
Financial Liabilities				
Trade and sundry payables	219,568	219,568	148,344	148,344
Finance lease liabilities	25,686	23,351	26,187	23,807
Total financial liabilities	**245,254**	**242,919**	**174,531**	**172,151**

Fair values derived may be based on information that is estimated or subject, where changes in assumptions may have a material impact on the amounts estimated. Where possible, valuation information used to calculate fair value is extracted from the market, with more realisable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

NOTE 32. PARENT COMPANY INFORMATION

	2013 $000	2012 $000
PARENT ENTITY		
Assets		
Current assets	22,666	95,354
Non-current assets	129,670	61,628
Total assets	**152,336**	**156,981**
Liabilities		
Current liabilities	10,311	9,466
Non current liabilities	139	125,837
Total liabilities	**10,450**	**135,303**
Net Assets	**141,886**	**21,678**
Equity		
Issued capital	45,430	45,430
Profit Reserve	134,852	-
Retained earnings	(41,180)	(25,670)
Options reserve	2,784	1,918
Total Equity	**141,886**	**21,678**
Profit/(loss) for the year	**134,852**	**(7,050)**

i. Contingent assets and liabilities

The parent entity had no material contingent assets at 30 June 2013. For details of the contingent liabilities for the Group including the parent entity refer to Note 24.

ii. Commitments

The parent entity did not have any capital commitments at year end (2012: nil).

iii. Deed of Cross Guarantee

For information about guarantees given by entities within the Group, including the parent entity, refer to Note 33.

ii. Parent Entity Guarantees

The parent entity has provided a guarantee in relation to the debts of Webb Construction West Africa Ltd.

NOTE 33. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation and lodgement of financial reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Group will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Forge Group Construction Pty Ltd
- Forge Group Minerals & Resources Pty Ltd
- Forge Group Power Pty Ltd

Forge Group Construction Pty Ltd and Forge Group Minerals & Resources Pty Ltd became parties to the Deed on 5 May 2011. Forge Group Power Pty Ltd became party on 5 June 2013.

These companies represent a closed group for the purposes of the class order, and as there are no other parties to the deed of cross guarantee that are controlled by the company, they also represent the extended closed group.

A consolidated Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position, comprising the company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2013 is set out as follows:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2013 $000	2012 $000
REVENUE	1,023,310	519,096
Other Income	6,939	5,698
Materials, plant and subcontractor costs	(620,910)	(224,359)
Employee benefits expense	(268,604)	(226,670)
Depreciation and amortisation expense	(19,640)	(7,977)
Consulting fees	(5,417)	(583)
Finance costs	(6,883)	(1,150)
Share of profit or loss of associates and joint ventures	(5,679)	3,052
Other expenses	(16,087)	(15,228)
Profit before income tax	**87,129**	**51,879**
Income tax expense	(25,624)	(15,160)
Profit for the year	**61,505**	**36,719**
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profir or loss:		
Foreign exchange translation differences, net of tax	1,826	-
Other comprehensive income for the year, net of tax	**1,826**	**-**
Total comprehensive income for the year	**63,331**	**36,719**

STATEMENT OF FINANCIAL POSITION

	2013	2012 Restated
	$000	$000
CURRENT ASSETS		
Cash and cash equivalents	86,666	27,132
Short term deposits	2,748	72,500
Trade and other receivables	77,155	172,337
Inventories and construction work in progress	147,264	12,481
Current tax assets	6,018	-
Other assets	1,037	19,704
Total Current Assets	**320,888**	**304,154**
NON-CURRENT ASSETS		
Trade and other receivables	1,424	-
Term deposits	10,468	12,984
Property, plant and equipment	64,865	61,770
Deferred tax assets	7,369	3,419
Equity accounted investments	-	2,444
Intangibles	40,332	15,632
Total Non-Current Assets	**124,458**	**96,249**
Total Assets	**445,346**	**400,403**
CURRENT LIABILITIES		
Trade and other payables	215,767	203,032
Borrowings	11,139	8,627
Investments	12,560	-
Current tax liabilities	-	7,362
Provisions	3,970	8,156
Total Current Liabilities	**243,436**	**227,177**
NON-CURRENT LIABILITIES		
Borrowings	14,547	17,273
Deferred tax liabilities	675	80
Provisions	493	489
Total Non-Current Liabilities	**15,715**	**17,842**
Total Liabilities	**259,151**	**245,019**
Net Assets	**186,195**	**155,384**
EQUITY		
Issued capital	45,366	45,366
Reserves	2,804	1,918
Profit reserve	61,505	-
Retained earnings	76,520	108,100
Total Equity	**186,195**	**155,384**

NOTE 34. BUSINESS COMBINATION IN COMPARATIVE PERIOD

SUBSIDIARY ACQUIRED

On 13 January 2012, Forge Group Ltd entered into a share purchase agreement to acquire 100% of the issued share capital of Forge Group Power Pty Ltd (formerly CTEC Pty Limited), a private company based in Western Australia. On 20 January 2012 (the acquisition date) settlement of the initial cash consideration took place, the share purchase agreement was signed and Forge Group Ltd took ownership of the shares.

Consideration Transferred	2012
	$000
Cash	15,641
Loans	359
Contingent consideration arrangement	16,266
Consideration transferred	32,266

The fair value of the contingent consideration on the acquisition date was estimated by an independent professional valuer using an income approach based on the forecast profit before tax of CTEC Pty Limited for the 2012 and 2013 financial years using a discount rate of 20.81%. Subsequent to initial recognition, the liability associated with the contingent consideration is measured at fair value with interest charges of $2.3 million (2012: $1.4 million) associated with the change in fair value for the period being included in the "Finance costs" line item in the statement of comprehensive income. In the current period, the contingent consideration was paid out in full.

Goodwill Arising on Acquisition	2012
	$000
Consideration transferred	32,266
Less: fair value of identifiable net assets acquired	(8,698)
Goodwill arising on acquisition	23,568

The goodwill arising on the acquisition of Forge Group Power Pty Ltd arose primarily because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, developments in the energy and utilities sectors in the future and the assembled workforce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Net Cash Outflow on Acquisition of Subsidiary	2012
	$000
Consideration paid in cash	15,641
Less: cash and cash equivalent balances acquired	(12,202)
Net cash outflow on acquisition of subsidiary	3,439

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DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1.2 to the financial statements;

(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001

At the date of this declaration, the Group is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the company and the group entities to which the ASIC Class Order applies, as detailed in Note 33 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors

David Simpson
Managing Director & Chief Executive Officer
Forge Group Ltd

Perth
28 August 2013

INDEPENDENT AUDITOR'S REPORT

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORGE GROUP LIMITED
REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Forge Group Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error.

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 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Forge Group Limited for the year ended 30 June 2013, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Grant Robinson

Grant Robinson
Partner

Perth

28 August 2013

ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in the Annual Report is set out below. The information was applicable as at 31 July 2013.

DISTRIBUTION OF SHAREHOLDERS

There were 150 holders of less than a marketable parcel of ordinary shares. The number of shareholders by size of holding is set out below:

Ordinary shares	Nº of holders	Nº of Shares	Percentage
1 – 1,000	2,255	1,310,264	1.52
1,001 – 5,000	2,792	7,169,180	8.32
5,001 – 10,000	668	5,035,873	5.84
10,001 – 100,000	439	10,604,492	12.31
100,001 – 999,999,999	39	62,049,205	72.01
	6,193	**86,169,014**	**100%**

Performance Rights	Nº of holders	Nº of Performance Rights	Percentage
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	26	725,334	52.61
100,001 – 999,999,999	1	653,396	47.39
	27	**1,378,730**	**100%**

20 LARGEST SHAREHOLDERS – ORDINARY SHARES

Registered Shareholder	Nº of Shares	Percentage of Total Shares
National Nominees Limited	16,459,307	19.10
J P Morgan Nominees Australia Limited	9,598,858	11.14
HSBC Custody Nominees (Australia) Limited	7,779,709	9.03
JP Morgan Nominees Australia Limited <Cash Income A/C>	3,737,464	4.34
Citicorp Nominees Pty Limited	3,176,106	3.69
EGO Pty Ltd	2,800,000	3.25
BNP Paribas Noms Pty Ltd <DRP>	2,597,219	3.01
CS Fourth Nominees Pty Ltd	2,286,463	2.65
HSBC Custody Nominees (Australia) Limited - A/C 3	2,110,557	2.45
AMP Life Limited	2,110,476	2.45
Galactica Pty Ltd <Galactica A/C>	1,010,173	1.17
Mr Keith Ronald Luestner + Mrs Mitsuko Sunshine Luestner	970,795	1.13
Warbont Nominees Pty Ltd <Accumulation Entrepot A/C>	619,595	0.72
Southam Investments 2003 Pty Ltd <Warwickshire Investment A/C>	604,325	0.70
Temorex Pty Ltd <Nitram Family A/C>	500,000	0.58
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	482,170	0.56
Share Direct Nominees Pty Ltd <10026 A/C>	442,500	0.51
Chisholm Nominees (WA) Pty Ltd	410,000	0.48
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	352,743	0.41
HSBC Custody Nominees (Australia) Limited - A/C 2	336,796	0.39
Totals: Top 20 holders of Ordinary Fully Paid Shares (TOTAL)	**58,385,256**	**67.76**
Total Remaining Holders Balance	**27,783,758**	**32.24**

SUBSTANTIAL SHAREHOLDERS

An extract of the Company's register of substantial shareholders (who held 5% or more of the issued capital) is set out below:

Substantial Shareholder	N° of Shares	Percentage of Total Shares
Vinva Investment Management	6,416,581	7.45
AMP Limited	6,229,503	7.23
Mitsubishi UFJ Financial Group, Inc	5,620,279	6.52

VOTING RIGHTS

ORDINARY SHARES

For all ordinary shares, voting rights are on a show of hands whereby every member present in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

PERFORMANCE RIGHTS

There are no voting rights attached to performance rights.

PERFORMANCE RIGHTS (UNLISTED)

1,378,730 performance rights are currently on issue to Forge Group employees under the terms of the Company Long Term Incentive Plan. 653,396 (or 47.39%) of those performance rights have been issued to Managing Director & Chief Executive Officer, Mr David Simpson.

CORPORATE GOVERNANCE STATEMENT

Forge Group Ltd (Company) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to the ASX Corporate Governance Council Principles and Recommendations 2nd edition (Principles & Recommendations). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained it reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at http://www.forgegroup.com/investors/corporate-governance.html

CHARTERS

- Board
- Audit & Risk Committee
- Defence Committee
- Nomination Committee
- Remuneration Committee
- Health, Safety & Environment Committee

POLICIES AND PROCEDURES

- Policy and Procedure for Selection and (Re) Appointment of Directors
- Process for Performance Evaluation
- Diversity Policy
- Code of Conduct (summary)
- Securities Trading Policy
- Policy on ASX Listing Rule Compliance (summary)
- Compliance Procedures (summary)
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Shareholder Communication Policy
- Risk Management Policy (summary)

The Company reports below on whether it has followed each of the recommendations during the 2012/2013 financial year (Reporting Period). The information in this statement is current at 29 August 2013.

BOARD

ROLES AND RESPONSIBILITIES OF THE BOARD AND SENIOR EXECUTIVES

(Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter, which is disclosed on the Company's website.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chairman.

SKILLS, EXPERIENCE, EXPERTISE AND PERIOD OF OFFICE OF EACH DIRECTOR

(Recommendation: 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report.

During the Reporting Period, the Board completed its transition from a Board of non-independent founding Directors to a Board comprising a majority of independent Non-Executive Directors. The current Board represents the mix of skills and diversity for which the Directors are looking to achieve in membership of the Board. The Directors possess the following skills and qualifications that have been identified by the Board as relevant to the Company's business: operations and construction backgrounds; mergers and acquisitions; legal qualifications; industry experience and knowledge; project experience; and accounting qualifications and experience.

DIRECTOR INDEPENDENCE

(Recommendations: 2.1, 2.2, 2.3, 2.6)

As noted above, during the Reporting Period the Board completed its transition from a Board of non-independent founding Directors, to a Board comprised of a majority of independent non-executive Directors since 1 December 2012.

At the commencement of the Reporting Period, the Board comprised:

Name	Executive/ Non-Executive	Independent status
David Craig	Non-Executive Chair	Independent
Peter Hutchinson	Managing Director	Not independent
Marcello Cardaci	Non-Executive	Independent
Neil Siford	Non-Executive	Not independent
Greg McRostie	Executive	Not independent
Andrew Ellison	Executive	Not independent
Kevin Gallagher	Non-Executive	Not independent

On 9 July 2012, Mr Hutchinson resigned from the Board as Managing Director and Mr David Simpson was appointed as Managing Director. On 31 July 2012, Mr Ellison resigned from the Board. On 29 November 2012, two independent non-executive directors were appointed to the Board – Mr Greg Kempton and Mr John O'Connor. On 30 November 2012, Mr McRostie resigned from the Board. On 28 March 2013, Mr Neil Siford and Mr Kevin Gallagher, both nominee directors appointed to the Board by Clough Limited, resigned from the Board.

The current Board comprises:

Name	Executive/ Non-Executive	Independent status
David Craig	Non-Executive Chair	Independent
David Simpson	Managing Director	Not independent
Marcello Cardaci	Non-Executive	Independent
John O'Connor	Non-Executive	Independent
Greg Kempton	Non-Executive	Independent

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The Board has agreed on the following guidelines, as set out in the Company's Board Charter for assessing the materiality of matters:

Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.

Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.

Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The independent Directors of the Company are David Craig, Marcello Cardaci, John O'Connor and Greg Kempton. These directors are independent as they are Non-Executive Directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Mr Cardaci is a partner of the firm Gilbert + Tobin. Gilbert + Tobin has provided legal services to the Company for which it has been paid fees on a normal commercial basis. The Board notes the fees paid to Gilbert + Tobin are not material to the Company, and are not material to Mr Cardaci or Gilbert + Tobin. Likewise, Mr O'Connor was a partner of audit and advisory firm, Pricewaterhouse Coopers (PwC) until 31 March 2013. The Company has paid fees to PwC for the provision of corporate advisory and taxation advice. Fees paid to PwC are on a normal commercial basis, are not material to the Company, and are not material to Mr O'Connor or PwC. The Board therefore considers both Mr Cardaci and Mr O'Connor to be independent.

The sole non-independent Director is Mr Simpson, the Company's Managing Director. The Chairman of the Board, Mr Craig, is independent.

INDEPENDENT PROFESSIONAL ADVICE

(Recommendation: 2.6)

To assist Directors with independent judgement, it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval from the Chairman for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

SELECTION AND (RE)APPOINTMENT OF DIRECTORS

(Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee (or the full Board acting in the capacity of the Nomination Committee) follows a prescribed process whereby it evaluates the mix of skills, experience, diversity and expertise of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of Independent Directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next annual general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. An election of Directors is held each year. Each Director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that Director's last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one Director or one third of the total number of Directors must resign. A Director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of Directors is not automatic.

The Company's Policy and Procedure for the Selection and (Re) Appointment of Directors is disclosed on the Company's website.

BOARD COMMITTEES

NOMINATION COMMITTEE

(Recommendations: 2.4, 2.6)

The Board established a separate Nomination Committee during the Reporting Period, however no formal meetings were held. The Board performed the role of the Nomination Committee during the Reporting Period. Items that were usually required to be discussed by a Nomination Committee were marked as separate agenda items at Board meetings when required.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee. The Company's Nomination Committee Charter is disclosed on the Company's website.

AUDIT & RISK COMMITTEE

(Recommendations: 4.1, 4.2, 4.3, 4.4)

The Board has established an Audit & Risk Committee. Since 19 July 2012, the Audit & Risk Committee has been structured in compliance with Recommendation 4.2. The current composition of the Audit & Risk Committee is set out in the following table:

Name	Executive/ Non-Executive	Independent status
John O'Connor (appointed Committee Chairman on 30 November 2012)	Non-Executive	Independent
Marcello Cardaci (Committee Chairman until 30 November 2012)	Non-Executive	Independent
Greg Kempton	Non-Executive	Independent

Until 19 July 2012, Mr Craig was both Chairman of the Board and Chairman of the Audit & Risk Committee. No Audit Committee meetings were held during this period.

Details of Director attendance at Audit & Risk Committee meetings during the Reporting Period are set out in a table in the Directors' Report on page 30.

Details of each of the Director's qualifications are set out in the Directors' Report on pages 28-29. Each of the members of the Audit & Risk Committee considers themselves to be financially literate and have an understanding of the industry in which the Company operates. Mr O'Connor, as Chairman of the Audit & Risk Committee, is a Chartered Accountant and former Managing Partner of PwC in Perth.

The Board has adopted an Audit & Risk Committee Charter which describes the role, composition, functions and responsibilities of the Audit & Risk Committee.

The Company has established a Procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit & Risk Committee. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit & Risk Committee and any recommendations are made to the Board.

The Company's Audit & Risk Committee Charter and Procedure for Selection, Appointment and Rotation of External Auditor are disclosed on the Company's website.

REMUNERATION COMMITTEE

(Recommendations: 8.1, 8.2, 8.3, 8.4)

The Board has established a Remuneration Committee. The Remuneration Committee is structured in accordance with Recommendation 8.2 and comprised solely Non-Executive Directors for the Reporting Period in compliance with Listing Rule 12.8. The current composition of the Remuneration Committee is set out in the following table:

Name	Executive/ Non-Executive	Independent status
Marcello Cardaci (Committee Chairman)	Non-Executive	Independent
John O'Connor	Non-Executive	Independent
Greg Kempton	Non-Executive	Independent

Details of director attendance at Remuneration Committee meetings during the Reporting Period are set out in a table in the Directors' Report on page 30. The Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee. The Company's Remuneration Committee Charter is disclosed on the Company's website.

During the reporting period the Company introduced the Forge Group Ltd Long Term Incentive Plan (LTIP), approved by shareholders on 24 October 2012, which aims to reward eligible senior executives for the long term performance and profitability of the Company. Remuneration for senior executives consists of a fixed base salary and both short and long term incentives. All executive remuneration packages are reviewed annually by the Chief Executive Officer & Managing Director to ensure that the levels are commensurate with the market.

Non-Executive Directors are not entitled to participate in the Company's LTIP given their remuneration is not linked to the performance of the Company. Non-Executive Directors received fixed fees which are set by reference to payments made by other companies of similar size and market capitalisation in the industry. There are no termination or retirement benefits for Non-Executive Directors (other than for superannuation).

Further details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report and commences on page 34.The Company's Securities Trading Policy (disclosed on the Company's website) includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

HEALTH, SAFETY & ENVIRONMENT COMMITTEE

Whilst not a requirement under the Principles & Recommendations, the Board established a Health, Safety & Environment Committee during the Reporting Period to oversee and assist the Board in the discharge its responsibilities in relation to its health, safety and environmental obligations. The Board has adopted a Health, Safety & Environment Committee Charter which describes the role, composition, functions and responsibilities of the Health, Safety & Environment Committee. The current composition of the Health, Safety & Environment Committee is set out in the following table

Name	Executive/ Non-Executive	Independent status
Greg Kempton (Committee Chairman)	Non-Executive	Independent
David Craig	Non-Executive	Independent
David Simpson	Managing Director	Not Independent

Details of director attendance at Health, Safety & Environment Committee meetings during the Reporting Period are set out in a table in the Directors' Report on page 31.

PERFORMANCE EVALUATION

SENIOR EXECUTIVES

(Recommendations: 1.2, 1.3)

Performance evaluation of the Company's senior executives took place during the Reporting Period in the form of the Managing Director and Chief Executive Officer conducting regular informal evaluations with senior executives, ensuring that key performance indicators are identified and met, and that transparency within business unit operations is maintained and feedback provided, particularly where performance or mismanagement issues are evident (with or without Board input).

Subsequent to the end of the Reporting Period, the Company has implemented a process for evaluating the performance of all staff, including senior executives. For the reporting period ending 30 June 2014, senior executives will be formally assessed against specific performance objectives.

BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

(Recommendations: 2.5, 2.6)

During the Reporting Period, the independent Non-Executive Directors were responsible for, and conducted evaluations on, the performance of the Board, its committees and individual directors, by way of informal discussions. Given the significant changes to the composition of the Board during the Reporting Period, a formal performance evaluation was not considered necessary and therefore not conducted.

The Company's process for performance evaluation is disclosed on the Company's website

ETHICAL AND RESPONSIBLE DECISION MAKING

CODE OF CONDUCT

(Recommendations: 3.1, 3.5)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is disclosed on the Company's website.

DIVERSITY

(Recommendations: 3.2, 3.3, 3.4, 3.5)

The Company established a Diversity Policy during the Reporting Period, which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress towards achieving them. Due to the planned major restructure of both the Board and senior executive team, the Board decided not to set measurable objectives for the Reporting Period. Measurable objectives for achieving gender diversity in accordance with the Company's Diversity Policy will be established in the first half of FY14 and reported on within the 2014 Annual Report. Forge Group is subject to the Workplace Gender Equality Act 2012 and is required to report annually to the Workplace Gender Equality Agency against standardised gender equality indicators.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board are set out in the following table:

	Proportion of women
Whole organisation	207 out of 1,438 (14.4%)
Senior executive positions	0 out of 9 (0%)
Board (non-executive directors)	0 out of 5 (0%)

The Company's Diversity Policy is disclosed on the Company's website.

CONTINUOUS DISCLOSURE

(Recommendations: 5.1, 5.2)

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

A summary of the Company's Policy on ASX Listing Rule Compliance and Compliance Procedures are disclosed on the Company's website.

SHAREHOLDER COMMUNICATION

(Recommendations: 6.1, 6.2)

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

The Company's Shareholder Communication Policy is disclosed on the Company's website.

RISK MANAGEMENT

Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for identifying any material changes to the Company's risk profile and ensuring with the approval of the Board, the risk profile of the Company is updated to reflect any material change.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter believed appropriate, with the prior approval of the Board.

The Board has established a separate Audit & Risk Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems. The Company is currently implementing a new enterprise risk management framework to provide a mechanism for better assessing, managing and reporting on material business risks.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted various other corporate governance policies to assist the Company to establish and maintain its governance practices.

The Board has formalised and documented the management of its material business risks. The categories of risk reported on or referred to as part of this system are: strategic, operational and market-related risks. Strategic and market-related risks are reviewed at least annually on a very detailed basis as part of the planning, forecasting and budgeting process. These risks are then further reviewed on a broader, more informal basis at regular times by senior management and the Managing Director. The following is a list (in no particular order) of operational risks which the Board and senior management believe to be the most significant for the industry sector in which the Company operates:

- assessment of a suitable 'pipeline' of projects for the Company;
- availability of suitably qualified labour resources;
- political/sovereign risk particularly in certain project locations in Africa;
- ensuring the tender process is comprehensive and exhaustive including the assessment of all known financial and other risks; and
- strict internal and external quality, safety and environmental guidelines.

The above list is not necessarily exhaustive, however provides investors with an insight into the risks the Company faces on a day-to-day basis.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

A summary of the Company's Risk Management Policy is disclosed on the Company's website.

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS CHECKLIST

The following table sets out the Company's position with regard to adoption of the Principles & Recommendations as at the date of this statement:

Recommendation		Comply
Principle 1:	Lay solid foundations for management and oversight	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	✓
1.2	Companies should disclose the process for evaluating the performance of senior executives.	✓
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	✓
Principle 2:	Structure the board to add value	
2.1	A majority of the board should be independent directors.	✓
2.2	The chair should be an independent director.	✓
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	✓
2.4	The board should establish a nomination committee.	✓
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	✓
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	✓
Principle 3:	Promote ethical and responsible decision-making	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: the practices necessary to maintain confidence in the company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✓
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	✓
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	✗
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	✓
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	✓
Principle 4:	Safeguard integrity in financial reporting	
4.1	The board should establish an audit committee.	✓
4.2	The audit committee should be structured so that it: consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the board; and has at least three members.	✓
4.3	The audit committee should have a formal charter.	✓
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	✓
Principle 5:	Make timely and balanced disclosure	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	✓
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	✓
Principle 6:	Respect the rights of shareholders	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of the policy.	✓
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	✓
Principle 7:	Recognise and manage risk	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✓
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks..	✓
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	✓
Principle 8:	Remunerate fairly and responsibly	
8.1	The board should establish a remuneration committee.	✓
8.2	The remuneration committee should be structured so that it: consists of a majority of independent directors; is chaired by an independent chair; and has at least three members.	✓
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	✓

CORPORATE DIRECTORY

FORGE GROUP LTD
ABN: 58 065 464 226

DIRECTORS
David Craig (Chairman)
David Simpson (MD & CEO)
Marcello Cardaci
John O'Connor
Greg Kempton

COMPANY SECRETARY
Glen Smith

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Western Australia 6005

SHARE REGISTER
Computershare
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Western Australia 6000

AUDITORS
KPMG
235 St Georges Terrace, Perth
Western Australia 6000

BANKERS
Australia and New Zealand Banking Group Ltd
77 St George's Terrace, Perth
Western Australia 6000

SECURITIES EXCHANGE LISTING
Forge Group Ltd shares are listed on the
Australian Securities Exchange.
The Group's listing code is FGE.

www.forgegroup.com


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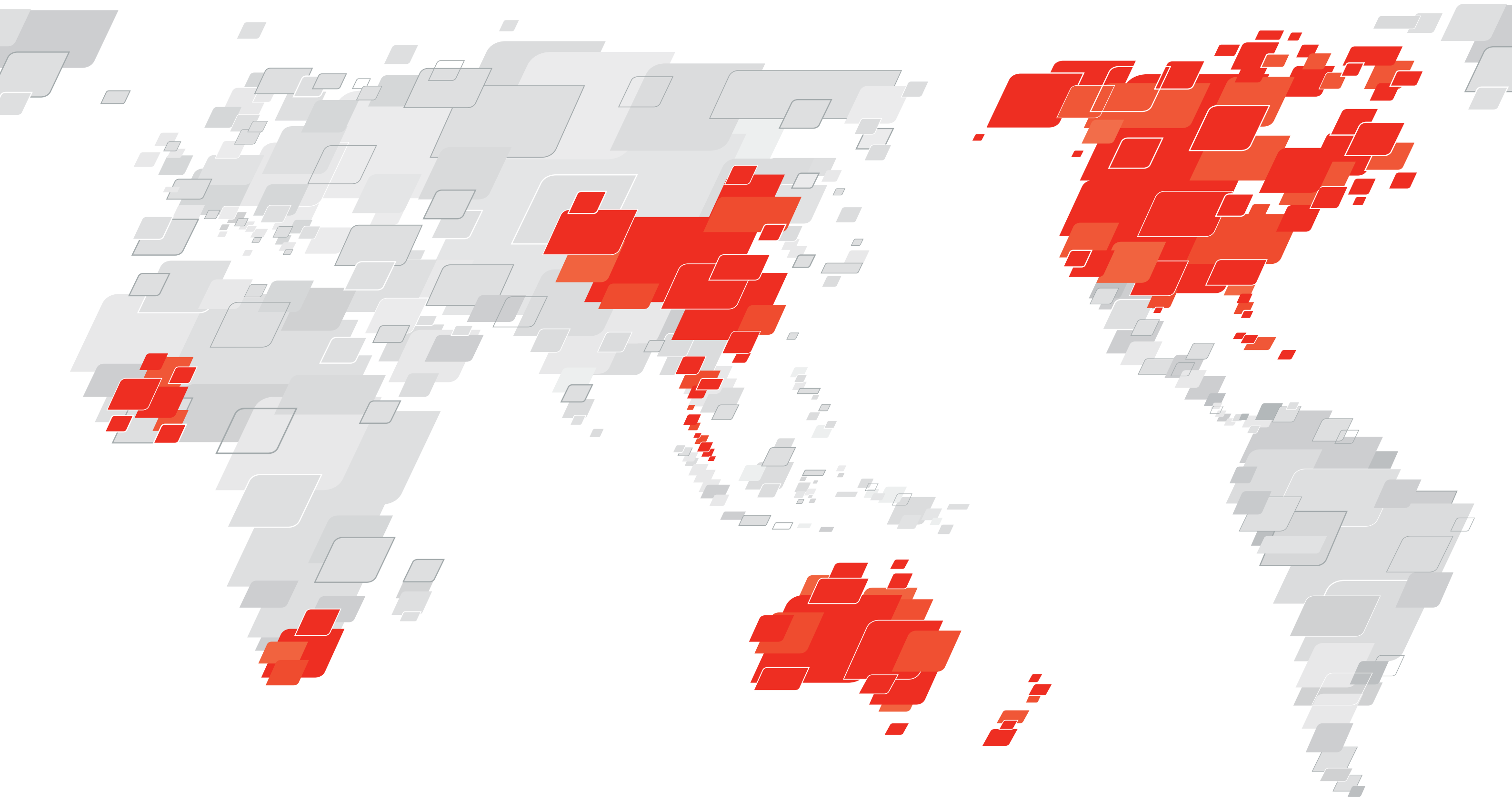

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