

*Construction contracts*

Construction contracts require significant estimates and assumptions in relation to:

- determining the stage of completion;
- estimation of total contract revenue and contract costs,
- acceptance of the probability of customer approval of variations and acceptance of claims,
- estimation of project completion date
- assumed levels of project execution productivity

These uncertainties may result in future project outcomes that differ from the amounts currently expected.

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

**NOTE 3. RESTATEMENT OF COMPARATIVES**

Royalties of \$32,794,000 which were presented as raw materials and consumables in the statement of profit or loss and other comprehensive income in prior period, have been more appropriately classified as other expenses. The reclassification has affected financial statement line items for the prior period as follows:

***Statement of profit or loss and other comprehensive income***

Extract	Consolidated		
	30 June 2013 \$'000 Reported	\$'000 Adjustment	30 June 2013 \$'000 Restated
<b>Expenses</b>			
Raw materials and consumables	(145,659)	32,794	(112,865)
Other expenses	(53,319)	(32,794)	(86,113)

The reclassification has no impact on profit before income tax, net profit or total comprehensive income.