AusGroup

2019
Annual Report

CONTENTS

30 years

1989-2019

AusGroup would like to thank its people, clients and suppliers for their continued support over the past 30 years.

OUR HISTORY

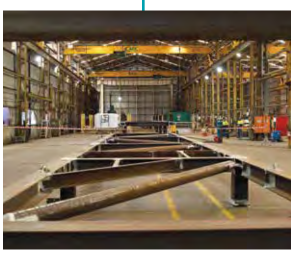
Established in 1989, AusGroup continues to build on its strength as a service provider for fabrication, construction and integrated support services within the resources, energy, industrial, utilities, port and marine markets.

1989

Ausclad is founded as a privately owned insulation, fabrication and cladding company in Western Australia.

1990

Ausclad Industries acquires fabrication facilities in Kwinana.



1996

Kwinana facility expanded by over 200%.

1998

Ausclad reorganises to form AGC (Ausclad Group of Companies).

1999

Operations expand to the Eastern States of Australia.

2002

AGC purchases painting operations from Brambles.

2005

AGC is listed on the Singapore Stock Exchange on 27 April as a wholly owned subsidiary of parent company AusGroup Limited (AGL).

2006

AusGroup Limited purchases Cactus Engineering and Trading Pte Ltd, a Singapore based engineering service provider to the upstream oil and gas and marine industries.

30 YEARS 1989 - 2019

2007

AusGroup Limited upgrades to Singapore Stock Exchange's Main Board.

2009

AGC acquires Modern Access Services (MAS).

Kwinana fabrication facilities upgrade completed.

2010

AusGroup, AGC and MAS launch new brand.

Cactus Engineering & Trading Pte Ltd renames to AusGroup Singapore Pte Ltd.

2014

AusGroup acquires Ezion Offshore Logistics Hub.

Incorporation of wholly-owned subsidiary Teras Global Pte Ltd.

AGC celebrates 25 years of operations.

2015

AusGroup celebrates 10 years of listing on the SGX.

2017

Shane Kimpton appointed as Executive Director and Chief Executive Officer of AusGroup.

2018

NT Port and Marine commences fuel operations at Port Melville.

2019

AusGroup refreshes the brand.

AGC celebrates 30 years of operation.

CHAIRMAN'S LETTER

We are seeing an increase in the number of opportunities for the business, across a variety of sectors.

Dear Shareholders,

The retirement of AusGroup's Chairman, Mr Stuart Kenny, occurred during the year and I took over as Chairman so this is my first year reporting to you in my new role. I would like to acknowledge Mr Kenny's commitment, drive and belief in the fundamental strengths of the Group through some challenging times. We thank him for his significant contributions.

This financial year has been challenging for the Group with a modest profit achieved for the financial year. The Group has faced some set-backs in the year with an unfavourable decision relating to a claim against Karara Mining Limited coupled with a close out of an underperforming contract at the end of the financial year. These have had a detrimental impact on earnings. However, the Group is profitable and with the continued focus on diversification of our client base primarily into the resources sector, longer term recurring revenue contracts and delivery excellence, we are looking forward to improved performance.

FINANCIAL PERFORMANCE HIGH-LEVEL OVERVIEW

Our revenue for 2019 decreased to AU$286.3m mainly due to the completion of major project work and timing delays in commencing new work - a trend also experienced by our competitors as large scale LNG construction projects were completed.

Gross profit decreased to AU$21.1m for FY2019 (FY2018: AU$57.5m) again due to the decrease in activity following the completion of the major projects in the comparative period. The FY2019 EBIT decreased to AU$4.2m due to the lower revenue base, the impairment of receivable relating to Karara Mining Limited and the close out of an underperforming contract.

The balance sheet continues to strengthen with the net debt decreasing by AU$25.4m since June 2018, mainly due to the successful placement and rights issue completed in the year whose proceeds were partly used to repay debt and debt to equity conversions. The restructure of the terms of the Multi-Currency notes resulted in the classification of these borrowings changing from current to non-current at the end of June 2019.

I would like to welcome Wang Yu Huei and Toh Bee Yong, who have joined the Board of Directors as Non-Independent Non-Executive Directors. Shane Kimpton has been appointed as Managing Director of the Group and continues to act in the role of CEO for AusGroup and its subsidiaries.

It is pleasing to see the extension of long-term contracts with current clients together with the award of contracts with new tier one clients. As we continue to provide our integrated solutions to clients across a variety of sectors, we are seeing an increase in the number of opportunities for the business.

I would like to thank members of the Board and all employees for their contributions, guidance and support.

On behalf of the Board of Directors, I would like to thank you for your commitment and ongoing support, and I look forward to a successful year ahead.

Mr Wu Yu Liang
Independent Director and Non-Executive Chairman

Chevron Australia - Master Contractor Services Contract, Barrow Island, Western Australia

CEO & MANAGING DIRECTOR'S REPORT

2019 marks AusGroup's thirtieth year of operation and I am proud to reflect on our history and the people who have contributed to our success over this time. From the establishment of Ausclad in 1989, we have certainly evolved as a business, but the same commitment, drive and values remain.

Following the formation of AGC, the acquisition of scaffolding and access business MAS, listing AusGroup on the Singapore Stock Exchange and the acquisition of the NT Port and Marine business, our Group now provides a uniquely diverse service offering to a range of sectors.

Whilst we have experienced a number of challenges along the way, our people have shown resilience and strength, which has supported our ability to continue providing the highest quality services to our clients across Australia and South East Asia.

OPERATIONAL OVERVIEW

Our portfolio of works and range of clients has diversified significantly over the past 12 months and we have been successful in providing multi-discipline services on new and existing contracts.

Our Chevron Master Contractor Services Contract continues to provide ongoing opportunities for the business, with the scope growing on both the Gorgon and Wheatstone sites. AusGroup is providing a range of services including mechanical & piping, electrical & instrumentation, access and painting & insulation works for both sites. Additionally, we are providing turnaround and campaigned maintenance style works both on and offshore. Our project team has been instrumental in delivering continuous efficiencies and innovations to Chevron throughout this contract.

Our Kwinana facility continues to support several maintenance and construction projects, with the team working 24/7 to meet challenging schedule requirements for our clients. The workshop recently delivered major works for Rio Tinto and a reclaimer substructure, which is the largest of its kind in Australia, as part of our contract with thyssenkrupp for BHP Iron Ore's South Flank Project. Following this, we were awarded an additional five fabrication packages for the project, a testament to our ability to deliver high quality, innovative and value-for-money solutions for our clients.

The expanding lithium sector has provided us with new opportunities this year, securing structural, mechanical & piping contracts constructing the Talison Greenbushes Chemical Grade Plant 2 and Kwinana Lithium Hydroxide Processing Plant for Tianqi. The successful construction of

AusGroup business continues to provide clients with innovative solutions, improve safety and reduce significant costs.

these contracts has positioned AusGroup as a leading contractor to the lithium sector, with the ability to offer clients complete integrated solutions.

The Group's NT Port and Marine business has experienced substantial growth throughout the year, with Port Melville now fully operational. As Australia's northern most port, we are strategically positioned as a fuel and logistics hub for the oil & gas and defence sectors, while supporting the local Tiwi people through economic development and the Tiwi Islands forestry industry. In a significant achievement for the team, NT Port and Marine was recognised with the Chief Minister's Award for Excellence in the Defence Industry at the end of 2018, following the successful commercialisation of the Port.

Importantly, the AusGroup business continues to provide clients with innovative solutions, improve safety and reduce significant costs. The MAS Steel Decking System was recognised as a finalist for the Curtin University Innovation Excellence Award, which provides recognition for an organisation that has achieved outstanding results and a commitment to excellence in innovation. This was a great achievement for the team and this system continues to provide many of our clients with a safer and more effective scaffolding solution.

We were pleased to welcome all our new clients this financial year while extending relationships and projects with long-term partners through delivery excellence.

HEALTH, SAFETY AND ENVIRONMENT

Safety is at the forefront of everything we do at AusGroup, with safety initiatives driven by our executive and senior management teams. As the next step in a proactive approach to safety, we launched our Critical Controls Management Program this year, allowing our teams on site to more effectively understand and manage activities that pose the most significant HSE risks for our people. The program is fully implemented and has been well received by our workforce and clients and together with our Perfect Day initiative, helps to keep our people safe, one day at a time.

Image courtesy of Yara Pilbara Fertilisers, Western Australia

CEO & MANAGING DIRECTOR'S REPORT CONTINUED

The safety performance on our projects has been very positive, with a current TRIFR of 2.78 and LTIFR of 0.35. While the Group has a strong safety record, we are committed to continuous improvement in our approach to safety performance across the business.

OUR PEOPLE

We welcomed two new Board members this financial year; Mr Wang Yu Huei and Mr Toh Bee Yong as Non-Independent and Non-Executive Directors. The Board also appointed Mr Wu Yu Liang to the role of Non-Executive Chairman in February 2019 following the retirement of Mr Stuart Kenny.

I would like to take this opportunity on behalf of the AusGroup Board to thank Mr Kenny for his leadership and guidance in his roles as CEO and Chairman over the years. He provided direction and stability during some of the Group's most challenging periods, and we look forward to continuing to build on this foundation.

It is with sadness to advise that one of our executives, Mrs Jennifer McIlveen, Group General Manager Strategy & Development, sadly passed away on the 26 April 2019. Her passion and determination will be missed by everyone at AusGroup.

We are committed to providing learning and development opportunities, with the establishment and success of our Internship Placement Program this year. We have had a number of interns complete the program, in partnership with Curtin University Australia. This initiative allows students to apply academic knowledge in context, apply and develop employability and professional skills, and gain valuable insights into the professional workplace. AusGroup as an industry partner has the benefits from fresh perspectives based on research-led education as well as being able to assess students first-hand for ongoing employment opportunities.

Our NT Port and Marine business also continues to provide learning and career opportunities for local Tiwi students through work experience and training. One of our key goals is to provide real and rewarding education and employment opportunities for Tiwi Islanders and we will continue to work closely with the Tiwi community to create these.

In line with our strategic vision, we are committed to supporting and helping develop the communities in which we work.

In line with our strategic vision, we are committed to supporting and helping develop the communities in which we work. Our people have worked on initiatives for a variety of community partners throughout the year including: the Wirrpanda Foundation; Children's Starlight Foundation; Children's Leukaemia Foundation; Cancer Council Australia; The Movember Foundation and the Tiwi Islands Football League.

STRATEGIC OVERVIEW

Our Board of Directors and senior management team have reviewed the Group strategy for 2020 and beyond, with a strong focus on continuing to secure long-term contracts and diversify our client base. Our strategy is built on five key pillars: safety; people; delivery excellence; clients and value. Each of these will help guide our business decisions as we continue to work toward sustainable growth.

I would like to thank our shareholders, our employees, clients and suppliers for their ongoing support and I look forward to working together to achieve future success.

Mr Shane Kimpton
Chief Executive Officer & Managing Director

Chevron-operated Wheatstone Project, Ashburton North, Western Australia

Image courtesy of Chevron Australia Pty Ltd

BOARD OF DIRECTORS

MR WU YU LIANG
Independent Director and Non-Executive Chairman

- Chairman of the Board of Directors
- Member of the Audit Committee
- Member of the Remuneration and Human Capital Committee

Mr Wu brings more than 30 years of professional experience, advising a broad spectrum of corporate and commercial issues, ranging from the establishment of joint ventures and other investment vehicles to advising on corporate and debt restructuring. He advises both local and foreign clients on suitable investment structures and is well versed in the mechanics, regulatory and practical aspects of the securities industry.

Mr Wu is an independent director of Jiutian Chemical Group Limited and Pan Asian Holdings Limited.

MR SHANE KIMPTON
Managing Director and Chief Executive Officer

- Member of the Board of Directors

Mr Kimpton has over 30 years' experience working in the resources sector in Australia and overseas. He has been responsible for Brownfields engineering, operations and maintenance, capital projects delivery, commissioning and shutdowns across the onshore and offshore oil and gas, LNG, chemicals, power generation and mining sectors.

Mr Kimpton has held senior executive roles for leading operators and contractors including UGL, Transfield Services and ExxonMobil, working in a number of locations across some of the world's largest Oil & LNG projects. He has a demonstrated track record of strategic and operational leadership, delivering outstanding long-term business and EBIT growth and improved HSE performance.

Mr Kimpton graduated in Engineering at Swinburne University of Technology and is a member of the Asset Management Council of Australia.

MR CHEW HENG CHING
Independent Non-Executive Director

- Member of the Board of Directors
- Member of the Audit Committee
- Chair of the Remuneration and Human Capital Comm.
- Chair of the Nominating Committee

Mr Chew has more than 30 years' senior management experience in both the public and private sectors. He serves as non-executive director at Bonvest Holdings Ltd, Pharmesis International Ltd, Spindex Industries Ltd and Sinopipe Holdings Limited.

Mr Chew was the founding president of the Singapore Institute of Directors, chairman of its Governing Council and council member of Singapore Business Federation. He served on the Board of the Singapore International Chamber of Commerce and was chairman from 2005 - 2007.

Former Deputy Speaker of the Singapore Parliament and Member of Parliament, Mr Chew graduated in Industrial Engineering (Honours Class One) and Economics from the University of Newcastle, Australia and also received an honorary PhD.

MS OOI CHEE KAR
Independent Non-Executive Director

- Member of the Board of Directors
- Chair of the Audit Committee
- Member of the Nominating Committee
- Member of the Remuneration & Human Capital Committee

Ms Ooi Chee Kar brings more than 30 years of professional experience in Singapore and the United Kingdom. Ms Ooi is currently an independent director of Singapore Eye Research Institute, Tokyo Marine Life Insurance Singapore Ltd., Tokyo Marine Insurance Singapore Ltd., Singapore Pools (Private) Limited and Honorary General Secretary and Audit Committee Chair of National Council of Social Services. She served as an independent director of Pacific Radiance Limited from October 2013 to April 2019.

Qualified as a UK chartered accountant, Ms Ooi's experience covers a wide range of industries from financial services to shipping and oil trade. She was an audit partner at PricewaterhouseCoopers, Singapore until 2012 where she was a lead partner of a number of large audit clients across the Asia-Pacific region and beyond.

Ms Ooi is a fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) and a fellow of the Institute of Singapore Chartered Accountants (ISCA).

MR ENG CHIAW KOON
Non-Independent and Non-Executive Director

- Member of the Board of Directors

Mr Eng has over 26 years of senior management, business development and mergers and acquisitions experience across various industries. Mr Eng is currently the deputy chief executive officer of Ezion Holdings Limited. He was previously the managing director and executive director of AusGroup Limited. Prior to that, he was the chief executive officer of Aqua-terra Supply Co. Ltd. where he grew and led the company to be listed on the Singapore Exchange, and was the chief operating officer of KS Distribution Pte Ltd, a subsidiary of KS Energy Limited.

With a background in the electronics industry specialising in process audit, vendor quality and management, Mr Eng set up Aero-Green technology (S) Pte Ltd in 1996 to pioneer the commercialisation of aeroponic technology, with the company winning the first Asian Innovation Award from the Far Eastern Economic Review in 1998 and a UN Urban Agriculture Award in 2000.

Mr Eng holds a Diploma in Mechanical Engineering from the Singapore Polytechnic.

MR MELVIN POH BOON KHER
Non-Independent and Non-Executive Director

- Member of the Board of Directors

Mr Poh has more than 20 years of experience in town planning, real estate and property development across both the public and private sectors. He is currently managing director and owner of Fission Group, a property development company. Mr Poh also has real estate investments in Malaysia, Cambodia and Vietnam.

With experience in all aspects of real estate development and construction, Mr Poh has particular expertise in contract administration and claims negotiation.

Mr Poh holds an honours degree in Estate Management and a Post-graduate Diploma in Business Administration from the National University of Singapore.

MR WANG YU HUEI
Non-Independent and Non-Executive Director

- Member of the Board of Directors

Mr Wang has over 30 years' experience in the finance and corporate sector across Singapore. He is currently the managing director of Asdew Acquisitions Pte Ltd, a position he has held since 1999, and was previously independent director of Enzer Corporation Limited and director of Kim Eng Holdings Limited.

Throughout his career, Mr Wang has invested in numerous business ventures in Singapore and internationally, providing equity and other types of funding as well as advice and consultancy to business partners.

MR TOH BEE YONG
Non-Independent and Non-Executive Director

- Member of the Board of Directors

Mr Toh has over 25 years' experience in the precision engineering industry. He founded Unisteel Technology Limited in 1988 and served as its chairman and chief executive officer until 2012. During this period, Mr Toh grew Unisteel from a local fastener distributor to a multi-awarded manufacturer and global distributor of precision-engineered components. Unisteel was listed on the SGX in 2000 until it was acquired by global investment firm KKR & Co. Inc. in 2008. In 2012, Unisteel was acquired by SFS Group AG where Mr Toh then served as their head of electronics division until 2014.

Mr Toh also previously served as a member of the Board of Directors and chairman of the Audit Committee for the Singapore Economic Development Board between 2006 and 2008.

Mr Toh is currently the vice chairman of Rippledot Capital, an M&A advisory firm, and a director of social welfare organisation, Pei Hwa Foundations.

EXECUTIVE TEAM

CHRISTIAN JOHNSTONE
Chief Financial Officer

Mr Johnstone has over 25 years of finance and corporate advisory experience including a number of years in senior finance roles for publicly listed companies. He has extensive experience spanning the mining, gas and industrial sectors, having previously worked as chief financial officer for Iron Ore Holdings Ltd for over four years, and Wesfarmers Limited for over six years in its business development department and its industrial gas subsidiary in a senior finance role. Prior to Wesfarmers Limited, Mr Johnstone worked for KPMG Corporate Finance in Australia and Asia, and KPMG in Scotland for over 10 years.

Mr Johnstone is a member of the Institute of Chartered Accountants of Scotland and a Fellow of the Financial Services Institute of Australasia. He holds a Bachelor of Accountancy (Hons), a Graduate Diploma in Applied Finance & Investment and an (Executive) Master of Business Administration.

DANIEL KENNEDY
Chief Operating Officer

Mr Kennedy has over 25 years' experience working in the resources and minerals processing sectors across Australia. He has successfully led a range of large maintenance contracts and construction projects for a number of major companies. Starting his career as a project engineer, Mr Kennedy has worked on remote sites across Western Australia, the Northern Territory, New South Wales and Queensland.

Mr Kennedy joined AusGroup in May 2018 and in that time has overseen the diversification of AusGroup's customer base and market activity in a broader range of sectors. As an accomplished leader, Mr Kennedy has a track record in delivering a culture of excellence, driving safety, growth and improvement within organisations.

NATHAN PIKE
Executive General Manager People & HSE

Mr Pike has more than 20 years' experience in the oil & gas, utilities, mining and mineral processing industries in Australia and internationally. He has held operational and senior leadership positions with Normandy Mining, Mount Isa Mines, Xstrata Copper, Nyrstar, Kentz E&I and UGL, with his main responsibility being the development and successful implementation of health, safety, environment and quality assurance strategy and programs.

Nathan brings a wealth of knowledge and is graduate of the Australian Institute of Company Directors. He holds a Masters of Business Administration, diplomas in Work Health & Safety, Human Resources and Environmental Management and is a member of both the Australian Institute of Health & Safety and the Risk Management Institute of Australasia.

MATT PRENDERGAST
Executive General Manager Business Services

Mr Prendergast has over 27 years of experience across the energy, industrial and infrastructure sectors within Australia. He has held senior commercial and support services management roles with some of the industry's largest contractors, working on landmark projects.

With a background in commercial and project management, Mr Prendergast has extensive experience in contract development, project financial reporting and support services.

He has demonstrated effective leadership through the development of high-performing business support service teams.

Mr Prendergast is responsible for the Group's support service teams including; legal and risk, commercial management, quality assurance, procurement, business systems and project controls.

WARREN PUVANENDRAN
Group Manager Strategy & Development

Mr Puvanendran has over 17 years of experience in business development, sales and strategic management roles for regional and international companies. He has worked across the marine, mining, technology, aviation and natural resource industries. This breadth of experience has provided him with the capability to adapt to changing market conditions and respond quickly to client demands.

With a background in pre-contracts, business development and management, Warren has been responsible for identifying opportunities, fostering client relationships and positioning businesses to win work.

He holds a Bachelor of Science, a Graduate Certificate in Business Administration & Management and a Master of Business Administration, International Business.

BOARD STATEMENT
SUSTAINABILITY REPORTING

In line with SGX reporting requirements, the Board Statement for Sustainability Reporting which addresses the Group's material environmental, social and governance (ESG) sustainability factors is:

AusGroup recognises the importance of sustainability reporting. We always aim to conduct our operations with due care to the highest standard.

AusGroup reviews the scope of works for each project and has established environmental, social and governance targets and objectives for each. All projects have in place environmental aspects and impacts registers, Health, Safety and Environmental Management Plans and are operated under our certified ISO management systems. This process ensures sustainability risks are reduced to as low as reasonably practicable.

AusGroup has defined its material Sustainability risks as:
Protect the health and safety of our people, maintain our social licence to operate, attract and retain the best people, provide economic opportunity for Aboriginal and Torres Strait Islander (ATSI) people, ensure our integrated management system effectively manages sustainability risk and meet legislative compliance.

AusGroup has determined that the applicable sustainability reporting framework to track performance and improvement against these strategic imperatives (with reference to the Global Reporting Initiative Sustainability Reporting Guidelines G4 framework) for FY 2019 are:

Economic	Environmental	Social	
		Our People	Governance & Ethics
Revenue ($)	Nil 'major' environmental incidents (#)	Nil Fatalities (#)	Form Sustainability Committee (✓/✗)
ATSI enterprise spend ($)		Gender Diversity (%)	Deliver Code of Conduct Training (%)
		ATSI Employment (%)	
		Reconciliation Action Plan Development (✓/✗)	
Maintain ISO:9001 accreditation (✓/✗)	Maintain ISO:14001 accreditation (✓/✗)	Maintain AS/NZS:4801 accreditation (✓/✗)	Complete Control Self Assessment Audits (✓/✗)

AusGroup will continue to adopt an International Reporting Standard for Sustainability Reporting.

FINANCIAL REPORTS

CORPORATE GOVERNANCE

The Board of Directors ("**Board**") is committed to ensure that the highest standards of corporate governance are practised throughout AusGroup Limited ("**Company**") and its subsidiaries ("**Group**") as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group. In view of this, the Board fully supports and seeks to comply with the Code of Corporate Governance ("**Code**") issued by the Monetary Authority of Singapore in May 2012.

Set out below are the policies and practices adopted by the Company to comply with the principles and guidelines of the Code. The Company has complied in all material aspects with the principles and guidelines set out in the Code and has taken into account, where relevant, the guidance provided by the Disclosure Guide on corporate governance issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in January 2015. Where there are departures from the Code, these are explained under the relevant sections of this Report.

The Monetary Authority of Singapore has issued a revised Code of Corporate Governance 2018 ("**2018 Code**") which applies to annual reports covering financial year commencing from 1 January 2019. The Board will seek to comply with the 2018 Code, where appropriate, and report on compliance with 2018 Code in the next annual report.

BOARD MATTERS

The Board's Conduct Of Affairs (Principle 1)

The principal functions of the Board are:

- Reviewing and approving corporate strategies, annual budgets and financial plans and monitoring the organisational performance towards them;
- Reviewing the adequacy and integrity of the Group's internal controls, risk management systems, and financial information reporting systems;
- Ensuring the Group's compliance with laws, regulations, policies, directives, guidelines and internal code of conduct;
- Approving the nominations to the Board by the Nominating Committee, and endorsing the appointments of the management team and external and internal auditors;
- Reviewing and approving the remuneration packages for the Board and key management personnel;
- Ensuring accurate, adequate and timely reporting to, and communication with shareholders; and
- Assuming the responsibility for the satisfactory fulfilment of the social responsibilities of the Group.

Matters which are specifically reserved for decision of the Board include those involving corporate plans and budgets, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances, dividends, other returns to shareholders and interested person transactions. Specific Board approval is required for any investments or expenditures exceeding AU$5 million and any tenders or bids exceeding AU$100 million.

The Board has delegated specific responsibilities to the Audit, Nominating and Remuneration and Human Capital Committees, the details of which are set out in this Report.

Board members are provided with regular updates on changes to relevant laws, regulations and accounting standards, particularly on new laws, regulations, from time to time in the discharge of their duties as Directors.

Management would conduct briefing and orientation programmes for each newly-appointed Director to ensure that the Director is familiar with the Group's business, operations and processes, as well as his or her duties as a Director. The Company will also provide a formal letter to each Director upon appointment setting out the Director's duties and obligations. The Company had appointed two new Directors, Wang Yu Huei and Toh Bee Yong on 11 January 2019, they are also the substantial shareholders of the Company. They had attended the briefing and orientation programme conducted by Management and each received a formal letter of appointment that sets out the Director's duties and obligations. On 22 February 2019, Toh Shi Jie was appointed as an Alternative Director to Toh Bee Yong.

The Board's Conduct Of Affairs (Principle 1) (continued)

The Board meets at least four times a year, with additional meetings convened as necessary. The Board had eight meetings during the financial year. The Company's Constitution allows a Board meeting to be conducted by way of a video conference, telephone conference or other methods of simultaneous communications by electronic or telegraphic means. The Board also schedules a separate annual strategy and budget meeting to discuss strategic issues, if necessary. The Board had a strategy and budget meeting in June 2019.

The matrix on the roles, the frequency of the Board and Board Committee meetings held during the financial year, and the attendance of each Director at these meetings are set out below.

	Board of Directors			Audit Committee ("AC")			Nominating Committee ("NC")			Remuneration And Human Capital Committee ("R&HCC")		
		No. of Meetings(1)			No. of Meetings(1)			No. of Meetings(1)			No. of Meetings(1)	
	P	H	A	P	H	A	P	H	A	P	H	A
Executive Director												
Shane Francis Kimpton	M	8	8	-	-	-	-	-	-	-	-	-
Non-Executive Director												
Wu Yu Liang	C	8	8	M	6	6	M	1	1	M	5	5
Eng Chiaw Koon(2)	M	8	8	-	-	-	-	-	-	-	-	-
Ooi Chee Kar	M	8	8	C	6	6	M	4	4	M	2	2
Chew Heng Ching	M	8	6	M	6	6	C	4	4	C	5	5
Poh Boon Kher Melvin(3)	M	8	8	-	-	-	-	-	-	-	-	-
Wang Yu Huei(4)	M	3	3	-	-	-	-	-	-	-	-	-
Toh Bee Yong(5)	M	3	3	-	-	-	-	-	-	-	-	-
Toh Shi Jie(6)	M	2	1	-	-	-	-	-	-	-	-	-
Stuart Maxwell Kenny(7)	C	6	6	-	-	-	M	3	3	M	3	3

Notes:

P - Position held as at 30 June 2019. Mr Kenny's position was held until his retirement on 13 February 2019

H - Number of meetings held while acting as a member

A - Number of meetings attended

C - Chairman

M - Member

(1) Number of meetings held/attended during the financial year from 1 July 2018 (or from date of appointment or until the date of resignation of director, where applicable) to 30 June 2019.

(2) Eng Chiaw Koon was re-designated as a Non-Independent and Non-Executive Director on 1 July 2019.

(3) Poh Boon Kher Melvin was re-designated as a Non-Independent and Non-Executive Director on 1 January 2019.

(4) Wang Yu Huei was appointed as Non-Independent and Non-Executive Director on 11 January 2019.

(5) Toh Bee Yong was appointed as Non-Independent and Non-Executive Director on 11 January 2019.

(6) Toh Shi Jie was appointed as an Alternate Director to Toh Bee Yong on 22 February 2019.

(7) Stuart Maxwell Kenny resigned as Non-Executive Chairman and Director from the Board on 13 February 2019.

Board Composition And Guidance (Principle 2)

Currently, the Board comprises seven Non-Executive Directors, one Executive Director and one Alternate Director:

- Wu Yu Liang - Independent Director and Non-Executive Chairman ("NEC") (appointed as Chairman with effect from 13 February 2019)
- Shane Francis Kimpton - Managing Director ("MD") and Chief Executive Officer ("CEO") (appointed as Managing Director with effect from 15 May 2019)
- Ooi Chee Kar - Independent and Non-Executive Director

Board Composition And Guidance (Principle 2) (continued)

- Chew Heng Ching - Independent and Non-Executive Director
- Eng Chiaw Koon - Non-Independent and Non-Executive Director (re-designated from Executive Director to Non-Independent and Non-Executive Director on 1 July 2019)
- Poh Boon Kher, Melvin - Non-Independent and Non-Executive Director (re-designated from Independent Non-Executive Director to Non-Independent and Non-Executive Director on 1 January 2019)
- Wang Yu Huei - Non-Independent and Non-Executive Director (appointed with effect from 11 January 2019)
- Toh Bee Yong - Non-Independent and Non-Executive Director (appointed with effect from 11 January 2019)
- Toh Shi Jie - Alternate Director to Toh Bee Yong (appointed with effect from 22 February 2019)
- Stuart Maxwell Kenny retired as Non-Independent and Non-Executive Chairman ("NEC") on 13 February 2019.

The Nominating Committee confirms that Independent Directors made up at least one-third of the Board for the financial year ended 30 June 2019.

An annual review of the independence of the Directors is conducted by the Board. Each of the Independent Directors has confirmed their independence. With respect to Wu Yu Liang, Chew Heng Ching and Ooi Chee Kar, the Board considered that each of them is independent in character and judgement in the discharge of their responsibilities as a Director. The Board considered and assessed their independence based on substance of objectivity, professionalism and integrity. None of the Independent Directors has served on the Board for more than nine years from their respective dates of appointment.

No individual or group is able to dominate the Board's decision-making process. There is also balance in the Board because of the presence of Independent Non-Executive Directors of the calibre necessary to carry sufficient weight in Board decisions. There is strong and independent element on the Board to allow exercise of objective judgement on corporate affairs independently.

Together, the Directors contribute diversity and wide-ranging business, industry knowledge and financial experiences relevant to the direction of the Group. Key information regarding the Directors, including directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments is presented in the "Board of Directors" section of this Annual Report.

Although all the Directors have an equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors and Non-Executive Directors is particularly important in ensuring that the strategies proposed by Management are fully discussed and examined, and take account of the long-term interests not only of the shareholders, but also of employees, customers, suppliers, and the stakeholders of the Group.

The Board has no dissenting view on the Chairman's Statement for the year in review.

Chairman and Chief Executive Officer (Principle 3)

Wu Yu Liang is the Non Executive Chairman of the Board and Shane Francis Kimpton is the CEO. The two roles are separate whereby the Chairman is responsible for providing guidance on the corporate direction of the Group and leadership to the Board, and the CEO is responsible for the day-to-day management and leadership of the business. The Chairman and the CEO are not related to each other.

The Chairman ensures that Board meetings are held as and when necessary. He also prepares the Board meeting agenda in consultation with the CEO. The Chairman ensures that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Company.

Under the Company's Constitution, any Director may summon a meeting of the Directors.

Chew Heng Ching ceased to be the Lead Independent Director on 13 February 2019. The recommendation of the Code to appoint a Lead Independent Director ceased to apply with the appointment of Wu Yu Liang, an Independent Non-Executive Director as Board Chairman on 13 February 2019. Concerns by shareholders can be raised through the independent Chairman.

Nominating Committee (Principle 4)

The Nominating Committee comprises the following Directors, the majority of whom, including the Chairman, are Independent Directors:

- Chew Heng Ching (Chairman)
- Wu Yu Liang
- Ooi Chee Kar

The principal functions of the Nominating Committee are:

- Setting a process to identify and nominate to the Board, candidates for all directorships to be filled by shareholders or the Board; candidates for all Management positions; and Directors to fill the seats on Board Committees;
- Overseeing the management development and succession planning of the Group, including appointing, training and mentoring key management personnel;
- Determining the objective criteria on evaluating the performance of the Board, its Board Committees and Directors;
- Reviewing the ability of a Director to adequately carry out his duties as a Director when he has multiple board representations;
- Assessing the effectiveness of the Board as a whole, Board Committees and the contribution by each Director to the Board; and
- Determining annually, and as and when circumstances require, whether or not a Director is independent.

Each member of the Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance, or nomination as a member of a Board Committee, or re-nomination as Director.

New Directors are appointed by the Board, upon their nomination from the Nominating Committee. In accordance with the Company's Constitution, these new Directors who are appointed by the Board are subject to election by shareholders at the Annual General Meeting ("**AGM**") at the first opportunity after their appointment. At this AGM, Wang Yu Huei and Toh Bee Yong would be subject to election pursuant to Regulation 97 of the Company's Constitution. The Articles also provide that at least one-third of the remaining Directors be subject to re-election by rotation at each AGM. At this AGM, Eng Chiaw Koon and Ooi Chee Kar would be subject to re-election pursuant to Regulation 91 of the Company's Constitution.

In the search, nomination and selection process for new Directors, the Nominating Committee identifies the key attributes that an incoming Director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the Nominating Committee utilises on the resources of Directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for assessment by the Nominating Committee, before a decision is reached. The Nominating Committee also oversees the re-appointment of Directors as and when their tenure of appointment is due. In assessing the Directors for re-appointment, the Nominating Committee evaluates several criteria including qualifications, contributions and independence of the Directors.

Key information on the Board members, including each Director's academic and professional qualification, is presented in the "Board of Directors" section of this Annual Report.

The details of the Board, including the date of first appointment and last re-election are as follows:

Director	Date of first appointment	Date of last re-election	Due for re-election / election at the coming AGM	Seeking re-election / election
Eng Chiaw Koon	10 Jul 2014	26 Oct 2017	V	V
Ooi Chee Kar	17 Jan 2014	26 Oct 2017	V	V
Wu Yu Liang	20 May 2014	25 Oct 2018	-	-
Chew Heng Ching	14 Nov 2014	25 Oct 2018	-	-
Shane Francis Kimpton	10 Jul 2017	26 Oct 2017	-	-
Poh Boon Kher, Melvin	1 Nov 2017	25 Oct 2018	-	-
Wang Yu Huei	11 Jan 2019	N/A	V	V
Toh Bee Yong	11 Jan 2019	N/A	V	V

Nominating Committee (Principle 4) (continued)

Save as disclosed in this Annual Report, the Directors due for re-election at the coming AGM have no relationship (including immediate family relationship) with the other Directors, the Company or its shareholders holding 10% or more shares. Information on the Directors and shareholdings are disclosed on pages 31 to 33 of this Annual Report.

Assessing Board Performance (Principle 5)

On an annual basis, the Chairman of the Board and the Nominating Committee, will assess each Director's contribution to the Board. The assessment parameters include attendance record at meetings of the Board and Committees, intensity of participation at meetings, quality of intervention and special contributions.

The Nominating Committee also assesses the effectiveness of the Board as a whole (taking into consideration the Board's discharge of its principal responsibilities, earnings of the Group, return on equity and the share price performance of the Company) and the Board Committees on an annual basis. The Nominating Committee considers the required mix of skills and experience of the members, including core competencies which the Non-Executive Directors should bring to the Board, during this assessment.

The Nominating Committee conducted an assessment of the Board's effectiveness as a whole and the contribution of each individual Director and Board Committees in respect of the financial year ended 30 June 2019. The results of the self-assessment by Directors and the Board's effectiveness as a whole as compiled were tabled to the Nominating Committee and Board for review and deliberation.

The Board was satisfied with the results of the assessment and the current size and composition of the Board is appropriate and well-balanced with the right mix of skills with the Board composition comprising individuals of high calibre, credibility and with the necessary skills and qualifications to enable the Board to discharge its duties and responsibilities effectively.

The Nominating Committee is satisfied that sufficient time and attention is being devoted by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple Board representations. The Nominating Committee has adopted an internal guideline that no Director should be on the boards of more than five other publicly listed companies. However, deviation from this guideline is allowed on a case-by-case basis.

The Board does not prohibit the appointment of Alternate Directors. Toh Shi Jie was appointed as an Alternate Director to Toh Bee Yong on 22 February 2019. The Nominating Committee and Board are of the view that Toh Shi Jie is qualified to act and is able to contribute to the Board.

Directors' training

As an integral element of the process of appointing new Directors, the Nominating Committee ensures that there is an orientation and induction programme for the new Board members to ensure incoming Directors are familiar with the Company's business and governance practices. The Board recognises the need and importance of continuous education for its Board members. The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge to discharging their duties and responsibilities as Directors.

Board Access To Information (Principle 6)

Management furnishes timely, adequate and complete information to the Board on Board matters and issues requiring the Board's decision. Board papers are sent to the Directors prior to meetings in order for the Directors to be adequately prepared for the meetings.

The Board also approved a procedure for Directors, whether as a Board or in their individual capacity, to take independent advice, where necessary, in the furtherance of their duties and at the Group's expense. All Directors also have unrestricted access to professionals for consultations as and when necessary at the expense of the Group.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary or her representative attend all meetings of the Board, and ensure that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary or his/her representative also attends meetings of the Audit, Nominating and Remuneration and Human Capital Committees. The appointment and removal of the Company Secretary is a matter for the Board's consideration as a whole.

REMUNERATION MATTERS

The Company adopted the objective as recommended by the Code to determine the remuneration for Directors so as to ensure that the Company attracts and retains the Directors needed to run the Group successfully. The component parts of remuneration are structured to link rewards to corporate and individual performance, in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors.

Procedures for Developing Remuneration Policies (Principle 7)

The Code endorses, as good practice, a formal framework for fixing the remuneration packages of Executive Directors and key management personnel, with the Remuneration and Human Capital Committee making recommendations to the Board.

The Remuneration and Human Capital Committee comprises the following Directors, the majority of whom are Independent Non-Executive Directors:

- Chew Heng Ching (Chairman)
- Wu Yu Liang
- Ooi Chee Kar

The principal responsibilities of the Remuneration and Human Capital Committee are:

- Recommending a framework of remuneration for the Board and key management personnel, including share option plans and share schemes;
- Determining specific remuneration packages for each Executive Director and key management personnel; and
- Administering any performance bonus scheme, share option plans and share schemes for the employees and Directors of the Group.

Level and Mix of Remuneration (Principle 8)

The level and mix of remuneration for Directors and key management personnel are set out below. The Company takes into account its long term interests and risk policies and has structured remuneration packages on measured performance taking into account financial and non-financial factors.

Disclosure On Remuneration (Principle 9)

The Remuneration and Human Capital Committee recommends to the Board the framework of executive remuneration and the remuneration package for each Executive Director and key management personnel. Although the recommendations are made in consultation with the Chairman of the Board, the remuneration packages are ultimately approved by the Board.

Remuneration policy and principles

The Company's remuneration framework for Executive Directors and key management personnel aims to ensure competitive, yet realistic, and appropriate rewards for the results delivered. These rewards relate to the market in which the Group operates and are designed to attract, motivate and retain employees of a high calibre.

In the April 2019 to June 2019 period, the Remuneration and Human Capital Committee reviewed the existing structured remuneration framework to ensure that the remuneration was still competitive in the market and complemented the Company's reward strategy. The Remuneration and Human Capital Committee seeks to ensure the alignment of remuneration and reward plans with the shareholders' interests.

Remuneration structure

The remuneration and reward framework for executives consists of a competitive fixed remuneration comprising a base salary, superannuation and other benefits, short-term incentive program provided by the Company.

Fixed remuneration

The Company aims to set fixed annual remuneration at market levels suitable to the position and is competitive when reviewed versus similar positions in companies of comparable size in turnover, staffing levels and responsibility. This is reviewed annually and is completed by the end of each financial year. There is no guaranteed increase to the fixed annual remuneration of any executive's contract.

Disclosure On Remuneration (Principle 9) (continued)

Short-term incentives

Short-term incentives are used to differentiate rewards based on performance on a year-by-year basis.

With good company financial performance, a very good executive performer would normally achieve a high short-term incentive, which, when added to the fixed remuneration would bring the combination of the two components into the upper quartile of the market rates.

For the financial year ended 30 June 2019, short-term incentive bonuses have been provided for based on the Board agreed annual targets.

Service contracts

The Group may terminate the service contracts of any of the executives, if among other things, the executives commit any serious and persistent breach of the provision of the service contracts, become of unsound mind, become bankrupt or found guilty of conduct with the effect of bringing themselves or the Group into disrepute. The service contracts cover the terms of employment, specifically salaries and bonuses. Executives are also entitled to participate in any short-term incentive scheme program established by the Group during their term of service.

All travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by each executive in the process of discharging his or her duties on behalf of the Group will be borne by the Group.

Taking note of the competitive pressures in the industry and the talent market, the Board has on review decided to disclose the remuneration of the Directors, in bands with a breakdown of the components in percentage. The remuneration of the Directors for the financial year ended 30 June 2019 is as follows (based on an average exchange rate of S$0.9778 : AU$1.00):

Remuneration band and Name of Directors	Fee	Fixed salary	Variable salary & bonus	Value of share options and share rights granted	Termination benefits	Total
Below S$250,000						
Stuart Maxwell Kenny (1)	100%	0%	0%	0%	0%	100%
Chew Heng Ching	100%	0%	0%	0%	0%	100%
Ooi Chee Kar	100%	0%	0%	0%	0%	100%
Wu Yu Liang	100%	0%	0%	0%	0%	100%
Poh Boon Kher, Melvin	100%	0%	0%	0%	0%	100%
Wang Yu Huei (2)	100%	0%	0%	0%	0%	100%
Toh Bee Yong (2)	100%	0%	0%	0%	0%	100%
S$500,000 to below S$750,000						
Eng Chiaw Koon	0%	60%	29%	11%	0%	100%
S$1,000,000 to S$1,250,000						
Shane Francis Kimpton	0%	53%	26%	21%	0%	100%

(1) Retired on 13 February 2019

(2) Appointed on 11 January 2019

The Board is aware of the recommendation in the Code and the requirement under Listing Rule 1207(12) to disclose in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the MD). The Board, after weighing the advantages and disadvantages of such disclosure, is of the view that full disclosure of the total remuneration paid would not be in the interests of the Group as such information is confidential and sensitive in nature and could be exploited by competitors. The Board believes that disclosure of remuneration of the top key management personnel in remuneration bands and percentage terms would be sufficient. The remuneration of the top five key management personnel of the Group for the financial year ended 30 June 2019 is as follows (based on an average exchange rate of S$0.9778 : AU$1.00):

Disclosure On Remuneration (Principle 9) (continued)

Remuneration band and name of key management personnel	Fixed salary	Variable salary & bonus	Value of share options and share rights granted	Termination benefits	Total
S$250,000 to below S$500,000					
Matthew John Prendergast	75%	25%	0%	0%	100%
Nathan Walter Pike	87%	13%	0%	0%	100%
Daniel Hume Kennedy	100%	0%	0%	0%	100%
Christian Andrew Robin Johnstone	76%	24%	0%	0%	100%
S$500,000 to below S$750,000					
Simon Macleod (1)	74%	26%	0%	0%	100%

(1) Resigned on 20 August 2019

There is no employee of the Group who is an immediate family member of any Director or CEO and whose remuneration exceeded S$50,000 during the financial year ended 30 June 2019.

Share option and share right schemes

The Company does not have any share option or share right schemes.

Future direction

The Group will continue to review existing policies and develop new initiatives which will position the Group to attract and retain the required personnel in order to meet its strategic goals.

ACCOUNTABILITY AND AUDIT

Accountability (Principle 10)

In presenting the quarterly and annual financial statements to shareholders, the Directors aim to present a balanced and fair assessment of the Group's position and prospects.

In preparing the financial statements, the Directors ensure that Management has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Ensured that all applicable accounting standards have been followed; and
- Prepared financial statements on a going concern basis as the Directors have a reasonable expectation, having made due enquiries that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

Management currently provides the Board with management accounts of the Group's position, performance and prospects on a monthly basis and as and when deemed necessary.

Risk Management And Internal Controls (Principle 11)

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against material misstatement or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

The internal auditors, Deloitte Touche Tohmatsu, have performed audit procedures to assist the Audit Committee and the Board in the evaluation of the internal controls, financial and accounting matters, compliance and information technology controls, business and financial risk management.

Risk Management And Internal Controls (Principle 11) (continued)

Based on the work of the external and internal auditors, and the management systems in place, nothing material has come to the attention of the Board to suggest that the internal controls of the Group were not adequate. Where significant weaknesses have been identified, the Board, upon the recommendation of the Audit Committee, has taken steps to ensure that Management adopts appropriate actions to address and rectify these weaknesses. The Board, together with Management, then subsequently reviews the outcomes of such actions.

The Board has received assurance from the MD and the CFO that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and the effectiveness of the Group's risk management and internal control systems.

Risk management approach

Having identified the risks, each business area is required to document the mitigating actions to manage each significant risk. New areas are introduced for assessment as the business risk profile changes. Information such as risks, the controls and processes for managing risks is subsequently summarised in a risk map, which is reviewed periodically by Management, the Audit Committee and the Board.

Internal controls opinion

Based on the Group's existing framework of management controls, risk management systems, internal control policies and procedures, as well as reviews performed by management, the internal and external auditors and the Board, the Board with the concurrence of the Audit Committee, is of the opinion that the internal controls of the Group addressing financial, operational, compliance and information technology controls, and risk management systems, are adequate and effective.

The Board notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Audit Committee (Principle 12)

The Audit Committee comprises the following Directors, all of whom are Independent Non-Executive Directors:

- Ooi Chee Kar (Chairperson)
- Wu Yu Liang
- Chew Heng Ching

The Board is of the view that the members of the Audit Committee are appropriately qualified, having accounting or related financial management expertise or experience as the Board interprets such qualification, to discharge their responsibilities.

The Audit Committee had six meetings during the financial year. The meetings have been attended by the MD and CFO. The external and internal auditors have also participated in these meetings. The Audit Committee had also met privately with the external auditors and internal auditors once during this financial year without the presence of management.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It has unrestricted access to any information pertaining to the Group, to both the internal and external auditors, and to all employees of the Group. It is also authorised by the Board to obtain external legal or other independent professional advice as necessary and at the expense of the Group.

During the financial year, the Audit Committee performed its functions and responsibilities as set out in its terms of reference, which include the following:

- Reviewing with the external auditors, the audit plan, the evaluation of the internal accounting controls, audit reports and all matters which the external auditors wish to discuss (in the absence of management, where necessary);
- Reviewing with the internal auditors, the scope and the results of internal audit procedures and their evaluation of the overall internal control systems;
- Reviewing any significant findings of internal investigations and management's response;
- Making recommendations to the Board on the appointment of external auditors, the audit fee and reporting any issues concerning the resignation of external auditors or their proposed dismissal;
- Reviewing and approving the appointment, replacement, reassignment or the dismissal of the internal auditors;
- Monitoring interested person transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or course of action that raises questions of management integrity;
- Reviewing incidents of whistle-blowing;

Audit Committee (Principle 12) (continued)

- Reviewing risk management policies and procedures;
- Reviewing quarterly reporting to SGX-ST and year end annual financial statements of the Group before submission to the Board; and
- Any other functions which may be agreed by the Audit Committee and the Board.

The total fees paid to the external auditors of the Group, KPMG LLP Singapore, for the financial year ended 30 June 2019, are as disclosed in note 25 in the financial statements.

The aggregate amount of fees paid/payable to the external auditors of the Group and its fellow member firms of the KPMG network for audit services for the financial year ended 30 June 2019 were AU$0.5 million. The fees for non-audit services provided by them for the financial year ended 30 June 2019 were AU$28,000.

The total audit and non-audit fees paid/payable by the Group to KPMG Australia are insignificant to KPMG Australia, and the share of KPMG LLP Singapore's fee paid/payable by the Group is insignificant to the audit engagement partner's portfolio and KPMG LLP Singapore. The non-audit services fees related to services led and rendered by partners and team members who are not involved in the audit of the Group. There is no non-audit service fee relating to work performed by the audit engagement team. The Audit Committee has reviewed the nature of all non-audit services provided by the external auditors to the Company and the Group during the year and is of the view that the provision of these services would not affect the independence of the external auditors.

After reviewing the independence, performance and remuneration of KPMG LLP Singapore based on the recommendation of the Audit Committee, the Board is satisfied with the performance and independence of KPMG LLP Singapore. Hence, the Board recommended the re-appointment of KPMG LLP Singapore as the Company's external auditors for the shareholders' approval at the forthcoming AGM.

The Company confirms that it has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to auditing firms.

Whistle blowing policy

The Group has adopted a whistle blowing policy which provides a channel for employees and others to bring to the attention of the Audit Committee any improprieties committed by Management or staff of the Group.

A whistle blowing policy unit has been set up to review all matters reported to the Group Manager Business Services. The Audit Committee reviews all cases reported and investigated every quarter.

Details of the whistle blowing policy are posted on the Group's intranet for staff access. New staff members are briefed during their induction.

Internal Audit (Principle 13)

Currently, Deloitte Touche Tohmatsu performs the internal audit function and is expected to meet or exceed the standards set by nationally or internationally recognised bodies, including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditors report directly to the Audit Committee which assists the Board in monitoring and managing risks and ensuring the integrity of internal controls of the Group. The Audit Committee approves the strategic internal audit plan, which is reviewed by the Audit Committee annually in light of the changing risk profile of the Group, and ensures the adequacy of internal audit resources to perform its tasks.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights (Principle 14)

All shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Written policies and procedures are implemented to ensure that there is adequate disclosure of developments in the Group in accordance with the SGX-ST Listing Rules.

The Board would ensure that the Notice of the general meetings is sent to shareholders at least 14 days or 21 days ahead of the date of general meeting, whichever is appropriate, and to provide sufficient time and opportunities to the shareholders to seek clarification during general meetings on any matters pertaining to the business activities and financial performance of the Company. Shareholders are also encouraged to participate effectively in and vote at general meetings of the Company, where relevant rules and procedures governing such meetings (for instance, how to vote) are clearly communicated.

All resolutions will be put to vote by poll, and their detailed results will be announced via SGXNet after the conclusion of the general meeting. All resolutions are structured separately and may be voted on independently.

Shareholders can vote in person or appoint not more than two proxies to attend, speak and vote on their behalf at general meetings of shareholders, with the exception that shareholders such as nominee companies which provide custodial services for securities, are able to appoint more than two proxies to attend, speak and vote at general meetings, including the forthcoming AGM, notwithstanding the Company's Constitution does not differentiate between the number of proxies which may be appointed by individual shareholders and by nominee companies.

As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, e-mail or fax.

Communication With Shareholders (Principle 15)

The Group does not practise selective disclosure. In line with continuous disclosure obligations of the Group under the SGX-ST Listing Rules, the Board's policy is that all shareholders should be provided with material information in a timely manner, such as announcements on the Investor Presentation on a quarterly basis. Information will first be disseminated through SGXNet and where relevant, followed by a news release which is also distributed within the Company electronically. The Group will also make announcements from time to time to update investors and shareholders on corporate developments that are relevant. Such information and announcements are also published on the Company's website (www.ausgroupltd.com).

The Group maintains open communications with investors and shareholders and will strive to attend to their queries directly, whether verbal or written.

The Company did not propose any dividend for the financial year.

Conduct Of Shareholder Meetings (Principle 16)

At each AGM, the Board presents the financial performance of the Group and encourages shareholders to participate in the question and answer session. The MD, CFO and the respective Chairman of the Audit, Nominating and Remuneration and Human Capital Committees, and external auditors are available to respond to shareholders' questions during the meeting.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and such minutes are available to shareholders upon their request.

Dealings in securities

The Group has adopted an internal code of best practices on securities transactions applicable to its officers in relation to dealings in the Company's securities. Its officers are not allowed to deal in the Company's securities during the period commencing one month before the announcement of the Group's full year results and ending on the date of the announcement of the results. For quarterly results, officers are not allowed to deal in the Company's securities during the period commencing two weeks before the announcement of the quarterly results and ending on the date of the announcement of the quarterly results. Officers are also not allowed to deal in the Company's securities on short-term considerations. The Group has complied with the best practices set out in the SGX-ST Listing Manual.

Interested person transactions

The Group has implemented procedures governing all interested person transactions. In particular, the Audit Committee reviews all interested person transactions to ensure that these are carried out on an arm's length basis, in conformity with normal commercial terms and are not prejudicial to the interests of the Company and its shareholders. Management provides periodic reports to the Audit Committee detailing all interested person transactions. A register is maintained of all interested person transactions.

Particulars of interested person transactions of the Group during the financial year ended 30 June 2019 required to be disclosed under Rule 907 of the SGX-ST Listing Manual are as follows:

Name of interested person	Aggregate value of all interested person transactions (excluding transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920
Ezion Holdings Limited	USD$477,163 (1)*	-
	USD$45,953 (2)*	
	SGD$108,000 (3)*	
	USD$3,471,772 (4)*	
	AUD$6,000,000 (5)*	

(1) Interest accrued on loan from Ezion Holdings Limited.

(2) Management fee and reimbursement of expenses paid on behalf by Ezion Holdings Limited.

(3) Services provided by Eng Chiaw Koon under Consultancy agreement with Ezion Holdings Limited.

(4) The balance consisted only of partial settlement of the loan balance held with Ezion Holdings Limited in exchange for issued capital of the Company pursuant to the debt restructure exercise. Refer to Note 17(b) for further details.

(5) Recovery of costs incurred from related party.

* The transaction is carried out on normal commercial terms and will not be prejudicial to the interest of the Company and its shareholders.

Material Contracts

Except as disclosed in the financial statements, there were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Directors or controlling shareholders which subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

Use of Placement Proceeds

The net proceeds received by the Company of approximately S$36.7 million and approximately S$9.7 million from the issuance of 1,050,000,000 Ordinary shares and 276,714,101 Right shares pursuant to a placement exercise made on 31 October 2018 have been fully utilised. The details of the use of proceeds were disclosed in the announcement made on 5 January 2019. The following is the summary of the use of proceeds:

Use of Placement Proceeds (continued)

	S$'000
Net proceeds from placement	36,750
Net proceeds from the Right Issue	9,685
Total Net Proceeds	**46,435**
Less:	
Partial Cash Redemption utilising proceeds from placement	(21,825)
Partial Cash Redemption utilising proceeds from the right issues	(7,435)
Working Capital (transaction expenses in relation to the Proposed Placement and Right Issue, including professional fee)	(457)
Working Capital (Project related transaction payments including salaries)	(15,085)
Working Capital (Settlement bullet payment for lease obligation)	(1,570)
Working Capital (Administration payments for SGX & secretarial services)	(63)
Balance proceeds	-

Your directors present their statement on the Consolidated Entity (referred to hereafter as the Group) consisting of AusGroup Limited and the entities it controlled at the end of, or during, the year ended 30 June 2019.

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 37 to 108 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2019 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1 Directors

The directors of the Company in office at the date of this statement are as follows:

- Eng Chiaw Koon
- Shane Francis Kimpton
- Ooi Chee Kar
- Wu Yu Liang
- Chew Heng Ching
- Poh Boon Kher, Melvin
- Wang Yu Huei (appointed on 11 January 2019)
- Toh Bee Yong (appointed on 11 January 2019)

2 Arrangements to enable directors to acquire shares and debentures

Neither at the end of, nor at any time during, the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under note 3 and note 4 below.

3 Directors' interests in shares or debentures

Section 201(6A) of the Companies Act

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in the name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 01.07.2018 or date of appointment, if later	At 30.06.2019	At 01.07.2018 or date of appointment, if later	At 30.06.2019
The Company				
No. of ordinary shares				
Poh Boon Kher, Melvin	133,199,808	299,799,712	-	-
Wang Yu Huei	-	-	818,326,974	818,326,974
Toh Bee Yong	356,093,525	356,093,525	-	-
Value of debentures				
Toh Bee Yong			S$1,114,416	S$1,114,416

There was no change in the directors' interests in the ordinary shares of the Company between 30 June 2019 and 21 July 2019.

4 Share option and share right schemes

The Group currently has had three schemes in operation (collectively referred to as "the schemes"):

(a) AusGroup Employee Share Option Scheme 2007 ("ESOS")

- There were no ordinary shares issued during the financial year by virtue of the exercise of options to take up unissued ordinary shares of the Company. Except as disclosed in note 21 to the financial statements, there were no unissued ordinary shares of the Company or any subsidiary under option at the end of the financial year. No options were granted to any parties during the financial year.
- Since February 2009 no options have been granted under the ESOS which was terminated by the shareholders and replaced by the AusGroup Share Option Scheme 2010 ("ASOS") and AusGroup Share Scheme 2010 ("ASS") on 15 October 2010 from which all share based employment compensation has been / will be issued under the AusGroup Share Option Scheme 2010 or the AusGroup Share Scheme 2010.
- Nil options remain exercisable at the balance sheet date.

(b) AusGroup Share Option Scheme 2010 ("ASOS"), which superseded the ESOS in October 2010

- There were no ordinary shares issued during the financial year by virtue of the exercise of options to take up unissued ordinary shares of the Company. Except as disclosed in note 21 to the financial statements, there were no unissued ordinary shares of the Company or any subsidiary under option at the end of the financial year.
- Nil options remain exercisable at the balance sheet date.

(c) AusGroup Share Scheme 2010 ("ASS")

- There were no ordinary shares issued during the financial year by virtue of the rights qualifying to take up unissued ordinary shares of the Company. Except as disclosed in note 21 to the financial statements, there were no unissued ordinary shares of the Company or any subsidiary under rights at the end of the financial year.
- No share rights were granted during the financial year.
- The conditions pursuant to the ASS were not met as of 30 June 2019. There were Nil share rights outstanding at the balance sheet date.

In addition to the three schemes above, the Group had issued options to Ezion Holdings Limited ("Ezion") and Eng Chiaw Koon in FY2015. The details of the respective grants are:

- On 10 July 2014 Eng Chiaw Koon was appointed a director of the Company. On 27 June 2014 in accordance with a resolution of shareholders passed on 19 June 2014, 20,000,000 options to acquire ordinary shares in the Company were issued to Eng Chiaw Koon (with 12,500,000 held in trust and subsequently abandoned). Under the terms of the options, one quarter of the options vest on the first anniversary of the issue of the options and a further quarter each anniversary thereafter until all options have been vested. For the avoidance of doubt, there are no service conditions attached to the options.
- As approved by Shareholders at the EGM held on 19 June 2014, 110,000,000 options were issued to Ezion as part of an effort to raise funds for the Group's expansions via the strategic investment by Ezion as a substantial shareholder. Following the issue and allotment of these options on 27 June 2014, the options to Ezion are exercisable from that date. The value associated with these options granted to Ezion has not been recognised as the Company treated the transaction as a capital raising exercise with a shareholder of the Company.

Additional information on these schemes and options are provided in note 21 to the financial statements.

Rule 852 of the Listing Manual

(i) The names of the members of the committee administering the schemes:

All three schemes are administered by the Remuneration and Human Capital Committee of which the members at the end of the financial year were as follows:

- Chew Heng Ching (Chairman)
- Wu Yu Liang
- Ooi Chee Kar

4 Share option and share right schemes (continued)

Rule 852 of the Listing Manual (continued)

(ii) Participant information at the end of the financial year

Name of participant	Scheme	Options / share rights granted during the financial year	Aggregate options / share rights granted since commencement of the schemes to end of financial year	Aggregate options / share rights exercised / forfeited / lapsed since commencement of the schemes to end of financial year	Aggregate options / share rights outstanding as at end of financial year
Directors					
Eng Chiaw Koon	NA	-	7,500,000	(7,500,000)	-

Participants who are controlling shareholders of the issuer and their associates: N/A

Participants, other than those above, who receive 5% or more of the total number of options/share rights available under the schemes: N/A

The aggregate number of options granted to the directors and employees of the Company and its subsidiaries for the financial year under review, and since the commencement of the scheme to the end of the financial year under review:

Name of Scheme	Options/share rights granted during the financial year	Aggregate options / share rights granted since commencement of the schemes to end of financial year	Aggregate options / share rights exercised / forfeited / lapsed since commencement of the schemes to end of financial year	Aggregate options / share rights outstanding as at end of financial year
ESOS	-	360,000	(360,000)	-
ASS	-	360,768	(360,768)	-
Total	-	**720,768**	**(720,768)**	**-**

(iii) The requirements of Rule 852 (C) (i) in the Listing Manual are not applicable to the Company.

(iv) The number and proportion of options granted at a discount during the financial year under review in respect of every 10 percent discount range, up to the maximum quantum of discount granted:

- Since the commencement of the schemes till the end of the financial year, no options / share rights have been granted at a discount.
- The exercise price of the options / share rights is determined at the average of the last dealt prices of the Company's ordinary shares on the Singapore Stock Exchange for five consecutive market days immediately preceding the date of the grant.

5 Directors' contractual benefits

For the financial year ended 30 June 2019 no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for the following:

- Directors' remuneration as disclosed in Principle 9 of the Corporate Governance Report.

6 Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

- Ooi Chee Kar (Chairperson)
- Wu Yu Liang
- Chew Heng Ching

All members of the Audit Committee were independent non-executive directors.

The Audit Committee performed the functions specified in Section 201B(5) of the Singapore Companies Act and Code of Corporate Governance.

The duties and functions of the Audit Committee have been included in the Corporate Governance Report.

7 Independent Auditors

The independent auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Wu Yu Liang
Non-Executive Chairman
Singapore

Shane Francis Kimpton
Managing Director
Singapore

25 September 2019

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of AusGroup Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 37 to 108.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the '*Basis for disclaimer of opinion*' section of our report and their possible cumulative effect on the financial statements, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

a) The Group's non-current assets at 30 June 2019 include property, plant and equipment of AU$58.3 million (2018: AU$45.2 million) and intangible asset of AU$33.0 million (2018: AU$32.1 million) attributable to the Port and Marine cash-generating unit ("CGU"). As disclosed in note 24 to the financial statements, the Group has estimated the recoverable amount of the Port and Marine CGU based on a fair value less cost of disposal method. We were unable to obtain sufficient appropriate audit evidence regarding the key assumptions applied to arrive at the recoverable amount of the Port and Marine CGU. Consequently, we were unable to determine whether any adjustments were necessary in respect of the Group's carrying amounts of property, plant and equipment as at 30 June 2019, and elements making up the consolidated statement of comprehensive income, changes in equity and cash flows for the year ended 30 June 2019.

b) Arising from above, we were also unable to determine whether any adjustment to the carrying amount of the investments in subsidiaries shown in the Company's balance sheet was necessary. Of the Company's non-current assets of AU$150.2 million as at 30 June 2019 (2018: AU$140.4 million), AU$32.5 million (2018: AU$30.9 million) relates to investments in subsidiaries and AU$60.8 million (2018: AU$50.9 million) pertains to receivables owing from subsidiaries which comprise the Group's Port and Marine CGU.

We considered the impact of the above items to be material and pervasive to the overall financial statements of the Group.

The financial statements for the year ended 30 June 2018 also included a disclaimer of opinion, arising from the same matters as described above in relation to the recoverable amount of the Port and Marine CGU.

We also draw attention to Notes 2(a) of the financial statements which disclose conditions that indicate the existence of material uncertainties surrounding the continuing use of the going concern assumption in the preparation of the financial statements. These material uncertainties relate to the ability to generate forecasted cash inflows from the conversion of unsecured customers contracts.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditors' report. However, because of the matters described in the '*Basis for disclaimer of opinion*' section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on other legal and regulatory requirements

In our opinion, in view of the significance of the matters referred to in the '*Basis for disclaimer of opinion*' section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Chiang Yong Torng.

KPMG LLP

KPMG LLP
Public Accountants and Chartered Accountants

Singapore
25 September 2019

		Group	
	Notes	**2019 AU$'000**	2018 AU$'000
Continuing operations			
Revenue	22	**286,250**	566,807
Cost of sales		**(265,161)**	(509,324)
Gross profit		**21,089**	57,483
Other operating income	23	**9,743**	1,528
Other operating costs		**(9,053)**	(9,920)
Other losses			
- Impairment of trade receivables and contract assets	6	**(4,335)**	(5,469)
- Impairment of property, plant and equipment	11	**-**	(7,547)
- Impairment of other intangible assets	13	**-**	(1,821)
Administrative expenses		**(10,990)**	(7,162)
Marketing and distribution expenses		**(2,219)**	(1,867)
Profit from operations	25	**4,235**	25,225
Finance costs	26	**(1,564)**	(11,681)
Net gain on debt restructure	20	**854**	1,314
Profit before income tax		**3,525**	14,858
Income tax expense	27	**(1,226)**	(1,392)
Profit from continuing operations		**2,299**	13,466
Discontinued operation			
Profit from discontinued operation	29	**-**	10
Net profit for the year		**2,299**	13,476
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		**678**	(1,688)
Total comprehensive income for the year		**2,977**	11,788
Earnings per share attributable to equity holders of the Company (AU$ cents per share)			
- Basic earnings per share	28	**0.1**	0.9
- Diluted earnings per share	28	**0.1**	0.9

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED AND COMPANY BALANCE SHEETS

		Group			Company		
	Notes	**2019 AU$'000**	2018 AU$'000	1 July 2017 AU$'000	**2019 AU$'000**	2018 AU$'000	1 July 2017 AU$'000
ASSETS							
Current assets							
Cash and cash equivalents	5	**17,173**	37,846	33,851	**3,442**	63	163
Trade receivables and contract assets	6	**65,388**	93,418	133,022	**-**	-	-
Other receivables and prepayments	7	**4,486**	8,378	7,144	**689**	660	593
Inventories	8	**1,735**	4,165	3,096	**-**	-	-
Total current assets		**88,782**	143,807	177,113	**4,131**	723	756
Non-current assets							
Property, plant and equipment	11	**85,084**	75,584	87,420	**-**	-	-
Goodwill	12	**10,994**	10,994	10,994	**-**	-	-
Other intangible assets	13	**34,121**	32,704	36,576	**-**	-	-
Due from subsidiaries	9	**-**	-	-	**61,941**	57,556	98,895
Investments in subsidiaries	10	**-**	-	-	**88,261**	82,823	79,126
Deferred income tax assets	14	**-**	-	110	**-**	-	-
Total non-current assets		**130,199**	119,282	135,100	**150,202**	140,379	178,021
Total assets		**218,981**	263,089	312,213	**154,333**	141,102	178,777
LIABILITIES							
Current liabilities							
Trade payables and contract liabilities	15	**15,579**	37,051	47,843	**-**	-	-
Other payables	16	**22,750**	47,725	66,826	**766**	1,709	2,273
Due to subsidiaries	9	**-**	-	-	**8,196**	8,363	7,996
Borrowings	17	**7,306**	86,770	44,801	**6,928**	85,756	41,395
Accruals for other liabilities and charges	18	**5,115**	10,215	19,993	**-**	-	-
Current income tax liability		**851**	1,945	528	**310**	295	153
Provisions	19	**166**	859	-	**-**	-	-
Total current liabilities		**51,767**	184,565	179,991	**16,200**	96,123	51,817
Non-current liabilities							
Deferred income tax liabilities	14	**736**	1,362	1,871	**-**	-	-
Borrowings	17	**67,611**	34,172	105,893	**67,611**	34,172	105,893
Accruals for other liabilities and charges	18	**950**	1,265	1,160	**-**	-	-
Total non-current liabilities		**69,297**	36,799	108,924	**67,611**	34,172	105,893
Total liabilities		**121,064**	221,364	288,915	**83,811**	130,295	157,710
Net assets		**97,917**	41,725	23,298	**70,522**	10,807	21,067

The above balance sheets should be read in conjunction with the accompanying notes.

		Group			Company		
	Notes	**2019 AU$'000**	2018 AU$'000	1 July 2017 AU$'000	**2019 AU$'000**	2018 AU$'000	1 July 2017 AU$'000
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital	20	**216,349**	162,647	156,285	**216,349**	162,647	156,285
Capital reserve	21	**(163)**	(163)	(163)	**(163)**	(163)	(163)
Share based payment reserve	21	**5,438**	5,460	5,183	**5,438**	5,460	5,183
Foreign currency translation reserve	21	**18,907**	18,229	19,917	**27,918**	25,891	25,009
Accumulated losses		**(142,614)**	(144,448)	(157,924)	**(179,020)**	(183,028)	(165,247)
Total equity		**97,917**	41,725	23,298	**70,522**	10,807	21,067

The above balance sheets should be read in conjunction with the accompanying notes.

Group	Notes	Share capital AU$'000	Capital reserve AU$'000	Share based payment reserve AU$'000	Foreign currency translation reserve AU$'000	Accumulated losses AU$'000	Total equity AU$'000
Balance as at 1 July 2018							
As previously reported		162,647	(163)	5,460	18,229	(144,448)	**41,725**
Adoption of SFRS(I) 9	2	-	-	-	-	(465)	**(465)**
Restated balance as at 1 July 2018		162,647	(163)	5,460	18,229	(144,913)	**41,260**
Profit for the year		-	-	-	-	2,299	**2,299**
Other comprehensive income		-	-	-	678	-	**678**
Total comprehensive income/(loss) for the year		-	-	-	678	2,299	**2,977**
Transactions with owners in their capacity as owners:							
Employee share and option scheme expense	21	-	-	(22)	-	-	**(22)**
Shares issued net of transaction cost	20	46,350	-	-	-	-	**46,350**
Issue of ordinary shares through debt restructure	20	7,352	-	-	-	-	**7,352**
		53,702	-	(22)	-	-	**53,680**
Balance at 30 June 2019		**216,349**	**(163)**	**5,438**	**18,907**	**(142,614)**	**97,917**
Group							
Balance as at 1 July 2017		156,285	(163)	5,183	19,917	(157,924)	**23,298**
Profit for the year		-	-	-	-	13,476	**13,476**
Other comprehensive loss		-	-	-	(1,688)	-	**(1,688)**
Total comprehensive (loss)/ income for the year		-	-	-	(1,688)	13,476	**11,788**
Transactions with owners in their capacity as owners:							
Employee share and option scheme expense	21	-	-	277	-	-	**277**
Issue of ordinary shares through debt restructure	20	6,362	-	-	-	-	**6,362**
		6,362	-	277	-	-	**6,639**
Balance at 30 June 2018		162,647	(163)	5,460	18,229	(144,448)	**41,725**

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

	Notes	Group 2019 AU$'000	2018 AU$'000
Cash flows from operating activities			
Net profit for the year		**2,299**	13,476
Adjustments for:			
Income tax expense	27	**1,226**	1,392
Depreciation of property, plant and equipment	11	**5,832**	8,809
Amortisation of intangible assets	13	**948**	2,042
Employee share and share option scheme expense	30	**(22)**	277
Impairment loss on trade receivables and contract assets	6	**4,335**	5,505
Impairment loss on property, plant and equipment	11	**-**	7,547
Impairment loss on intangible assets	13	**-**	1,821
Bad debt recovery	23	**(862)**	-
Allowance for foreseeable contract losses	15	**4,239**	2,497
Gain on debt restructure	20	**(854)**	(1,314)
Recovery of costs incurred from related party		**(6,000)**	-
Net unrealised foreign exchange differences		**(854)**	1,063
(Profit) / loss on sale of property, plant and equipment	23	**(1,013)**	1,233
Interest income	23	**(354)**	(614)
Finance costs	26	**1,564**	11,681
Operating cash flows before working capital changes		**10,484**	55,415
Changes in operating assets and liabilities			
Trade receivables and contract assets		**24,092**	34,797
Other receivables and prepayments		**3,892**	(1,234)
Trade and other payables		**(25,710)**	(10,544)
Accruals		**(36,109)**	(27,562)
Inventories		**2,430**	(1,069)
Cash (used in) / generated from operations		**(20,921)**	49,803
Interest paid		**(6,884)**	(9,595)
Interest received		**354**	614
Income tax paid		**(1,019)**	(1,005)
Net cash (used in) / generated from operating activities		**(28,470)**	39,817
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**4,443**	2,099
Purchase of property, plant and equipment		**(4,783)**	(5,768)
Purchase of other intangible assets		**(655)**	(16)
(Withholding) / release of restricted cash*	5	**(1,463)**	10,650
Net cash (used in) / generated from investing activities		**(2,458)**	6,965

	Notes	Group 2019 AU$'000	2018 AU$'000
Cash flows from financing activities			
Proceeds from insurance funding / borrowings		**2,232**	5,992
Repayment of borrowings		**(37,034)**	(29,513)
Net repayment of insurance funding		**(2,868)**	(8,384)
Proceeds from issue of share capital		**46,350**	-
Net cash inflow / (outflow) from financing activities		**8,680**	(31,905)
Net (decrease) / increase in cash and cash equivalents		**(22,248)**	14,877
Effects of exchange rate changes on cash and cash equivalents		**112**	(232)
Cash and cash equivalents at the beginning of the financial year		**36,596**	21,951
Cash and cash equivalents at end of year	5	**14,460**	36,596

** The amount represents cash security held for bank guarantees issued.*

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

These notes form an integral part of, and should be read in conjunction with, the accompanying financial statements.

1 General information

AusGroup Limited (the "Company") is a limited liability company domiciled and incorporated in Singapore and its shares are publicly traded on the Singapore Exchange. The address of its registered office is 438B Alexandra Road, #05-08/10 Alexandra Technopark, Singapore 119968 and its principal place of business is Level 1, 18-32 Parliament Place, West Perth, Western Australia, 6005.

The consolidated financial statements of the Group for the financial year ended 30 June 2019 and the balance sheet of the Company as at 30 June 2019 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 25 September 2019.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in note 10.

2 Summary of significant accounting policies

(a) *Basis of preparation*

Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore ("FRS"). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in note 2(b).

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

Critical accounting estimates

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

Going Concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its obligations as and when they fall due.

The Group recognised a net profit after tax of AU$2.3 million (2018: AU$13.5 million) for the year ended 30 June 2019 and as at that date, current assets exceed current liabilities by AU$37.0 million (2018: net liability position of AU$40.8 million). The Group's net cash used in operating activities for the year ended 30 June 2019 was AU$28.5 million.

Capital injection through placement and rights issue and debt restructure

Following the completion of the rights issue and share placement of S$46.4m in FY2019, additional debt to equity conversions and the extension to the maturity of the Notes by four years and the Shareholder loan by five years to 3 December 2022 and 31 October 2023 respectively, these major debt repayments are no longer due payable within one year (refer note 17). At 30 June 2019 the only debt due to be repaid in FY2020 is AU$7.1 million. Accordingly the short term focus on the Group's cashflow to meet short term debts has been substantially addressed as the Group has rescheduled the majority of its borrowings to longer term (non-current) tenure during the year.

The Group is now focused on options to reduce debt further prior to the new maturity dates in 2022 and 2023 and bolster working capital to support the expansion of services to its clients.

2 Summary of significant accounting policies (continued)

(a) *Basis of preparation (continued)*

Going Concern (continued)

Cash flow forecasts

As part of the assessment of the going concern assumption applied in the preparation of the financial statements, management has prepared the Group's cash flow forecasts from 1 July 2019 to 31 December 2020, including sensitivities. These forecasts represent management's best estimate of revenues and costs in the coming periods and include cash inflows from secured and unsecured contracts from existing and new clients. Whilst these forecasts contain some uncertainties relating to the conversion of unsecured contracts, management remains confident that sufficient contracts will be secured to generate the Group's positive cash flows to meet obligations.

Preparation of the financial report on a going concern basis

There are some uncertainties over the cash flows to be generated for the conversion of future unsecured contracts that may cast doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors, having considered these matters, believe that the Group will be able to meet its obligations as and when they fall due. This conclusion is based on the following:

- the generation of positive cashflow from the Group from 1 July 2019 to 31 December 2020, including revenue from secured and unsecured contracts;
- the extension of the maturity date of the Notes to 3 December 2022;
- the availability of potential credit facilities to the Group; and
- the divestment of assets or businesses to raise proceeds, if needed, to extinguish the Group's debt obligations.

Accordingly, the directors are of the opinion that the preparation of the financial report on a going concern basis remains appropriate.

(b) *New accounting standards and interpretations*

(i) *New standards, amendments and interpretations adopted by the Group*

Explanation of transition to SFRS(I) and adoption of new standards

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in note 2(a), these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 30 June 2019, the comparative information presented in these financial statements for the year ended 30 June 2018 and in the preparation of the opening SFRS(I) statement of financial position at 1 July 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 Revenue from Contracts with Customers which includes clarifications to IFRS 15 Revenue from Contracts with Customers issued by the IASB in April 2016;
- SFRS(I) 9 Financial Instruments which includes amendments arising from IFRS 4 Insurance Contracts issued by the IASB in September 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 - Deletion of short-term exemptions for first-time adopters issued by the IASB in December 2016;

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

(i) *New standards, amendments and interpretations adopted by the Group (continued)*

- requirements in SFRS(I) 1-28 Investments in Associates and Joint Ventures arising from the amendments to IAS 28 Measuring an associate or joint venture at fair value issued by the IASB in December 2016; and
- SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration.

The application of the above standards and interpretations did not have a material effect on the financial statements.

An explanation of how the transition from previous FRSs to SFRS(I)s and the adoption of SFRS(I) 9 and SFRS(I) 15 have affected the Group's financial position, financial performance and cash flows, and the Group's financial position is set out under the summary of quantitative impact and the accompanying notes.

<u>Summary of quantitative impact</u>

The initial application of SFRS(I) 1, SFRS(I) 9 and SFRS(I) 15 do not have material impact on the Group's and the Company's financial positions as at 1 July 2017, 30 June 2018 and 1 July 2018 and the Group's profit or loss and other comprehensive income for the year ended 30 June 2018.

There were no material adjustments to the Group's statement of cash flows for the year ended 30 June 2018 arising on the transition to SFRS(I).

SFRS(I) 1

In adopting SFRS(I) in 2019, the Group has applied the transition requirements in SFRS(I) 1 with 1 July 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 30 June 2019 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions in SFRS(I) 1. The application of the mandatory exceptions in SFRS(I) 1 did not have any significant impact on the financial statements. The Group did not apply any optional exemption.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specific criteria are met.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below.

The Group has applied the following practical expedients as allowed under SFRS(I).

- Completed contracts that began and ended in the same annual reporting period in 2018 and contracts completed at 1 July 2017 are not restated.

The application of SFRS(I) 15 did not have any significant impact on the financial statements.

SFRS(I) 9

SFRS(I) 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' ("ECL") model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 July 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2018. Accordingly, the information presented for 2018 is presented, as previously reported, under FRS 39 Financial Instruments: Recognition and Measurement. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 July 2018.

2 Summary of significant accounting policies (continued)

(b) *New accounting standards and interpretations (continued)*

(i) New standards, amendments and interpretations adopted by the Group (continued)

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 Financial Instruments: Disclosures for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 Financial Instruments: Disclosures relating to items within the scope of FRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 July 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

(i) Classification of financial assets and financial liabilities

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see note 2(j).

The adoption of SFRS(I) 9 did not have a significant effect on the Group's accounting policies for financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 July 2018.

Group	**Note**	**Original classification under FRS 39**	**New classification under SFRS(I) 9**	**Original carrying amount under FRS 39**	**New carrying amount under SFRS(I) 9**
				AU$'000	**AU$'000**
Financial assets					
Cash and cash equivalents		Loans and receivables	Amortised cost	37,846	37,846
Trade receivables and contract assets	(a)	Loans and receivables	Amortised cost	93,418	92,953
Other receivables	(a)	Loans and receivables	Amortised cost	4,030	4,030
Total financial assets				135,294	134,829
Company					
Financial assets					
Cash and cash equivalents		Loans and receivables	Amortised cost	63	63
Other receivables	(a)	Loans and receivables	Amortised cost	619	619
Due from subsidiaries		Loans and receivables	Amortised cost	57,556	57,556
Total financial assets				58,238	58,238

(a) Trade receivables, contract assets and other receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost. An increase of AU$0.5 million in the allowance for impairment was recognised in opening retained earnings of the Group at 1 July 2018 on transition to SFRS(I) 9.

2 Summary of significant accounting policies (continued)

(b) *New accounting standards and interpretations (continued)*

(i) New standards, amendments and interpretations adopted by the Group (continued)

(ii) Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost.

The application of SFRS(I) 9 impairment requirements at 1 July 2018 results in additional allowances for impairment as follows:

	AU$'000
Loss allowance at 30 June 2018 under FRS 39	6,140
Additional impairment recognised at 1 July 2018 on:	
- Trade receivables as at 30 June 2018	465
Loss allowance at 1 July 2018 under SFRS(I) 9	6,605

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Additional information about how the Group measures the allowance for impairment is described in note 4.

The line items on the Group's financial statements that were adjusted with significant impact arising from the application of SFRS(I) 9 as described above are summarised below. There were no material adjustments to the Group's profit or loss, other comprehensive income and cash flows for the year ended 30 June 2018 arising on the transition.

Group (AU$'000)	**30 June 2018/ 1 July 2019 FRS/SFRS(I) framework**	**SFRS(I)(9)**	**1 July 2018 SFRS(I) framework**
Current Assets			
- Trade receivables and contract assets	93,418	(465)	92,953
Equity			
- Accumulated losses	(144,448)	(465)	(144,913)

(ii) New standards, amendments and interpretations not yet adopted

Certain new accounting standards have been published that are not mandatory for the financial year ended 30 June 2019 and have not been early adopted by the Group. The Group's and the Company's assessments of the impact of the new standards that are relevant to the Group and the Company are set out below.

SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 July 2019)

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 Leases, SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 Operating Leases - Incentives and SFRS(I) INT 1-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

2 Summary of significant accounting policies (continued)

(b) *New accounting standards and interpretations (continued)*

(ii) New standards, amendments and interpretations not yet adopted (continued)

The Group plan to apply SFRS(I) 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that the Group will apply SFRS(I) 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16.

The Group expects to measure lease liabilities by applying a single discount rate to its portfolio. Furthermore, the Group is likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 July 2019. For lease contracts that contain the option to renew, the Group is expected to use hindsight in determining the lease term.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with a depreciation charge for ROU assets and an interest expense on lease liabilities.

The majority of the Group's leases relate to property leases and the port lease which during FY2019 totalled $4.6m of rental expenses. The current lease term assessment for these leases would impact the financial statements by increasing ROU assets and lease liabilities by $8.4m (Note this assessment includes the current term for the port lease to September 2020 only). The Group is currently assessing the full impact of lease renewal options, which includes up to 40 years' renewal period for the port lease from September 2020 (4 x 10 year options) and an average of 3 years for property leases which when completed will increase the value of the ROU assets and lease liabilities. This assessment is still under consideration.

Other new/amended standards and interpretations

Certain amendments to accounting standards have been published that are not mandatory for the financial year ended 30 June 2019 and have not been early adopted by the Group. These amendments have been assessed by the Group and the Company and other than additional disclosure are not expected to have a significant impact on the accounting policies of the Group or the Company on adoption:

Description	**Effective for annual periods beginning on or after**
Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to SFRS(I) INT 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to SFRS(I) 3 and 11 Previously Held Interest in a Joint Operation	1 January 2019
Amendments to SFRS(I) 1-23 Borrowing Costs Eligible for Capitalisation	1 January 2019
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 Definition of Material	1 January 2020
Amendments to SFRS(I) 3 Definition of a Business	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2 Summary of significant accounting policies (continued)

(c) *Principles of consolidation*

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2(d)).

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Please refer to note 2(h) for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(ii) Joint operations

The Group's joint operations are joint arrangements whereby the parties (the joint operators) that have joint control of the arrangement have rights to the assets, and obligations to the liabilities, relating to the arrangement.

The Group recognises, in relation to its interest in the joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

When the Group sells or contributes assets to a joint operation, the Group recognises gains or losses on the sale or contribution of assets that is attributable to the interest of the other joint operators. The Group recognises the full amount of any loss when the sale or contribution of assets provides evidence of a reduction in the net realisable value, or an impairment loss, of those assets.

When the Group purchases assets from a joint operation, it does not recognise its share of the gains and losses until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of the assets to be purchased or an impairment loss.

The accounting policies for the assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Company applies the same accounting policy on joint operations in its separate financial statements.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of AusGroup Limited.

2 Summary of significant accounting policies (continued)

(c) *Principles of consolidation (continued)*

(iii) Changes in ownership interests (continued)

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(d) *Business combinations*

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the following:

- fair values of the assets transferred;
- liabilities incurred;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition related costs are expensed as incurred. The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(e) *Goodwill on acquisitions*

Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous entity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries and businesses prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as an intangible asset and is carried at cost less accumulated impairment losses.

2 Summary of significant accounting policies (continued)

(f) *Property, plant and equipment*

Measurement

(i) *Land and buildings*

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at cost less accumulated impairment losses. Buildings and leasehold land are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Other property, plant and equipment*

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(iv) *Scaffolding equipment*

The Group carries a provision for loss of scaffolding equipment. This provision is based on the Group's history of losses that have occurred.

Depreciation

Freehold land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

- Freehold Buildings 2.5% per annum
- Leasehold land and buildings over the life of the lease (2 to 45 years)
- Plant and equipment 5% - 33% per annum

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date. The effects of any revision of the residual values and useful lives are recognised prospectively in profit or loss when the changes arise.

Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised as a profit or loss in the consolidated statement of comprehensive income.

(g) *Other intangible assets*

(i) Acquired customer contracts

Customer contracts are capitalised at the contract value calculated by reference to future cash flows of the contracts and discounted back to present value. The intangible assets arising from customer contracts were acquired through business combination. The customer contracts are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

These assets are amortised on a straight-line basis over the useful lives of the customer contracts of 2 to 4 years.

2 Summary of significant accounting policies (continued)

(g) *Other intangible assets (continued)*

(ii) Acquired customer relationships

Customer relationships are capitalised by reference to future cash flows of the expected sales to existing customers and discounted back to present value. These intangible assets arising were acquired through a business combination. They are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

These assets are amortised on a straight-line basis over the contractually agreed employment period of the owner of the previous business of 5 years. As at the balance sheet date, the assets were fully amortised.

(iii) Acquired right to operate

The right to operate port facility intangible asset is capitalised by reference to future cash flows of the expected revenues generated by the port.

The asset is subsequently amortised on a straight-line basis over the lesser of the useful life of the port and the maximum term of the rent lease (45 years), and is carried at cost less accumulated amortisation and accumulated impairment losses.

(iv) IT development and software

Costs directly attributable to the development of computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the software and the costs can be measured reliably. Developed software is initially capitalised at cost, which includes purchases of materials and services and payroll-related costs of employees directly involved in the project.

Developed software is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 to 10 years.

(h) Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of these investments, the difference between disposal proceeds and the carrying amounts of the investments is recognised as a profit or loss in the statement of comprehensive income.

(i) Impairment of non-financial assets

Goodwill

Goodwill is tested for impairment annually and whenever there is an indication that goodwill may be impaired. Goodwill included in the carrying amount of an investment in an equity-accounted associate or joint venture is tested for impairment as part of the investment, rather than separately.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGUs") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less costs of disposal and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. This allocation is done to the extent that it does not decrease the carrying amount of individual assets below their recoverable amount.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

2 Summary of significant accounting policies (continued)

(i) *Impairment of non-financial assets (continued)*

Property, plant and equipment, other intangible assets and investments in subsidiaries

Property, plant and equipment, other intangible assets and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing of these assets, the recoverable amount (i.e. the higher of the fair value less costs of disposal and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

(j) *Financial instruments*

(a) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL'), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) Classification and subsequent measurement

Non-derivative financial assets - Policy applicable from 1 July 2018

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

2 Summary of significant accounting policies (continued)

(j) *Financial instruments (continued)*

(b) Classification and subsequent measurement (continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment - Policy applicable from 1 July 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest - Policy applicable from 1 July 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent solely with payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

2 Summary of significant accounting policies (continued)

(j) *Financial instruments (continued)*

(b) Classification and subsequent measurement (continued)

Non-derivative financial assets: Subsequent measurement and gains and losses - Policy applicable from 1 July 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial assets - Policy applicable before 1 July 2018

The Group classifies non-derivative financial assets into loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "cash and cash equivalents", "trade receivables", "other receivables and prepayments" and "due from subsidiaries" on the balance sheet.

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised borrowings and trade and other payables.

(c) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(e) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents exclude restricted cash which has been pledged to banks to secure borrowing facilities granted to the Group. Cash and cash equivalents include cash on hand and at banks or financial institutions, fixed bank deposits and bank overdrafts, which form an integral part of the Group's cash management. Cash and cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

2 Summary of significant accounting policies (continued)

(j) *Financial instruments (continued)*

(f) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(g) Borrowings

Borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the consolidated income statement over the period of the borrowings.

Borrowings which are due to be settled within 12 months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than 12 months or an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings to be settled more than 12 months after the balance sheet date are included in non-current borrowings in the balance sheet.

Impairment of financial assets

Non-derivative financial assets and contract assets

Policy applicable from 1 July 2018

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised costs and contracts assets (as defined in SFRS(I) 15).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

2 Summary of significant accounting policies (continued)

(j) *Financial instruments (continued)*

General approach (continued)

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 120 days past due.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 120 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

2 Summary of significant accounting policies (continued)

(j) *Financial instruments (continued)*

Loans and receivables and contract assets

The Group considered evidence of impairment for loans and receivables and contract assets at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, where it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions for onerous contracts are recognised when the Group believes that the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease and represent the Group's best estimate of the least net cost of exit. Re-instatements provisions are recognised when the lease is entered into.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the consolidated statement of comprehensive income as an interest expense.

(l) *Contributed equity*

Ordinary shares are classified as equity.

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

(m) *Leases*

Lessee - Finance leases

Leases of property, plant and equipment where the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Lessee - Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (refer note 32). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2 Summary of significant accounting policies (continued)

(m) *Leases*

Lessor - Operating leases

Leases of plant and equipment where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-lines basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

(n) *Revenue recognition*

The Group has adopted SFRS(I) 15 Revenue from Contracts with Customers from 1 July 2017. Under SFRS(I) 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

(i) *Short-term contracts*

Revenue from short-term contracts (less than 12 months) is recognised when services are completed and all criteria for acceptance have been satisfied.

(ii) *Construction contracts*

The contractual terms and the way in which the Group operates its construction contracts is predominantly derived from projects containing one performance obligation. Under these performance obligations, customers either simultaneously receive and consume the benefits as the Group performs them or performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Therefore contracted revenue is recognised over time based on stage of completion of the contract.

For services and construction contracts the new standard provides a higher threshold for recognition of variations, claims and incentives which only allows revenue from variations and claims to be recognised to the extent they are approved or enforceable under the contract. The amount of revenue is then recognised to the extent it is highly probable that a significant reversal of revenue will not occur. In making this assessment, the Group considers a number of factors including nature of the claim, formal or informal acceptance by the customer of the validity of the claim, stage of negotiations, or the historical outcome of similar claims to determine whether the enforceable and "highly probable" threshold has been met.

Revenue in relation to modifications, such as a change in the scope of the contract, will only be included in the transaction price, when it is approved by the parties to the contract or the modification is enforceable and the amount becomes highly probable. Modifications will be recognised when client instruction has been received in line with customary business practice for the customer.

Costs incurred during the tender / bid process are expensed, unless they are incremental to obtaining the contract and the Group expects to recover those costs or where they are explicitly chargeable to the customer regardless of whether the contract is obtained.

Revenue is allocated to each performance obligation and recognised as the performance obligation is satisfied which may be at a point in time or over time.

SFRS(I)15 requires a granular approach to identify the different revenue streams (i.e. performance obligations) in a contract by identifying the different activities that are being undertaken and then aggregating only those where the different activities are significantly integrated or highly interdependent. Revenue will continue to be recognised, on certain contracts over time, as a single performance obligation when the services are part of a series of distinct goods and services that are substantially integrated with the same pattern of transfer.

SFRS(I) 15 provides guidance in respect of the term over which revenue may be recognised and is limited to the period for which the parties have enforceable rights and obligations. When the customer can terminate a contract for convenience (without a substantive penalty), the contract term and related revenue is limited to the termination period.

The Group has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

2 Summary of significant accounting policies (continued)

(n) *Revenue recognition (continued)*

(ii) *Construction contracts* (continued)

The Group recognises revenue using the measure of progress that best reflects the Group's performance in satisfying the performance obligation within the contracts over time. The different methods of measuring progress include an input method (e.g. costs incurred) or an output method (e.g. milestones reached). The same method of measuring progress will be consistently applied to similar performance obligations.

Variable consideration that is contingent on the Group's performance, including key performance payments, liquidated damages and abatements that offset revenue under the contract, is recognised only when it is highly probable that a reversal of that revenue will not occur. In addition, where the identified revenue stream is determined to be a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer (for example maintenance services), variable consideration is recognised in the period/(s) in which the series of distinct goods or services subject to the variable consideration are completed.

Loss-making contracts are recognised under SFRS(I) 37 Provisions, Contingent Liabilities and Contingent Assets as onerous contracts.

(iii) *Sale of goods*

Revenue from sale of goods in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods. The individual standalone selling price of a good that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

(iv) *Hire revenue*

Revenue from the hiring and installation of scaffolding equipment is recognised in the period in which the services are rendered.

(v) *Interest income*

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(o) *Employee benefits*

(i) *Defined contribution plans*

Defined contribution plans are post-employment benefits plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group participates in the national schemes as defined by the laws of the countries in which it operates. The Group's contributions are recognised as expenses in the consolidated statement of comprehensive income as and when they are incurred. The Group has no further payment obligations to these schemes once these contributions have been paid.

2 Summary of significant accounting policies (continued)

(o) *Employee benefits (continued)*

(ii) *Share-based payments*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of options or rights to shares is recognised as an expense in the consolidated statement of comprehensive income with a corresponding increase in the share based payment reserve over the vesting period. The amount recognised as an expense is adjusted to reflect the number of shares and options for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of shares and options that meet the related service, non-market performance conditions at the vesting date. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options or shares granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to vest on each vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under both options and share rights that are expected to vest on each vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share based payment reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share based payment reserve, are credited to the share capital account when new ordinary shares are issued.

When the share rights are qualified for the issuing of ordinary shares, the related balance previously recognised in the share based payment reserve is credited to the share capital account when new ordinary shares are issued.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of SFRS(I) 1-37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Short-term obligations

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

(v) Other long-term employee benefit obligations

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

Remeasurements as a result of experience adjustments are recognised in profit or loss. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

2 Summary of significant accounting policies (continued)

(p) *Dividends*

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders for payment.

(q) *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Group financial statements are presented in Australian Dollars. The Company's functional currency is the Singapore Dollar and the financial statements are presented in Australian Dollars ("AU$") which, in the opinion of management, is the most appropriate presentation currency as the Group's principal assets and operations are in Australia and the majority of its operations are conducted in AU$.

(ii) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and qualify as a net investment in foreign operations.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(iii) *Translation of group entities' financial statements*

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

(iv) *Consolidation adjustments*

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(r) *Income tax*

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, research and development tax credits and tax losses can be utilised.

2 Summary of significant accounting policies (continued)

(r) *Income tax (continued)*

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition. To the extent possible deferred tax assets are netted against deferred tax liabilities and vice versa.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

<u>Research and development tax incentives</u>

Subsidiaries within the Group may be entitled to claim special tax credits for investments in relation to qualifying expenditure under the Research and Development Tax Incentive regime in Australia. The Group accounts for such tax incentives under the split approach where the government grant would only be that component of the benefit in excess of the normal tax rate in that tax jurisdiction and the residual would be accounted for as a tax credit. The component of the benefit in excess of the normal tax rate is allocated against the qualifying expenditure to which the credit relates and presented as cost of sales and administrative expenses in the consolidated statement of comprehensive income.

When derecognised the component of the previously recognised benefit in excess of the normal tax rate is allocated against the qualifying expenditure to which the debit relates and presented as cost of sales and administrative expenses in the consolidated statement of comprehensive income. The remaining amount, being the benefit based on the normal tax rate, is allocated to income tax expense.

(s) *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the Senior Management Team whose members are responsible for allocating resources and assessing performance of the operating segments.

(t) *Borrowing costs*

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(u) *Inventories*

Inventories are carried at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. The cost of inventories comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

Consumables are assets in the form of materials or supplies to be consumed in the production process or in the rendering of services and are included in inventory. Consumables are measured at the lower of cost and net realisable value.

2 Summary of significant accounting policies (continued)

(v) *Earnings per share*

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the 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.

When the Group reports a net loss, diluted earnings per share is not disclosed where it is anti-dilutive.

(w) *Goods and Services Tax ("GST")*

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(x) *Rounding of amounts*

Amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

3 Critical accounting estimates and judgements

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

(a) *Critical accounting estimates and assumptions*

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

Impairment of cash generating units ("CGUs")

SFRS(I) 1-36 Impairment of Assets requires the Group to test goodwill for impairment at least annually and to test other assets for impairment when evaluation of indicators specific to the Group indicates that there is a potential impairment to property, plant and equipment and other intangible assets. These indicators include significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to the expected historical or future operating results and significant negative industry or economic trends.

As described in the accounting policy stated in note 2(i), the Group estimates the recoverable amount as the higher of the fair value less costs of disposal and the value-in-use. In performing these valuations, the Group is required to make estimates and assumptions that may affect the resultant valuation of each of these categories of asset.

For the year ended 30 June 2019, the Group recognised no additional impairment loss (2018: AU$9.4 million). Changes in the assumptions adopted by management could significantly affect the Group's impairment evaluation and hence results. Further details are provided in note 24 of the financial statements.

3 Critical accounting estimates and judgements (continued)

(a) *Critical accounting estimates and assumptions (continued)*

Deferred income tax assets

The Group recognises deferred income tax assets on carried forward tax losses, capital and investment allowances to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses, capital and investment allowances can be utilised and that the Group is able to satisfy the continuing ownership and continuing business tests in Australia.

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future profits.

Significant items for which the Group has potential deferred tax assets include research and development tax credits generated in relation to eligible research and development between 15 July 2012 and 30 June 2015 in Australia and tax losses suffered in 2016.

Recognition involves judgement regarding the future financial performance of the particular legal entity or tax group in which the potential deferred tax asset has been generated. Based on the latest profit forecast, there is no sufficient certainty over the availability of suitable future taxable profits against which to offset these items and therefore deferred tax assets have not been recognised. For further details of the potential deferred tax assets not recognised in these financial statements refer to note 14.

Construction contracts

The Group recognises revenue using the measure of progress that best reflects the Group's performance in satisfying the performance obligation within the contracts over time. The different methods of measuring progress include an input method (e.g. costs incurred) or an output method (e.g. milestones reached). The same method of measuring progress will be consistently applied to similar performance obligations.

Amounts due from contract customers in the balance sheet include uncertified revenue that has been recognised through the statement of comprehensive income in current and prior periods in respect of claims and variation orders on projects. In estimating the amount of uncertified revenue recognised, the Group has relied on past experience and the work of specialists namely project managers and, as required, external consultants. If the uncertified revenue increases/decreases by 5% from management's estimates, the Group's profit before income tax will increase/decrease by approximately AU$2 million (2018: AU$2.3 million).

Revenue from variations in the contract work and claims is recognised in accordance with the Group's accounting policy on construction contracts, refer to note 2(n)(ii).

Legal action is ongoing in relation to claims submitted to Karara Mining Limited in relation to contracted works completed in 2013. Management has considered advice from external legal advisers when estimating the recoverable amount included in amounts due from customers on construction contracts. Refer to note 35 for more information.

Due to the level of uncertainty associated with the calculation of estimated total contract costs, and therefore, percentage of contract completion, it is reasonably possible that material adjustments could be required to revenue and contract margins if the eventual outcomes differ from management's assumptions which cannot be recovered from contract claims under the terms of the contract.

Where it is probable that a loss will arise on a long-term contract, the excess of total expected contract costs over total contract revenue is recognised as an expense immediately.

For the year ended 30 June 2019, a provision for loss on construction contracts of AU$4.5 million has been recognised (2018: AU$2.5 million). This estimation has been based upon management's judgement which has been based upon the most up-to-date available information as at the date of these financial statements.

3 Critical accounting estimates and judgements (continued)

(b) *Critical judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

Impairment of trade receivables

The Group has elected to measure loss allowances for trade and other receivables including contract assets at an amount equal to lifetime ECLs. The Group considers a financial asset to be in default when the financial asset is more than 120 days past due of the customer approval date. ECLs are a probability weighted estimate (based on the Group's historical experience) measured as the present value of all cash shortfalls on default financial assets taking into account both quantitative and qualitative information and analysis. Factors considered in individual assessment are payment history, past due status and term (refer to note 4(c)) .

Construction contracts

For services and construction contracts the new standard provides a higher threshold for recognition of variations, claims and incentives which only allows revenue from variations and claims to be recognised to the extent they are approved or enforceable under the contract. The amount of revenue is then recognised to the extent it is highly probable that a significant reversal of revenue will not occur. In making this assessment, judgement is required to be exercised based on a number of factors including nature of the claim, formal or informal acceptance by the customer of the validity of the claim, stage of negotiations, or the historical outcome of similar claims to determine whether the enforceable and "highly probable" threshold has been met.

Impairment of amounts due from subsidiaries and investments in subsidiaries

The Company assesses the recoverability of loans due from subsidiary undertakings as at the reporting date based on an assessment of the ability of each entity to repay the balance owing and also assesses the carrying value of investments in subsidiaries where indicators of impairment are identified. Such indicators have been identified in the year as discussed in note 24, which describes the impairment of non-current assets in the consolidated Group and which are also considered indicators of impairment at Company level.

4 Financial risk management

The Group's activities are exposed to a variety of financial risks, including the effects of currency risk, interest rate risk, credit risk and liquidity risk arising in the normal course of business. The Group's financial risk management policy seeks to minimise potential adverse effects on the financial performance of the Group by managing the following risks in the manner set out below.

(a) *Currency risk*

The Group operates mainly in Australia, with smaller operations in Singapore, Thailand and Malaysia. Group sale and purchase transactions are primarily denominated in Australian dollars with a portion denominated in Singapore dollars (SGD), Thai Baht, Euro, United States dollars (USD) and Malaysian Ringgit. This exposes the Group to currency risk when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the group entities' functional currencies.

The Group's currency exposure is as follows:

	2019	2018	
Group	**United States Dollar AU$'000**	Singapore Dollar AU$'000	United States Dollar AU$'000
Financial assets			
Cash and cash equivalents	**6**	122	6
	6	122	6
Financial liabilities			
Trade payables	**16**	-	-
Other payables	**238**	-	-
Borrowings	**25,726**	-	46,532
	25,980	-	46,532
Currency exposure on net financial liabilities	**(25,974)**	122	(46,526)

Company	**United States Dollar AU$'000**	Singapore Dollar AU$'000	United States Dollar AU$'000
Financial assets			
Due from subsidiaries	**25,964**	-	46,532
	25,964	-	46,532
Financial liabilities			
Other payables	**238**	-	-
Borrowings	**25,726**	-	46,532
	25,964	-	46,532
Currency exposure on net financial liabilities	**-**	-	-

During the year, the following exchange related amounts were recognised in profit or loss:

	Group		**Company**	
	2019 AU$'000	2018 AU$'000	**2019 AU$'000**	2018 AU$'000
Net foreign exchange income/(loss)	**396**	5	**92**	-

4 Financial risk management (continued)

(a) *Currency risk (continued)*

Sensitivity analysis

A change of 10% (2018: 10%), taking into consideration both strengthening and weakening aspect of AU$, against the following currencies at the reporting date would increase/(decrease) the Group's profit before income tax by the amounts as shown below. This analysis assumes that all other variables, in particular interest and tax rates, remain constant.

	Group		Company	
	2019 AU$'000	2018 AU$'000	**2019 AU$'000**	2018 AU$'000
SGD against AU$				
- strengthened	**-**	11	**-**	-
- weakened	**-**	(12)	**-**	-
USD against AU$				
- strengthened	**(2,361)**	(4,230)	**-**	-
- weakened	**2,597**	4,653	**-**	-

(b) *Interest rate risk*

The Group's exposure to interest rate risk is related mainly to its borrowings facilities, which are on fixed and floating rate terms. The cash balances of the Group, and the interest rate and terms of repayment of borrowings are disclosed in notes 5 and 17 respectively.

The Group's policy is to obtain the most favourable interest rates available for its borrowings and bank deposits. Bank deposits are placed where the interest rates are beneficial whilst at the same time mitigate the risk of market changes in interest rate.

A 1% (2018 : 1%) increase/(decrease) in the floating rate terms of the Group's borrowings at the balance sheet date would (decrease) /increase profit by the following amount:

	Group		Company	
	2019 AU$'000	2018 AU$'000	**2019 AU$'000**	2018 AU$'000
Profit or loss impact	**75**	145	**75**	145

This analysis assumes that all other variables remain constant. There is no impact on other components of equity (2018: Nil).

(c) *Credit risk*

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The trade receivables of the Group comprise 2 debtors (2018: 4 debtors) that individually represented 20 - 48% (2018: 6 - 25%) of trade receivables and in aggregate 68% (2018: 50%) of the trade receivables.

4 Financial risk management (continued)

(c) *Credit risk (continued)*

The Group's maximum exposure to credit risk arose mainly from trade receivables, which had a balance at 30 June 2019 of AU$65.4 million (2018: AU$93.4 million). This exposure is further analysed below:

	Group	
	2019 AU$'000	2018 AU$'000
By currency denomination:		
Australian dollar	**62,902**	79,213
US dollar	**-**	14,205
Malaysia ringgit	**2,090**	-
Thai baht	**396**	-
	65,388	93,418
By type of customer :		
Non-related and related parties	**65,388**	93,418

The Company's maximum exposure to credit risk arose mainly from amounts due from subsidiaries, which had a balance at 30 June 2019 of AU$61.9 million (2018: AU$57.6 million) (refer to note 9).

At 30 June 2019, the Group's most significant customer accounted for AU$31.3 million (30 June 2018: AU$22.9 million) of the trade receivables carrying amount.

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables and other receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and Company.

There were no terms renegotiated during the year for trade receivables that were past due (2018: None).

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables and amounts due from subsidiaries.

A summary of the Group's and Company's exposures to credit risk for trade receivables, contract assets and amounts due from subsidiaries are as follows:

	Group 2019	
	Not credit-impaired AU$'000	**Credit Impaired AU$'000**
Receivables measured at lifetime ECL		
Trade receivables and contract assets	65,853	1,786
Loss allowance	(465)	(1,786)
Total	65,388	-

The age analysis of the Group's trade receivables and contract assets past due but not impaired is as follows:

4 Financial risk management (continued)

(c) *Credit risk (continued)*

	Group 2019	
	Gross AU$'000	Impairment AU$'000
Not past due	**54,878**	465
Past due less than 3 months	**1,936**	-
Past due 3 to 6 months	**1,403**	301
Past due greater than 6 months	**9,422**	1,485
	67,639	2,251

As at 30 June 2019, there was an allowance for impairment of AU$2.2 million against trade receivables (2018: AU$6.1 million) in the Group. There are no other receivables that are neither past due nor impaired where adverse credit events or circumstances have occurred that would lead to concern over the credit quality of such assets (Refer to note 6(a)).

As at 30 June 2019, the Company had an allowance for impairment of AU$135.4 million (2018: AU$127.6 million) against amounts due from subsidiaries (refer to note 9).

Comparative information under FRS 39

The age analysis of the Group's trade receivables and contract assets is as follows:

	Group 2018	
	Gross AU$'000	Impairment AU$'000
Not past due	**68,564**	-
Past due less than 3 months	**9,723**	761
Past due 3 to 6 months	**966**	54
Past due greater than 6 months	**20,305**	5,325
	99,558	6,140

FY2018, included in amounts past due greater than 6 months is an amount receivable from Teras Cargo Transport America LLC. During the year, a settlement was finalised to offset long term receivable and payable balance. For details of the status of the case, refer to note 35.

Movements in allowance for impairment in respect of trade receivables and contract assets

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows:

	Group Impairment AU$'000
At 1 July 2017 per FRS 39	(1,646)
Additional provision for doubtful debt	(5,505)
Amounts written off	1,011
At 30 June 2018 per FRS 39	(6,140)

	Group Lifetime ECL AU$'000
At 1 July 2018 per FRS 39	(6,140)
Adjustment on initial application of SFRS(I) 9	(465)
At 1 July 2018 per SFRS(I) 9	(6,605)
Additional provision for doubtful debt	(3,870)
Amounts written off	8,224
At 30 June 2019 per SFRS(I) 9	(2,251)

4 Financial risk management (continued)

(d) *Liquidity risk*

The tables below analyse the maturity profile of the Group's and Company's non-derivative financial liabilities based on undiscounted cash flows (balances due within 12 months equal their carrying balances as the impact of discounting is not significant).

	Less than 1 year AU$'000	Between 1 and 2 years AU$'000	Between 2 and 5 years AU$'000	Total Contractual cashflows AU$'000	Carrying amount of liabilities AU$'000
Group					
2019					
Trade and other payables	**38,329**	**-**	**-**	**38,329**	**38,329**
Borrowings	**11,734**	**3,178**	**72,098**	**87,010**	**74,917**
	50,063	**3,178**	**72,098**	**125,339**	**113,246**
2018					
Trade and other payables	84,776	-	-	84,776	84,776
Borrowings	89,035	34,863	-	123,898	120,942
	173,811	34,863	-	208,674	205,718

	Less than 1 year AU$'000	Between 1 and 2 years AU$'000	Between 2 and 5 years AU$'000	Total Contractual cashflows AU$'000	Carrying amount of liabilities AU$'000
Company					
2019					
Trade and other payables	**766**	**-**	**-**	**766**	**766**
Borrowings	**11,357**	**3,178**	**72,098**	**86,633**	**74,539**
Due to subsidiaries	**8,196**	-	-	**8,196**	**8,196**
	20,319	**3,178**	**72,098**	**95,595**	**83,501**
2018					
Trade and other payables	1,709	-	-	1,709	1,709
Borrowings	88,021	34,863	-	122,884	119,928
Due to subsidiaries	8,363	-	-	8,363	8,363
	98,093	34,863	-	132,956	130,000

As at 30 June 2019, the Group has net current assets of AU$37.0 million (2018: net current liabilities of AU$40.8 million).

Financing arrangements

The Group and Company had access to the following undrawn borrowing and guarantee facilities at the end of the reporting period:

	Group		Company	
	2019 AU$'000	2018 AU$'000	**2019 AU$'000**	2018 AU$'000
Surety bond facility	**17,359**	4,811	**17,359**	4,811
Guarantee facility	**22,637**	-	**22,637**	-

4 Financial risk management (continued)

(d) *Liquidity risk (continued)*

Other than as described above, the facilities may be drawn down at any time while the facilities are still current. Should there be any event of default not subject to a waiver, the ability to draw down the funds is subject to the discretion of the bank/ financier.

(e) *Capital risk*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The Group and the Company are required by the banks to maintain certain financial ratios such as gearing ratios and interest cover ratios.

The gearing ratio is calculated as net debt / (funds) divided by total capital. Net debt is calculated as borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2019 AU$'000	2018 AU$'000	**2019 AU$'000**	2018 AU$'000
Net debt	**57,744**	83,096	**71,097**	119,865
Total equity	**97,917**	41,725	**70,522**	10,807
Total capital	**155,661**	124,821	**141,619**	130,672
Gearing ratio	**37.1%**	66.6%	**50.2%**	91.7%

(f) *Financial instruments by category*

The carrying amount of the different categories of financial instruments is as follows:

	Group		Company	
	2019 AU$'000	2018 AU$'000	**2019 AU$'000**	2018 AU$'000
Loans and receivables and cash at amortised cost (1)	**85,917**	-	**66,043**	-
Loans and receivables and cash (1)	**-**	135,294	**-**	58,238
Financial liabilities measured at amortised cost (2)	**119,311**	217,198	**83,501**	130,000

Fair value of financial instruments

The carrying amount of current and non-current assets and liabilities are assumed to approximate to their fair value because the effects of discounting are not material.

[1] Refer to notes 5, 6, 7 and 9 (the amount excludes prepayments in note 7)

[2] Refer to notes 9, 15, 16, 17 and 18

5 Cash and cash equivalents

	Group		Company	
	2019	2018	**2019**	2018
	AU$'000	AU$'000	**AU$'000**	AU$'000
Cash and cash equivalents represented by:				
Cash at bank	**14,460**	36,596	**3,442**	63
Restricted cash	**2,713**	1,250	**-**	-
	17,173	37,846	**3,442**	63

Restricted cash was held as term deposits with effective interest rates ranging from 1.21% to 1.8% (2018: 1.28% to 1.81%) per annum.

Reconciliation to cash and cash equivalents at the end of the year

The above figures reconcile to the amount of cash and cash equivalents shown in the consolidated statement of cash flows at the end of the financial year as follows:

	Group	
	2019	2018
	AU$'000	AU$'000
Balance as above	**17,173**	37,846
*Restricted cash	**(2,713)**	(1,250)
Balance per consolidated statement of cash flows	**14,460**	36,596

* The amount represents cash security held for bank guarantees issued.

6 Trade receivables and contract assets

	Group	
	2019	2018
	AU$'000	AU$'000
Trade receivables		
- Third party debtors	**48,684**	71,796
- Less: Allowance for impairment of receivables (note 6(a))	**(2,251)**	(6,140)
	46,433	65,656
Construction contracts		
- Contract assets (note 6(b))	**18,955**	22,097
- Retentions	**-**	5,665
	65,388	93,418

At 30 June 2019, all amounts included in trade receivables and contract assets arising from construction contracts are due for settlement within 12 months (2018: 12 months).

At 30 June 2019, the Group's most significant customer accounted for AU$31.3 million (30 June 2018: AU$22.9 million) of the trade receivables carrying amount.

6 Trade receivables and contract assets (continued)

(a) *Allowance for impairment of receivables*

	Group	
	2019 AU$'000	2018 AU$'000
Beginning of financial year	**(6,140)**	(1,646)
Additional allowance for impairment of receivables	**(4,335)**	(5,505)
Written off during the year	**8,224**	1,011
End of financial year	**(2,251)**	(6,140)

(b) *Contract balances*

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Note	**2019**	**2018**	**1 July 2017**
		AU$'000	**AU$'000**	**AU$'000**
Trade receivables	6	**46,433**	65,656	51,371
Contract assets	6	**18,955**	22,097	81,651
Contract liabilities	14	-	(5,538)	(14,236)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on construction of structural, mechanical and piping installation works, hire contracts and Port & Marine rental of accommodation. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

The contract liabilities primarily relate to advance consideration received from customers for construction contracts.

The amount AU$22.1 million in contract assets were reclassified to trade receivables during the year ended 30 June 2019. An impairment loss on contract assets amounting to AU$4.0 million (2018 : nil impairment) was recognised for the period ended 30 June 2019.

The amount AU$5.6 million recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 30 June 2019.

Significant judgements are used to estimate total contract costs to complete. In making these estimates, management has relied on the expertise of surveying engineers and craftsmen to determine the progress of the construction and also on past experience of completed projects. The estimated total contract costs are reviewed every reporting period and adjusted where necessary, with the corresponding adjustment to profit margin being recognised prospectively from the date of change.

7 Other receivables and prepayments

	Group		Company	
	2019 AU$'000	2018 AU$'000	**2019 AU$'000**	2018 AU$'000
Current				
Prepayments	**1,130**	4,348	**29**	41
Deposits	**449**	986	**1**	1
Sundry receivables	**2,907**	3,044	**659**	618
	4,486	8,378	**689**	660

8 Inventories

	Group	
	2019 AU$'000	2018 AU$'000
Spares and consumables	**1,735**	4,165

9 Due from / (to) subsidiaries

Company	**Total due AU$'000**	**Provision for doubtful debts AU$'000**	**Total AU$'000**
2019			
Due from subsidiaries	**197,329**	**(135,388)**	**61,941**
Due to subsidiaries	**(8,196)**	**-**	**8,196**
2018			
Due from subsidiaries	185,107	(127,551)	57,556
Due to subsidiaries	(8,363)	-	(8,363)

(a) *Provision for doubtful debts*

	Group	
	2019 AU$'000	2018 AU$'000
Beginning of financial year	**(127,551)**	(123,028)
Currency translation movement	**(7,837)**	(4,523)
End of financial year	**(135,388)**	(127,551)

Both the receivables and payables bear interest at 5.0% (2018: 5.0%) per annum. There are no advances due from subsidiaries that are due for repayment within the next 12 months (2018: Nil). There are AU$8.2 million advances due to subsidiaries for which the Company does not have an unconditional right to defer settlement beyond 12 months from the balance sheet date (2018: AU$8.4 million).

10 Investments in subsidiaries

	Company	
	2019 AU$'000	2018 AU$'000
Investments in subsidiaries	**88,261**	82,823

	Company	
	2019 AU$'000	2018 AU$'000
Equity investment at cost		
Beginning of financial year	**82,823**	79,126
Investment at cost	**-**	17,243
Impairment loss	**-**	(17,243)
Currency translation movement	**5,438**	3,697
End of financial year	**88,261**	82,823

10 Investments in subsidiaries (continued)

Name of entity	Principal activity	Country of incorporation / Principal place of business	Equity holding	
			2019 %	**2018 %**
AusGroup Singapore Pte. Ltd	Engineering and service	Singapore	**100**	100
Modern Access Services Singapore Pte. Ltd	Engineering and service	Singapore	**100**	100
Cactus Oil & Gas Sdn Bhd (1)	Dormant	Malaysia	**-**	100
AusGroup Companies Pty Ltd (Previously known as "AGC Australia Pty Ltd")	Investment holding / property	Australia	**100**	100
AGC Industries Pty Ltd	Engineering and service	Australia	**100**	100
Seagate Structural Engineering Pty Ltd	Property	Australia	**100**	100
MAS Australasia Pty Ltd	Engineering and service	Australia	**100**	100
AusGroup Corporation Co., Ltd	Engineering and service	Thailand	**100**	100
Ezion Offshore Logistics Hub Pte Ltd	Investment holding	Singapore	**100**	100
Resource People Pty Ltd	Labour supply	Australia	**100**	100
NT Port and Marine Pty Ltd	Marine supply base and provision of ship chartering services	Australia	**100**	100
Teras Global Pte Ltd	Chartering services	Singapore	**100**	100
Ezion Offshore Logistics Hub (Exmouth) Pty Ltd	Marine supply base	Australia	**100**	100
Teras Australia Pty Ltd	Ship management and provision of ship chartering services	Australia	**100**	100
Specialist People Pty Ltd (previously known as "AGC Energy and Infrastructure Pty Ltd")	Labour supply	Australia	**100**	100
Mechanical Access Services Australasia Sdn Bhn	Engineering and service	Malaysia	**100**	100
Access Australasia Sdn Bhd	Engineering and service	Malaysia	**100**	100
AusGroup People Pty Ltd	Labour supply	Australia	**100**	-

(1) Company dissolved during the year.

KPMG LLP is the auditor of all Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries.

Joint operations

The Group holds 67% of the voting rights of its unincorporated operation between AGC Industries and Meisei Co Ltd, which operates in Australia. This operation is of strategic importance to the Group as it acts as a key contractor in one of the Group's customer contracts.

The joint venture agreements in relation to the AGC Industries and Meisei Co Ltd joint venture require unanimous consent from all parties for all relevant activities. The two parties own the assets and are jointly and severally liable for the liabilities incurred by the joint venture. This entity is therefore classified as a joint operation and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described in note 2(c)(ii).

11 Property, plant and equipment

Group	Freehold land AU$'000	Freehold buildings AU$'000	Leasehold land & buildings AU$'000	Plant and equipment AU$'000	Total AU$'000
At 1 July 2017					
Cost	2,615	7,482	50,112	91,046	151,255
Accumulated depreciation and impairment	-	(1,841)	(6,052)	(55,942)	(63,835)
Net book amount	2,615	5,641	44,060	35,104	87,420
Year ended 30 June 2018					
Opening net book amount	2,615	5,641	44,060	35,104	87,420
Depreciation charge (note 25)	-	(185)	(1,668)	(6,956)	(8,809)
Additions	-	-	1,469	4,300	5,769
Disposals	(1,235)	(303)	(13)	(1,780)	(3,331)
Impairment loss	-	-	(16)	(7,531)	(7,547)
Exchange differences	-	-	1,926	156	2,082
Closing net book amount	1,380	5,153	45,758	23,293	75,584
At 30 June 2018					
Cost	1,380	7,088	52,906	86,584	147,958
Accumulated depreciation and impairment	-	(1,935)	(7,369)	(63,070)	(72,374)
Net book amount	1,380	5,153	45,537	23,514	75,584
Year ended 30 June 2019					
Opening net book amount	**1,380**	**5,153**	**45,537**	**23,514**	**75,584**
Depreciation charge (note 25)	**-**	**(177)**	**(1,882)**	**(3,773)**	**(5,832)**
Additions	**-**	**-**	**12,399**	**1,004**	**13,403**
Disposals	**-**	**(13)**	**(64)**	**(3,353)**	**(3,430)**
Exchange differences	**-**	**-**	**2,570**	**219**	**2,789**
Reversal of impairment loss	**-**	**-**	**16**	**2,554**	**2,570**
Closing net book amount	**1,380**	**4,963**	**58,576**	**20,165**	**85,084**
At 30 June 2019					
Cost	**1,380**	**7,075**	**68,125**	**68,558**	**145,138**
Accumulated depreciation and impairment	**-**	**(2,112)**	**(9,549)**	**(48,393)**	**(60,054)**
Net book amount	**1,380**	**4,963**	**58,576**	**20,165**	**85,084**

(i) *Impairment loss*

During the year ended 30 June 2019, the Group recognised no additional impairment loss (2018: $7.5 million) with respect to property, plant and equipment. Refer to note 24 for further details.

At 30 June 2019, the carrying amount (net of impairment) of property, plant and equipment relating to the Port and Marine CGU amounted to AU$58.3 million (2018: AU$45.2 million).

During the year, an assessment of carrying amount of scaffolding asset has resulted a reversal of AU$2.5 million of impairment loss.

11 Property, plant and equipment (continued)

(ii) *Non-current assets pledged as security*

The Group has pledged freehold land and buildings, leasehold land and buildings and certain plant and equipment, having a carrying amount of approximately AU$85.1 million (2018: AU$75.6 million) to secure syndicated loan facilities granted to the Group. Refer to note 17 for details of the security.

(iii) *Revision of useful lives of plant and equipment*

During the year the estimated total useful lives of certain items of plant and equipment used in the scaffolding business were revised. The net effect of the changes in the current year was a decrease in depreciation expense of AU$0.9 million.

12 Goodwill

	Group	
	2019 AU$'000	2018 AU$'000
Beginning of financial year	**10,994**	10,994
End of financial year	**10,994**	10,994
Carrying value	**10,994**	10,994

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	Group	
	2019 AU$'000	2018 AU$'000
Access services	**9,859**	9,859
Maintenance services	**528**	528
Projects	**607**	607
	10,994	10,994

The Group has assessed goodwill for impairment. Refer to note 24 for details of impairment assessments undertaken including details of key assumptions in those assessments.

13 Other intangible assets

Group	Exclusive right to operate port facility AU$'000	Internally developed software and software licences AU$'000	Customer contracts, relationships acquired via business combinations AU$'000	Other intangible assets AU$'000	Total AU$'000
2018					
Cost					
Beginning of financial year	85,645	16,223	5,369	1,232	108,469
Additions	-	16	-	-	16
Disposals	-	(3,027)	-	-	(3,027)
Exchange differences	3,151	-	-	-	3,151
End of financial year	88,796	13,212	5,369	1,232	108,609
Accumulated amortisation and impairment					
Beginning of financial year	(53,950)	(11,342)	(5,369)	(1,232)	(71,893)
Amortisation charge (note 25)	(725)	(1,317)	-	-	(2,042)
Disposals	-	1,863	-	-	1,863
Impairment Loss	-	(1,821)	-	-	(1,821)
Exchange differences	(2,012)	-	-	-	(2,012)
End of financial year	(56,687)	(12,617)	(5,369)	(1,232)	(75,905)
Carrying value at 30 June 2018	32,109	595	-	-	32,704
Group					
2019					
Cost					
Beginning of financial year	**88,796**	**13,212**	**5,369**	**1,232**	**108,609**
Additions	**-**	**655**	**-**	**-**	**655**
Exchange differences	**4,727**	**-**	**-**	**-**	**4,727**
End of financial year	**93,523**	**13,867**	**5,369**	**1,232**	**113,991**
Accumulated amortisation and impairment					
Beginning of financial year	**(56,687)**	**(12,617)**	**(5,369)**	**(1,232)**	**(75,905)**
Amortisation charge (note 25)	**(802)**	**(146)**	**-**	**-**	**(948)**
Exchange differences	**(3,017)**	**-**	**-**	**-**	**(3,017)**
End of financial year	**(60,506)**	**(12,763)**	**(5,369)**	**(1,232)**	**(79,870)**
Carrying value at 30 June 2019	**33,017**	**1,104**	**-**	**-**	**34,121**

(i) *Impairment loss*

At 30 June 2019, the carrying amount (net of impairment) of intangible assets relating to the Port and Marine CGU amounted to AU$33.0 million (2018: AU$32.1 million).

During the year ended 30 June 2019, the Group recognised no additional impairment loss (2018 : $1.8 million) with respect to internally developed software and software licences.

(ii) *Non-current assets pledged as security*

During the year, the exclusive right to operate port facility asset was pledged as security as part of the broader renegotiation of the Group's financing arrangement, as described in note 17.

14 Deferred income tax assets / (liabilities)

(i) *Deferred tax assets*

	Group	
	2019 AU$'000	2018 AU$'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**5,204**	699
Provisions and payables	**4,446**	6,560
Others	**699**	1,051
	10,349	8,310
Set-off of deferred tax liabilities pursuant to set-off provisions	**(10,349)**	(8,310)
Net deferred tax assets	**-**	-
Deferred tax assets expected to be recovered within 12 months	**72**	39
Deferred tax assets expected to be recovered after more than 12 months	**10,277**	8,271
	10,349	8,310

Movement in deferred tax assets	**Property, plant and equipment AU$'000**	**Provisions and payables AU$'000**	**Others AU$'000**	**Total AU$'000**
At 1 July 2017	-	10,780	606	11,386
(Charged) / credited:				
- to profit or loss in income tax benefit (note 27)	699	(4,220)	445	(3,076)
At 30 June 2018	699	6,560	1,051	8,310
(Charged) / credited:				
- to profit or loss in income tax benefit (note 27)	4,505	(2,114)	(352)	2,039
At 30 June 2019	**5,204**	**4,446**	**699**	**10,349**

See note 14(iii) for disclosure of unrecognised deferred tax assets in these financial statements.

(ii) *Deferred tax liabilities*

	Group	
	2019 AU$'000	2018 AU$'000
Intangibles	**(11,044)**	(9,631)
Other	**(41)**	(41)
	(11,085)	(9,672)
Set-off of deferred tax assets pursuant to set-off provisions	**10,349**	8,310
Net deferred tax liabilities	**(736)**	(1,362)
Deferred tax liabilities expected to be settled within 12 months	**(11)**	(11)
Deferred tax liabilities expected to be settled after more than 12 months	**(11,074)**	(9,661)
	(11,085)	(9,672)

14 Deferred income tax assets / (liabilities) (continued)

(ii) *Deferred tax liabilities (continued)*

Group	Property, plant and equipment AU$'000	Intangibles AU$'000	Other AU$'000	Total AU$'000
At 1 July 2017	(3,598)	(9,508)	(41)	(13,147)
(Charged)/credited				
- to profit or loss in income tax expense (note 27)	3,598	(123)	-	3,475
At 30 June 2018	-	(9,631)	(41)	(9,672)
	-	-	-	-
(Charged)/credited				
- to profit or loss in income tax expense (note 27)	-	(1,413)	-	(1,413)
At 30 June 2019	-	**(11,044)**	**(41)**	**(11,085)**

(iii) *Deferred tax assets not recognised*

Deferred tax assets have not been recognised on the following potential tax benefits to the extent they are not expected to be utilised against deferred tax liabilities as a result of there not being sufficient certainty over the availability of future taxable profit against which to offset these balances.

	Group	
	2019	2018
	AU$'000	AU$'000
Unrecognised tax benefits from:		
Tax credits		
Unused tax credits for which no deferred tax asset has been recognised	**38,714**	38,714
Tax losses		
Tax losses for which no deferred tax asset has been recognised	**10,268**	11,138
Other deferred tax assets not recognised		
Other deductible temporary differences	**9,116**	14,162

15 Trade payables and contract liabilities

	Group	
	2019 **AU$'000**	2018 AU$'000
Trade payables		
- Non-related parties	**11,247**	12,106
- Related parties (note 31d)	**-**	16,910
Construction contracts		
- Contract liabilities (note 6b)	**-**	5,538
- Provision for foreseeable contract losses	**4,332**	2,497
	4,332	8,035
	15,579	37,051

(i) *Provision for foreseeable contract losses*

	Group	
	2019 **AU$'000**	2018 AU$'000
Beginning of financial year	**2,497**	-
Increase in provision	**4,239**	2,497
Reversal of provision	**(2,404)**	-
End of financial year	**4,332**	2,497

16 Other payables

	Group		Company	
	2019 **AU$'000**	2018 AU$'000	**2019** **AU$'000**	2018 AU$'000
Current				
Accrued expenses	**4,167**	12,297	**494**	139
Employee benefit accruals	**5,152**	6,824	**-**	-
Payroll tax and other statutory liabilities	**3,319**	20,732	**1**	1
Other payables	**10,112**	7,872	**271**	1,569
	22,750	47,725	**766**	1,709

17 Borrowings

	Group		Company	
	2019 AU$'000	2018 AU$'000	**2019 AU$'000**	2018 AU$'000
Current				
Secured loans	**6,928**	12,359	**6,928**	12,359
Multi currency notes	**-**	73,397	**-**	73,397
Insurance premium funding	**378**	1,014	**-**	-
	7,306	86,770	**6,928**	85,756
Non-current				
Secured loans	**577**	-	**577**	-
Multi currency notes	**41,308**	-	**41,308**	-
Loan from substantial shareholder (note 31(f))	**25,726**	34,172	**25,726**	34,172
	67,611	34,172	**67,611**	34,172
Total borrowings (interest-bearing)	**74,917**	120,942	**74,539**	119,928

	Group	
	2019 AU$'000	2018 AU$'000
Secured borrowings:		
Multi currency notes	**41,308**	73,397
DBS Term Loan - USD	**-**	12,359
DBS Term Loan - SGD	**7,505**	-
Total secured borrowings	**48,813**	85,756
Unsecured borrowings:		
Loan from substantial shareholder	**25,726**	34,172
Insurance premium funding	**378**	1,014
Total unsecured borrowings	**26,104**	35,186
Total borrowings	**74,917**	120,942

(a) *Loan and overdraft facilities*

Multi currency notes

On 19 October 2018, Noteholders representing S$64.32million or 88.41% of the principal amount of the Notes outstanding approved the restructure of the notes including an extension to the repayment date by 4 years. A total of 267 votes were cast, of which all 267 votes or 100% of the votes cast were in favour of the Extraordinary Resolution to restructure the debt. The terms of Notes are amended as follows:

- An upfront partial cash redemption of the Notes amounting to S$21.8 million (AU$23.0 million) on 23 November 2018 and full equity redemption of the Notes (those that decided to convert to equity) of S$3.4 million (AU$3.4 million) was made on 3 December 2018;
- Maturity of the Notes has been extended to 3 December 2022. Accordingly, the Notes have been classified as part of non-current liabilities; and
- Interest will be paid monthly at a rate of 5% per annum from 3 December 2018, 6% per annum from 3 December 2019 and 7% per annum from 3 December 2020.

17 Borrowings (continued)

(a) *Loan and overdraft facilities (continued)*

On 29 October 2018 SGX granted its approval in-principle ("AIP") for the listing of and quotation for:

- Up to 752,402,733 Rights Shares at an issue price of S$0.035 for each Rights Share, on the basis of one (1) Rights Share for every two (2) existing Shares in the capital of the Company pursuant to the Rights Issue;
- Up to 1,050,000,000 Subscription Shares at an issue price of S$0.035 for each Subscription Share pursuant to the Proposed Placement; and
- 80,299,996 new Shares ("Redemption Shares") at an issue price of S$0.042 for each Redemption Share pursuant to the amended terms and conditions of the Notes following the passing of the Extraordinary Resolution at the Meeting (the "Proposed Issue of Redemption Shares").

The Extraordinary General Meeting held on 15 November 2018 approved the issuance of the shares under both the placement and rights issue.

On 21 November 2018, the Company completed the proposed placement of 700,000,000, 200,000,000 and 100,000,000 new ordinary shares in the capital of the Company at an issue price of S$0.035 for each Subscription Share to AOC Acquisitions Pte. Ltd., Mr. Toh Bee Yong and Mr. Poh Boon Kher Melvin, respectively. On 19 December 2018, the Company completed the allottment of subscription shares issuing 50,000,000 new ordinary shares to AOC Acquisitions Pte. Ltd.

On 3 December 2018, the Company announced the results of the exchange offer and the issuance, of 80,299,996 new ordinary shares at a proposed issue price of S$0.042 to Noteholders, in exchange for the settlement of approximately S$3.4 million (AU$3.4 million) owing on the Multi Currency Notes.

On 19 December 2018, an aggregate of 413,124,969 Rights Shares have been allotted and issued by the Company. 276,714,101 Rights Shares was issued to other shareholders, 136,410,868 Right Shares was issued to Ezion (refer to Note 17).

On 3 January 2019, the Company made a partial cash redemption of the Notes on a pro rata basis equal to the Right Issue Redemption Amount. The Right Issue Redemption Amount is S$7.4 million (AU$7.5 million).

As a result of the debt conversion performed in FY 2019, the Group recorded a one-off net gain of AU$0.5 million from movement in the Company's share price between the offer and settlement date.

Loans from DBS Bank Ltd

Final repayment of DBS Term loan was originally due in April 2018, however by agreement this was extended with a final repayment of US$7.3 million due in January 2019. During the year, the Company has re-negotiated the final loan repayment date which is now is repayable by monthly instalments until 31 July 2020.

DBS also provides bank guarantee facilities to the Group to support performance bonds and financial guarantees provided to the Group's clients.

Loan from substantial shareholder

Loan from Ezion Holdings Limited ("Ezion") (a substantial shareholder of the Company) was acquired by the Group on acquisition of Ezion Offshore Logistics Hub Pte Ltd ("EOLH") and Teras Australia Pty Limited ("TAPL") and their subsidiary entities. Under the terms of the sale and purchase agreement as approved by shareholders of both Ezion and the Company, the loan accrued interest at 8% per annum was capitalised to the loan balance.

At the Annual General Meeting of the Company held on 15 December 2016, the interest rate payable in relation to the loan was revised to 5% per annum with effect from 1 July 2016. In addition, the Company, EOLH and TAPL entered into a novation agreement with Ezion to transfer the loans and all rights, duties and obligations therewith owing by EOLH and TAPL to the ultimate parent entity, AusGroup Limited, with effect from 1 July 2016.

In June 2018, it was agreed with Ezion to reduce the interest rate from 5.0% to 2.0% per annum for a period of one year effective from 1 November 2017. The repayment date on the loan has been extended until after 31 October 2023 while the interest remained at 2% per annum.

As at 30 June 2019 the amount owing on the loan by the Company to Ezion was AU$25.7 million (30 June 2018: AU34.2 million) and is unsecured.

17 Borrowings (continued)

(a) *Loan and overdraft facilities (continued)*

Ezion Loan Capitalisation

On 19 December 2018, the Company announced the completion of a further Ezion Loan Capitalisation and the allotment and issue of 136,410,868 nil paid rights ("Capitalisation Shares") to Ezion on that date in exchange for settlement of US$3,471,772 (equivalent to AU$4,799,242) of the Shareholder Loan with Ezion. As a result, Ezion held 409,232,604 shares and the outstanding amount on the Shareholder Loan reduced to US$22,138,118 (equivalent to AU$30,604,373 at 31 December 2018).

As a result of the debt conversion performed in FY 2019, the Group recorded a one-off net gain of AU$0.3 million from movement in the Company's share price between the offer and settlement date.

(i) *Security pledged and financial covenants*

Security pledged

Multi currency S$110 million notes

Notes are secured, on a shared first ranking basis, against all property and assets of NT Port and Marine Pty Ltd (previously known as Ezion Offshore Logistics Hub (Tiwi) Pty Ltd) on a fixed and floating basis and 100% of the shares of Ezion Offshore Logistics Hub Pte. Ltd ("EOLH") pursuant to a share charge.

DBS Bank Ltd

The following describes the security in issue to DBS Bank Limited in relation to facilities and borrowings in issue to the Group.

Existing fixed and floating charge over all the present and future assets of AusGroup Limited, AusGroup Singapore Pte Ltd, Modern Access Services Singapore Pte Ltd, AGC Australia Pty Ltd, AGC Industries Pty Ltd, AGC Energy & Infrastructure Pty Ltd and Resource People Pty Ltd.

Existing deed of subordination, executed by Ezion Holdings Ltd and Ezion Offshore Logistics Hub Pte Ltd;

Existing deed of subordination, executed by Ezion Holdings Ltd and Teras Australia Pty Ltd;

Existing first legal mortgage over commercial property at 15 Beach Street, Kwinana beach, Western Australia.

A deed of charge executed by AGC Australia incorporating an all-monies charge over fixed deposit account maintained by AGC Australia Pty Ltd with DBS Bank Ltd ("The lender") for an amount not less than AU$2.5 million (2018: AU$1.3 million).

The carrying amounts of the Group's assets pledged as security for:

	Group	
	2019 **AU$'000**	2018 AU$'000
Bank facilities	**215,290**	268,194

Facility covenants

Multi currency S$110 million notes

In accordance with the Noteholder vote in favour of the Consent Solicitation Exercise ("CSE") on 19 October 2018, the Group renegotiated the terms of the Notes as described in Note 17(b) and added two financial covenants being the ratio of its Consolidated Secured Debt to its Consolidated Total Assets and the ratio of its Consolidated EBITDA to its Consolidated Interest Expense in respect of any Test Period.

17 Borrowings (continued)

(a) *Loan and overdraft facilities (continued)*

(i) *Security pledged and financial covenants (continued)*

Facility covenants (continued)

DBS Bank Ltd facilities and loans

AusGroup Limited is required to maintain in relation to the Consolidated Group a maximum gearing ratio as well as a maximum secured debt to total assets, a minimum EBITDAR to interest cost cover and a minimum net worth (net assets). EBITDAR to interest cost covenant applies only to stipulated test periods as outlined in the facility documents, being at the end of each financial year.

The Group has complied with the financial covenants on its major debt facilities. The Group continues to discuss loans and facilities with DBS Bank Ltd, including financial covenants, to ensure that appropriate facilities are in place based on the Group's forecast business requirements. Under the facilities, the Company and the Group have a negative pledge requirement to ensure that no security is created, or permitted to be created, or have outstanding any security on or over the whole or any part of the respective undertakings, assets, property, revenues or rights to receive dividends, present or future.

(ii) *Loan and overdraft interest*

2019

Facilities	**Approved Amount**	**Effective interest rate**
Multi-currency Debt Issuance	SGD$41.3 million	5% per annum from 3 December 2018
		6% per annum from 4 December 2019
		7% per annum from 3 December 2020
DBS Term Loan	SGD$10 million	1 month SIBOR + 3.20%

2018

Facilities	**Approved Amount**	**Effective interest rate**
Multi-currency Debt Issuance	SGD$73.4 million	9.45%
DBS Term Loan	USD$20 million	1 month SIBOR + 3.85%

(b) *Reconciliation of movements of liabilities to cash flows arising from financing activities*

	Borrowings	**Insurance Funding**	**Total**
	$'000	**$'000**	**$'000**
Balance at 1 July 2018	119,928	1,014	120,942
Repayment of borrowings / insurance funding	(37,034)	(2,868)	(39,902)
Proceeds from insurance funding	-	2,232	2,232
Total changes from financing cash flows	**82,894**	**378**	**83,272**
Other changes			
Debt to equity conversion	(8,239)	-	(8,239)
The effect of changes in foreign exchange rates	5,686	-	5,686
Recovery of costs incurred from related party	(6,000)		(6,000)
Interest expense - shareholder loan	666	-	666
Borrowing costs	(468)	-	(468)
Balance at 30 June 2019	**74,539**	**378**	**74,917**

18 Accruals for other liabilities and charges

	Group	
	2019	**2018**
	AU$'000	**AU$'000**
Current		
Annual leave	**3,160**	5,059
Redundancy allowance/rostered day off/sick leave	**1,354**	4,346
Long service leave	**585**	567
Fringe benefit tax payable	**16**	243
	5,115	10,215
Non-current		
Long service leave	**950**	1,265

19 Provisions

	Group	
	2019	2018
	AU$'000	AU$'000
Current		
Restructuring provision	**30**	392
Onerous lease provision	**136**	467
Total provisions	**166**	859

Movements in provisions

Due to the completion of major project work and in order to right-size the business there was a restructure of the branch network which resulted in onerous lease and restructuring provisions. The cost associated with these branch closures was offset against provisions made in FY2018. Further branch closure costs will be incurred in FY2019.

20 Share capital

	Group and Company	
	2019	2018
	AU$'000	AU$'000
Ordinary shares issued and fully paid:		
Beginning of financial year	**162,647**	156,285
Shares issued for cash net of transaction costs	**46,350**	-
Shares issued through debt to equity exercise (note 17(b))	**7,352**	6,362
End of financial year	**216,349**	162,647

Ordinary shares have no par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share at meetings of the Company.

	Group and Company	
	2019	2018
Number of issued shares:		
Opening balance	**1,504,805,466**	1,364,047,515
Issuance of shares	**1,326,714,101**	-
Shares issued through debt to equity exercise	**216,710,864**	140,757,951
Closing balance	**3,048,230,431**	1,504,805,466

The Company completed the placement of 750,000,000, 200,000,000 and 100,000,000 new ordinary shares in the capital of the Company at an issue price of S$0.035 for each Subscription Share to AOC Acquisitions Pte. Ltd., Mr. Toh Bee Yong and Mr. Poh Boon Kher Melvin, respectively. The Company also allotted and issued an aggregate of 276,714,101 Rights Shares for S$0.035 each to other shareholders. The total number of new shares issued from this placement and Rights Issue amounted to 1,326,714,101 for consideration of S$46.4 million (AU$46.3 million).

During the year, the Company completed a further Ezion Loan capitalization by issue of 136,410,868 Right Shares to Ezion in exchange for settlement of US$3.5 million (AU$4.8 million) of the Shareholder loan with Ezion. The Company also issued 80,299,996 new ordinary shares at an issue price of S$0.042 (transaction price S$0.034) to Noteholders, in exchange for the settlement of approximately S$3.4 million (AU$3.3 million) owing on the Multi Currency Notes, generating gains from these transactions of AU$0.8 million (S$0.9 million). The total number of shares issued through these debt to equity exercises amounted to 216,710,864 for net consideration of AU$7.4 million. Refer Note 17 for more information.

21 Other reserves

	Group		Company	
	2019 AU$'000	**2018 AU$'000**	**2019 AU$'000**	**2018 AU$'000**
Other reserves:				
Capital reserve	**(163)**	(163)	**(163)**	(163)
Share based payment reserve	**5,438**	5,460	**5,438**	5,460
Foreign currency translation reserve	**18,907**	18,229	**27,918**	25,891
	24,182	23,526	**33,193**	31,188
Movements:				
Capital reserve:				
Beginning and end of financial year	**(163)**	(163)	**(163)**	(163)
Share based payment reserve:				
Beginning of financial year	**5,460**	5,183	**5,460**	5,183
Option expense net of options exercised (note 30)	**(22)**	277	**(22)**	277
At end of financial year	**5,438**	5,460	**5,438**	5,460
Foreign currency translation reserve:				
Beginning of financial year	**18,229**	19,917	**25,891**	25,009
Net currency translation difference of financial statements of foreign subsidiaries and the Company	**678**	(1,688)	**2,027**	882
At end of financial year	**18,907**	18,229	**27,918**	25,891

Share based payment reserve

(a) *Share options*

Share options were granted to non-executive directors, key management and employees under the AusGroup Share Option Scheme ("ASOS") which became operative on 15 October 2010.

Since the commencement of the ASOS, no options were granted at a discount to the market price. The options which were granted are exercisable after the first anniversary of the date of grant.

Once the options have vested, they are exercisable for a contractual option term of 5 years from the date at which the ASOS became operative. The options may be exercised in full or in part, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Prior to the commencement of the ASOS, share options were granted to key management and employees under the AusGroup Employee Share Option Scheme ("ESOS") which became operative on 23 July 2007, and was superseded by the ASOS.

21 Other reserves

(a) *Share options (continued)*

During the period the ESOS was in operation, no options were granted at a discount to the market price. The options which were granted are exercisable up to a maximum of 33% during the period commencing after the first anniversary of the date of grant, up to a maximum of 66% during the period commencing after the second anniversary of the date of grant and up to a maximum of 100% during the period commencing after the third anniversary of the date of grant, and in case of options granted to non-executive directors, before the fifth anniversary of the date of grant and in the case of options granted to other than non-executive directors, before the tenth anniversary of the date of grant.

The options may be exercised in full or in part, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

As at 30 June 2019 ASOS and ESOS are not operative and there are Nil options exercisable at balance date.

(b) *Options issued to Ezion Holdings Limited ("Ezion") and Eng Chiaw Koon*

On 10 July 2014 Eng Chiaw Koon was appointed a director of the Company. On 27 June 2014 in accordance with a resolution of shareholders passed on 19 June 2014, 20,000,000 options to acquire ordinary shares in the Company were issued to Eng Chiaw Koon (with 12,500,000 held in trust and subsequently abandoned). Under the terms of the options, one quarter of the options vest on the first anniversary of the issue of the options and a further quarter each anniversary thereafter until all options have been vested. For the avoidance of doubt, there are no service conditions attached to the options.

The options were issued at a strike price of S$0.3675 and expire on 27 June 2019. The fair value of the options issued on 27 June 2014, determined using the Binomial Valuation Model, were calculated at S$0.1888 per option and amounts to S$6.6 million. The significant inputs into the model were share price of S$0.4313 at the grant date, volatility of expected share price returns of 50%, dividend yield of 1.5% and annual risk free rate of 1.13%. The volatility measured as the standard deviation of expected share price returns was based on statistical analysis of share prices over the last 5 years. During the year ended 30 June 2019, the Company has incurred nil share based payments expense (FY2018 : AU$0.3 million) in respect of the options issued to Eng Chiaw Koon.

As approved by Shareholders at the Extraordinary General Meeting held on 19 June 2014, the 110,000,000 options issued to Ezion is part of an effort to raise funds for the Group's expansions via the strategic investment by Ezion as a substantial shareholder. Following the issue and allotment of these options on 27 June 2014, the options to Ezion are exercisable from that date. The value associated with these options granted to Ezion have not been recognised as the Company treated the transaction as a capital raising exercise with a shareholder of the Company.

(c) *Share scheme*

The AusGroup Share Scheme 2010 ("the ASS") for employees of the Group (including any executive director) and/or a subsidiary was approved by shareholders and adopted on 15 October 2010. The ASS is a long term performance incentive scheme which forms an integral part of the Group's incentive compensation program.

The vesting of shares under the scheme is based on the Group meeting certain prescribed earnings per share ("EPS") and/or comparative total shareholder return ("TSR") conditions. Meeting the EPS target allows an employee to vest a maximum of 60% of the total amount of shares applicable to that period and meeting the TSR target allows for a maximum of 40% of the total amount of shares applicable to that period to vest. Employees become eligible to enter the ASS after the completion of 3 years' service with the company at 30 June of a particular financial year or at the discretion of the board. Once an employee is invited to and accepts the offer under the ASS the employee will only vest in shares under the ASS if the Group meets the prescribed EPS and/or TSR conditions within 5 years of that employee entering the ASS. Some employees met the service condition for entering the ASS in 2008, 2009, 2010, 2011 and 2012. The scheme allows for the vesting of the shares to be cumulative within the 5 year window, should at any point within the 5 years the Group meet the EPS and/or TSR targets the employee is entitled to the cumulative amount of the shares applicable to the element for that particular financial year.

21 Other reserves (continued)

(c) *Share scheme (continued)*

Group and Company	Beginning of financial year	Granted during financial year	Forfeited during financial year	Vested during financial year	End of financial year
			No. of ordinary shares under rights		
2018					
2010 rights (ASS)	13,498	-	(13,498)	-	-
2011 rights (ASS)	107,898	-	(107,898)	-	-
2012 rights (ASS)	72,044	-	(72,044)	-	-
	193,440	-	**(193,440)**	-	-

The are no unissued ordinary shares of the company in relation to the scheme outstanding at the end of the financial year (30 June 2018: Nil).

22 Revenue from continuing operations

	Group	
	2019 AU$'000	2018 AU$'000
Contract revenue	**265,487**	482,787
Sale of goods	**70**	91
Hire revenue	**15,447**	80,829
Port & Marine services	**5,246**	3,100
	286,250	566,807

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Contract revenue

Nature of services	The Group provides construction services relating to structural, mechanical and piping installation works.
When revenue is recognised	Construction contracts qualify for over time revenue recognition as the constructed assets have no alternative use for the Group due to contractual restrictions, and the Group generally has enforceable rights to payment for performance completed till date. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs of each contract.
Significant payment terms	Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified construction milestones. If the value of the construction services rendered exceeds payments received from the customer, a contract asset is recognised.

Hire revenue

Nature of services	The Group provides hiring and installation of scaffolding equipment.
When revenue is recognised	Revenue is recognised when assets are delivered to the customers and all criteria for acceptance have been satisfied.
Significant payment terms	Invoices are issued on monthly basis and are payable within 30 business days. No element of financing is deemed present as the credit terms are consistent with market practice. Hence, no interest is charged to customers.

Port & Marine services

Nature of goods or services	The Group sells fuel and provides rental accommodation services.
When revenue is recognised	Revenue for sale of goods is recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied. Revenue for rental services is recognised over the rental period of the accommodation.

22 Revenue from continuing operations (continued)

Port & Marine services (continued)

Significant payment terms	Invoices are issued on monthly basis and are payable within 30 business days. No element of financing is deemed present as the credit terms are consistent with market practice. Hence, no interest is charged to customers.

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about it remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date,

then it recognises revenue in that amount.

23 Other operating income

	Group	
	2019 AU$'000	2018 AU$'000
Interest income	**354**	614
Profit on sale of property, plant and equipment	**1,013**	-
Net foreign exchange income	**396**	58
Other income	**1,118**	856
Bad debts recovery	**862**	-
Recovery of costs incurred from related party (refer note 31(f))	**6,000**	-
	9,743	1,528

24 Impairment of non-current assets

The Group performs its impairment testing for goodwill annually on 30 June. In addition, market conditions are monitored for indications of impairment for all the Group's operating assets. Where an indication of impairment is identified, a formal impairment assessment is performed.

The Group has identified the following indicators of impairment at 30 June 2019 which has led the Group to assess the recoverable value for CGUs:

- Port Melville is now fully operational and has completed commercialisation of its facilities. Fuel sales during the year have been impacted by the general lack of activity in the oil and gas sector delaying the penetration across the market and this has also impacted the capacity required to reach operational steady state. As in the prior year, the CGU will require working capital injection until the business can operate freely on its cash flow.

(a) *Impairment charges recognised in the financial statements*

The following table shows the impairment charges recognised in the financial statements as a result of these assessments:

Impairment of CGUs based on year end assessment	**Method**	**2019 Impairment charge AU$'000**	**2018 Impairment charge AU$'000**
Port and Marine	FVLCD	-	-
Fabrication and Manufacturing – Singapore	FVLCD	-	-
Total		-	-
Impairment based on assessment of individual asset values	**Method**		
Fabrication and Manufacturing – Australia	VIU	-	-
Projects	VIU	-	-
Access Services	VIU	-	7,466
Maintenance Services	VIU	-	-
Corporate	VIU	-	1,902
Total		-	9,368

24 Impairment of non-current assets (continued)

(a) *Impairment charges recognised in the financial statements (continued)*

(i) *Material impairment assessment of CGUs for the current year*

Port and Marine: Fair value less costs of disposal basis

The valuation model uses an income based approach, and is based on the present value of expected cash flows in the business over the life of the right to operate the port held by the Group. The fair value measure was categorised as level 3 fair value based on the inputs in the valuation techniques used.

The recoverable amount of the Port and Marine CGU is estimated to be $93.1 million (2018: $87.9 million) on a fair value less costs of disposal ("FVLCD") basis. The carrying amount of the CGU as at 30 June 2019 was $91.3 million (2018: $71.7 million). There is no impairment recognised in the year (2018: Nil).

CGUs' individual assets: Fair value less costs of disposal basis

During the year, management's assessment indicated that there were no impairment charge for property, plant and equipment and other intangible assets (2018: impairment losses of $9.4m) based on an assessment of the market value of the impacted assets.

Other Australian based CGUs

It has been determined there were no impairment triggers for the Australia Based CGUs for 2019. However, Access Services CGU was tested for impairment as it included goodwill which is tested annually.

Access Services: VIU

The recoverable amount of the Access Services CGU based on a VIU is estimated to be $37.5 million (2018: $18.1 million based on VIU). The carrying amount of the CGU as at 30 June 2019 was $27.0 million (2018: $25.6 million). No impairment has been recognised in the year (2018: $7.5m).

(b) *Key assumptions*

Impairment testing is an area involving significant management judgement. The calculation of recoverable amounts, particularly in relation to VIU models and where the present value of future cash flows is used as the basis to determine FVLCD, has required management to select appropriate assumptions in order to determine the most appropriate impairment result.

(i) *Key assumptions in VIU models*

The key assumptions used to determine the value in use for the relevant Australian based CGUs mentioned above where that CGU has either material goodwill or impairments recognised are based on a discount rate of 17.6% (pre-tax discount rate applied to cash flow projections) and a growth rate of 2.02% (weighted average growth rate used to extrapolate cash flow beyond the initial forecast period based on management budgets of five years).

(ii) *Key assumptions in FVLCD models*

In 2019 the recoverable amount has been determined on a FVLCD basis for the Port and Marine CGU, with the valuation principle based on the present value of future cash flows. The following sets out the key assumptions in the Port and Marine FVLCD model.

The operations included in the valuation model of the Port and Marine CGU are based on the activity of Port Melville related assets and the activity of the supply base located in Darwin. The port commenced operations in November 2015 and following the re-structuring of the CGU at the end of FY2016, the CGU was reassessed and changes were made to the operating model, to ensure that the business model reflected a more focussed and targeted service offering based on marine fuel sales and woodchip sales. The main focus of the Port Melville operations based on these two activities is to provide the platform for the oil and gas operators to utilise not just the option of more accessible fuel but also the use of the Port Melville industrial precinct and storage laydown facilities.

24 Impairment of non-current assets (continued)

(b) *Key assumptions (continued)*

(ii) *Key assumptions in FVLCD models (continued)*

During the last year, the port has continued its commercialisation activities started in FY17/18 and has now seen a full year of fuel sales in FY19. There has also been continued development of the oil and gas exploration activities primarily in the Bonaparte basin which is adjacent to Port Melville. There have been a number of near term developments in the oil and gas sector along with other strategic opportunities that will enable Port & Marine CGU to capture revenue in the near term. Accordingly the incorporation of these near term developments would more fairly reflect the value of the port in its expanded state rather than in its current state, therefore a valuation on the basis of FVLCD is still the most appropriate option. This will allow management to take into account the expected investment in order for the port to offer a diverse range of services. It more fairly reflects the value of the port in its expanded state rather than in its current state.

In prior years, the Group engaged external specialists in the field of Port and Marine Services with specific expertise in the economic forecast for oil and gas developments, to perform a FVLCD valuation on a discounted cash flow basis as at 30 June 2016 of the oil and gas related opportunities for the Port and Marine CGU. This information has been used in the current year FVLCD valuation as the market conditions have not materially changed from the date of the report. The value derived from the woodchip and fuel sales revenue stream assumptions have been added to expert's valuation to determine the FVLCD for the current year.

Forecast revenue assumptions

Fuel Supply & Sales

Port Melville has continued deliveries of fuel to a diverse range of clients operating in various industries including Australian Commonwealth Government departments, oil and gas exploration companies, commercial maritime transport industry, domestic market consumption and various NT Government departments.

Port & Marine CGU has also provided services to the Tiwi Islands and vessels servicing NT waters such as port services and accommodation.

These services will continue to expand and will provide an alternative fuel supply and port service offering to Darwin Port, with the continuing focus to increase the CGU's footprint across the fuel supply market, targeting a market penetration of both the domestic fuel market on the Tiwi Islands and securing supply contracts with international oil and gas operators.

Woodchips and Pine log sales

The other key source of revenue included in the Port & Marine CGU valuation is the revenue earned on the forestry product sales. There is ample resource on the Tiwi Islands to service this industry and the client requirements for the life of the model as they adopt more mature plantation and forestry techniques.

Other sales revenues (Oil and Gas exploration)

The market share attributed to Port Melville in relation to servicing the oil and gas industry in exploration basins within the proximity of Port Melville has been based on the independent expert's assessment of the overall market, combined with a review of other competing facilities in the area, in order to capture the share expected to be attributable to the Port Melville operation through successful award of oil and gas contracts.

The independent valuation expert's report was produced at the end of calendar year 2016 and is still relevant for 2019/20. The report has considered revenue from expected/foreseeable contracts based on the current operations of Port Melville, ongoing discussions with potential customers as advised by management from Port Melville, associated with the oil and gas exploration sector. The approach taken to modelling forecast revenue has been bottom up, beginning with a view on oil and gas activity expected to take place in the catchment area. From this assessment, typical tonnage and fuel assumptions through ports have been estimated, which form the basis of a view on total revenues. These revenues have then been risk adjusted according to the ability of Port Melville to secure them.

24 Impairment of non-current assets (continued)

(b) *Key assumptions (continued)*

(ii) *Key assumptions in FVLCD models (continued)*

Over the life of the right to operate the port lease (valid until 2059), the total market has been assessed based on the current activity in the area, but has also taken into account possible development and capital spend in oil and gas as this may lead to additional revenue streams when these projects come online. These include development of various fields, primarily within the Bonaparte basin, but excludes revenue for development of fields currently expected to occur after 2035 as the income is not considered to have sufficient certainty at this stage. Revenue has been included for the full valuation period up to 2059 for some other areas, where the Group has existing revenue streams, as there is considered to be a greater level of certainty attached to these items.

The value of the revenue streams identified above has been determined based on application of the Group's published port tariff.

Other revenue (storage and laydown services)

Other revenue included in the model relates to similar revenue which may arise from future potential contracts and from laydown and storage rental to oil and gas customers. The same port tariff has been applied to these sources of revenue as for direct oil and gas revenues described above.

Discount rate

The discount rate applied to the valuation model was 8.91% post tax nominal (pre-tax equivalent: 12.73% for the Port and Marine business). It was determined by calculating the most appropriate rate to apply to the forecast cash flows, after considering risk adjusted forecast oil and gas revenue and the current operations of the Port and Marine business which are not linked to the oil and gas industry and after including the adjusted cost of servicing external debts which has reduced in the current year due to completion of the debt re-structuring exercise referred to in note 17.

Other assumptions

In addition to revenue assumptions outlined in detail above, the following are also considered to have a significant impact on the resulting CGU valuation:

Area	Basis of assumption
Port tariff	The rates used in the valuation are based on the Group's current published tariff table. Historic data concerning annual increases in port tariff applied by other ports has been used in order to determine the inflation rate used in the calculation of model revenue in future years. The forecast tariff rates were benchmarked by the independent expert based on their prior experience in valuing ports.
Fuel Volumes	Fuel sales have been determined after research into the total NT / Darwin market volumes for prior years and factoring in expected growth for 2020 (base years for the model). Growth in volumes has been assumed based on a growing market share as market participation and penetration increases.
Fuel Sales	Prices have been based on initial sales made during the last couple of years with sales made both in the domestic market (Tiwi Island) and to Oil and gas operators and international customers. There is a continual process into market research and through discussions with stakeholders to determine a range of values that could be applied for domestic based customers and a different sales mix for the international customers. The independent fuel sales expert has provided indications on likely sales price ranges indicative of the respective market sectors.
Fuel Prices (cost of purchase)	Prices have been based on the two parcels of fuel purchased in the previous year after extensive research into the fuel supply market and increasing knowledge of the industry. The prices have all been quoted for deviation costs from the normal shipping routes to call at Port Melville and have been included as a sunk cost in all pricing.
Costs	The costs used in the valuation model are consistent with the current operating costs required to operate the facilities at East Arm, Darwin, Port Melville and are deemed appropriate to operate the facilities in future years.

24 Impairment of non-current assets (continued)

(b) *Key assumptions (continued)*

(ii) *Key assumptions in FVLCD models (continued)*

Area	Basis of assumption
Capex	The level of Capex in the valuation model has been determined based on what is required to develop a full service offering to support the business operations foreseen in the model. The majority of Capex already spent on the Port Melville assets (approximately $60 million pre-impairments) relates to the fuel farm and the three 10 million litre tanks.
Period of cash flows	The model has been based on the remaining term of the right to operate the port already held in the Group (terminates in 2060). No activity has been assumed beyond the current term of this right and no terminal value has been assumed. Please also refer to discussion of forecast revenue above which highlights a distinction in assumptions adopted pre and post 2035 based on assessment of the level of certainty attached to particular revenue streams.
Cost inflation	Costs have been assumed to increase based on the consumer price index issued by the RBA.

The valuation presented in the financial statements is therefore calculated based on a number of significant assumptions. The stated assumptions for the valuation have been determined in accordance with the following background and uncertainties concerning future activity:

- Estimates of revenue are partially dependent on securing contracts in relation to specific customer projects in all chosen market sectors including the oil and gas industries and in the newly developed target markets of potential marine fuel sales over the remaining 41 year asset life, and although management remain confident that there will be projects available to support the revenue assumptions, there is uncertainty that all these projects will be available or that Port Melville will capture the proportion of these projects foreseen in the model (refer to note 24 (c) in relation to sensitivities in revenue);
- Fuel prices may vary over time and therefore the amount of inventory held at any one time will be estimated such that there are sufficient volumes to meet imminent shipping requirements in order to avoid price erosion on margins based on spot sales contracts.
- Market penetration and market share criteria data are largely untested although knowledge of the industry is now based on the two years' sales and fuel purchases and will grow as sales increase.
- Some of the projected revenue is also dependent on activity in the oil and gas industry which tends to be cyclical and therefore modelled activity may differ in timing and/or extent from that actually experienced in the coming years.
- Estimates of fuel volumes available in the market are determined by management's best estimates based on available market information coupled with considered opinion from the independent fuel expert.
- There are other ports, including Port Darwin, operating in the area which may take a different proportion of the market than projected, although projections of estimated revenue volume (which in turn is a key driver of other key model inputs such as estimated costs and capital expenditure) have taken into account the relative positions of these ports and therefore the risk in this area has been carefully considered.

Please refer to note 24(c) for numerical information regarding the sensitivity of the impairment charge recognised to reasonably possible changes in key assumptions. This includes the key assumption of revenue, but also considers other reasonably possible changes in the most significant assumptions discussed in this section.

24 Impairment of non-current assets (continued)

(c) *Sensitivity of impairment models to changes in assumptions*

The following table sets out the sensitivity of the Group's results in relation to reasonably possible changes in assumptions used in determining recoverable value in relation to CGUs:

	Potential increase/(decrease) in FVLCD
	2019
Port and Marine	**$'million**
Fuel sales price decreased by 10%	**29.1**
Fuel sales price increased by 10%	**(27.5)**
Fuel volumes increased by 10%	**(7.1)**
Fuel volumes decrease by 10%	**7.2**
Discount rate increased by 1.0%	**11.6**
Discount rate decreased by 1.0%	**(14.3)**
Fuel purchase price increased by 10%	**21.2**
Fuel purchase price decreased by 10%	**(20.4)**

25 Expenses by nature

	Group	
	2019 AU$'000	2018 AU$'000
Profit from continuing operations has been determined after charging:		
Materials (included in cost of sales)	**13,026**	7,020
Allowance for foreseeable contract losses (included in cost of sales)	**4,239**	2,497
Depreciation of property, plant and equipment:		
- included in cost of sales	**5,103**	8,003
- included in administrative expenses	**729**	806
Total depreciation charge (note 11)	**5,832**	8,809
Amortisation of other intangible assets		
- included in cost of sales	**799**	723
- included in administrative expenses	**149**	1,319
Total amortisation charge (note 13)	**948**	2,042
Employee compensation		
- included in cost of sales	**178,000**	422,191
- included in operating and administrative expenses	**21,284**	20,604
Total employee compensation (note 30)	**199,284**	442,795
Operating lease payment	**4,792**	6,166
Loss on sale of property, plant and equipment	**-**	1,233
Reversal of impairment loss (note 11)	**(2,570)**	-
Audit fees:		
Auditor of the Company (KPMG)	**120**	118
Other auditors (KPMG)	**410**	510
Non-audit fees:		
Auditor of the Company (KPMG)	**28**	28

26 Finance costs

	Group	
	2019	2018
	AU$'000	AU$'000
Note interest	**4,070**	6,861
Bank and shareholder loan interest	**2,778**	4,493
Bank fees	**151**	189
Bank guarantee fees	**79**	71
Finance leases and hire purchase	**6**	67
Remission of interest charges	**(5,520)**	-
	1,564	11,681

27 Income tax expense

	Group	
	2019	2018
	AU$'000	AU$'000
Income tax expense:		
Current tax expense	**1,851**	1,790
Deferred tax expense	**(625)**	(398)
	1,226	1,392
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
(Increase)/Decrease in deferred tax assets (note 14)	**(2,039)**	3,077
Increase/(Decrease) in deferred tax liabilities (note 14)	**1,414**	(3,475)
	(625)	(398)

	Group	
	2019	2018
	AU$'000	AU$'000
Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax from continuing operations	**3,525**	14,858
Reconciliation		
Tax calculated at Australian tax rate	**1,058**	4,457
Effect of tax rates in foreign jurisdictions	**(1,383)**	2,699
Tax effect of non-deductible expenses	**920**	746
Deferred tax asset not recognised :		
- Current year tax losses	**4,566**	4,039
Previously unrecognised deferred tax assets now utilised	**(5,045)**	(1,414)
Non-recoverable withholding tax credits	**1,123**	1,281
Previously un-recognised tax losses utilised	**(12)**	(10,416)
	1,226	1,392

28 Earnings per share

The calculation of basic earnings per ordinary share is based on the Group's net profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares outstanding during the financial year as follows:

	2019 Number of shares	2018 Number of shares
Issued and paid-up ordinary shares as at 30 June	**3,048,230,431**	1,504,805,466

	2019 AU$'000	2018 AU$'000
Profit attributable to the owners of the Company:		
- from continuing operations	**2,299**	13,466
- from discontinued operation (refer note 29)	**-**	10
	2,299	13,476

(a) *Basic earnings per share*

	2019 Number of shares	2018 Number of shares
Weighted average number of ordinary shares on issue	**2,400,072,297**	1,479,474,489

	2019 Cents	2018 Cents
Basic earnings per share (AU$ cents per share)		
- from continuing operations	**0.1**	0.9
	0.1	0.9

(b) *Diluted earnings per share*

	Number of shares	Number of shares
Weighted average number of ordinary shares on issue	**2,400,072,297**	1,479,474,489
Adjustments for calculation of diluted earnings per share:		
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**2,400,072,297**	1,479,474,489

	2019 Cents	2018 Cents
Diluted earnings per share (AU$ cents per share)		
- from continuing operations	**0.1**	0.9
	0.1	0.9

Nil options (2018: 132,619,000) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive. All options were expired at 30 June 2019.

29 Discontinued operation

(a) *Description*

On 23 August 2016, the Company disclosed the closure of Singapore Fabrication and Manufacturing businesses. Hence, Fabrication and Manufacturing operations in Singapore were classified as discontinued operations. In accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations, prior periods' figures in the consolidated statement of comprehensive income have been re-presented to disclose discontinued operations.

(b) *Results of discontinued operation*

	2019 AU$'000	2018 AU$'000
Revenue	-	1
Cost of sales	-	172
Gross profit / (loss)	-	173
Other operating income	-	46
Expenses	-	(172)
Impairment of Trade Receivables	-	(37)
Profit before tax from discontinued operations	-	10
Net profit from discontinued operation	-	10
Basic earnings per share (cents)	-	0.2
Diluted earnings per share (cents)	-	0.2

(c) *Cash flows from / (used in) discontinued operation*

	2019 AU$'000	2018 AU$'000
Cash flows from/ (used in) discontinued operations		
Net cash used in operating activities	-	(1,445)
Net cash generated from financing activities	-	1,273
Net cash used in discontinued operations	-	(172)

30 Employee compensation

	Group	
	2019 AU$'000	2018 AU$'000
Salaries and other short-term employee benefits	**179,510**	391,112
Employer's contribution to defined contribution plans including superannuation and Central Provident Fund	**13,653**	24,249
Employee share option scheme expense (refer to note 21)	**(22)**	277
Termination benefits	**6,143**	27,157
Total employee compensation (note 25)	**199,284**	442,795

31 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) *Sale of services*

	Group	
	2019 AU$'000	2018 AU$'000
Services provided by Eng Chiaw Koon under consultancy agreement with Ezion Holdings Limited	**110**	140

(b) *Purchases of goods and services*

	Group	
	30 June 2019 AU$'000	30 June 2018 AU$'000
Purchase of accommodation village from Aus Am Pte Ltd a subsidiary of Charisma Energy Services Limited, whereby Ezion Holdings Limited has 42% interest (1)	**11,800**	-
Interest charges and rental of accommodation village from Aus Am Pte Ltd a subsidiary of Charisma Energy Services Limited, whereby Ezion Holdings Limited has 42% interest (1)	**-**	600
Interest accrued on loan from Ezion Holdings Limited (1)	**666**	949
Management fee and reimbursement of expenses paid on behalf by Ezion Holdings Limited (2)	**64**	54
Charter of vessel from Teras Maritime Pty Ltd	**-**	11
a subsidiary of Ezion Holdings Limited (2)		

(1) The transactions are done under commercial terms that reflect transactions done at arm's length.

(2) The transactions are done in line with the Interested Person Transactions mandate as approved by shareholders.

(c) *Key management personnel*

	Group	
	2019 AU$'000	2018 AU$'000
Salaries and other short-term employee benefits	**4,154**	3,885
Termination benefits	**-**	35
Employer's contribution to defined contribution plans including superannuation and Central Provident Fund	**137**	137
Employee share option scheme expense	**276**	85
	4,567	4,142

(d) Outstanding balances arising from sales / purchases of goods and services in relation to transactions with related parties

	Group	
	2019 AU$'000	2018 AU$'000
Current payable relating to service received from entities controlled by Ezion	**(238)**	(16,910)
Current payable relating to purchase of accommodation village from Aus Am Pte Ltd	**(8,620)**	-

(e) *Advances (from) / to subsidiaries*

Company	Total due	Provision for doubtful debts	Total
2019	**AU$'000**	**AU$'000**	**AU$'000**
Due from subsidiaries	**197,329**	**(135,388)**	**61,941**
Due to subsidiaries	**(8,196)**	**-**	**8,196**
2018			
Due from subsidiaries	**185,107**	**(127,551)**	**57,556**
Due to subsidiaries	**(8,363)**	**-**	**(8,363)**

(f) *Loan from substantial shareholder*

	Group	
	2019 **AU$'000**	2018 AU$'000
Beginning of the year	**34,172**	31,984
Recovery of costs incurred from related party	**(6,000)**	-
Interest charged	**666**	963
Repayment through Ezion Loan Capitalisation	**(4,840)**	-
Currency translation differences	**1,728**	1,225
End of the year (note 17)	**25,726**	34,172

The Group has an unsecured loan with Ezion, a substantial shareholder of the Company which is denominated in USD. The amount outstanding as at 30 June 2019 was US$18.1 million, equivalent to AU$25.7 million (2018: US$25.4 million, equivalent to AU$34.2 million). This loan accrues interest at 2.0% (2018: 2.0%) per annum capitalised to the loan balance. Repayment of the loan is due on 30 October 2023.

During the year, part of the loan was repaid through a debt-to-equity exercise (refer note 17(b) for further details).

32 Commitments and contingent liabilities

(a) *Operating lease commitments - Group as lessee*

The Group leases various properties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities are as follows:

(i) *Future minimum lease payments*

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date are as follows:

	Group	
	2019 AU$'000	2018 AU$'000
Within one year	**3,319**	4,208
Later than one year but not later than five years	**5,884**	8,108
Later than five years	**-**	865
	9,203	13,181

(ii) *Amounts recognised in profit or loss*

	2019 AU$'000	2018 AU$'000
Total rental expense relating to operating leases	**4,792**	6,166

(b) *Operating lease commitments - where the Group is a lessor*

The Group receives a fixed monthly fee for the leasing out of the port area facility and staging area for wood chips pending shipment.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group	
	2019 AU$'000	2018 AU$'000
Within one year	**515**	486
Later than one year but not later than five years	**269**	784
	784	1,270

(c) *Bank guarantees*

Bank guarantees to a total of AU$8.6 million (2018: AU$27.7 million) and surety bonds to a total of AU$12.6 million (2018: AU$22.8 million) have been issued on behalf of the Group by banks to secure contractual performance obligations.

33 Segment information

The following summary describes the operations of each reportable segment.

Description of segments

Management has determined the operating segments based on the reports reviewed by the Senior Management Team that are used to make strategic decisions. The Senior Management Team has been identified as the chief operating decision makes and comprises the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Executive General Manager - Business Services and Group Manager - Strategy & Development.

The Senior Management Team considers the business from both a business segment and geographic perspective. Management manages and monitors the business primarily based on business segment. Previously the operations of Fabrication and Manufacturing were further split geographically between Australia and Singapore. Inter-segment revenue transactions are performed on an arms-length basis and eliminated on consolidation. Other services included within the Group are investment holding and the provision of support services. The results of these operations are included in the "Corporate / Unallocated" column.

The Senior Management Team assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation, amortisation and impairment ("adjusted EBITDA").

Reportable Segments	Operations
Projects	Provides construction services include structural, mechanical, piping (SMP), painting, insulation and fireproofing (PIF) and engineering procurement and construction (EPC). Revenue from Projects segment is recognised in contract revenue.
Access Services	Provide access services include scaffolding, engineering and design, labour supply and stock control, logistics, transportation and rope services. Revenue from Access Services segment is recognised in contract revenue, sales of goods and hire revenue.
Fabrication and manufacturing*	Provide turnkey solutions to the oil and gas sector through all phases of the asset life-cycle from exploration, construction, commissioning and operation through to maintenance and repair and decommissioning. Revenue from Fabrication and manufacturing segment is recognised in contract revenue.
Maintenance Services	Provides preventative and breakdown maintenance services as well as shut down services and sustaining capital works. Revenue from Maintenance Services segment is recognised in contract revenue.
Port & Marine Services	Provides a full range of support services to the local wood chipping business and the offshore oil and gas industry through the provision of diesel fuel, port laydown, logistics and transportation of high, wide and heavy cargoes to remote and environmentally sensitive locations. Revenue from Port & Marine Services segment is recognised in Port & Marine revenue.

* The Singapore segment is now discontinued (refer note 29).

33 Segment information (continued)

(a) *Segment information provided to the Senior Management Team for the reportable segments for the year ended 30 June is as follows:*

Group 2019	Projects	Access Services	Fabrication & Manufacturing - Australia	Fabrication & Manufacturing - Singapore (Discontinued)	Maintenance Services	Port & Marine Services	Corporate/ Unallocated	Total
	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000
TOTAL REVENUE								
Revenue from external customers	90,746	95,212	11,301	-	83,745	5,246	-	286,250
RESULTS								
Adjusted EBITDA	(3,657)	27,608	(1,417)	-	5,275	(3,688)	(9,125)	14,996
Depreciation and amortisation	-	(2,892)	(685)	-	-	(2,627)	(576)	(6,780)
Interest income	71	2	-	-	-	-	281	354
Interest expense	7	2,039	-	-	-	(6,550)	2,940	(1,564)
Impairment losses	(4,000)	(7)	(11)	-	(301)	(16)	-	(4,335)
Net gain on partial debt restructure	-	-	-	-	-	-	854	854
Profit / (loss) before tax	(7,579)	26,750	(2,113)	-	4,974	(12,881)	(5,626)	3,525
ASSETS								
Total segment assets	5,159	38,594	17,219	952	33,375	93,966	29,716	218,981
Additions to non-current assets (other than financial assets and deferred tax)	-	212	909	-	-	12,282	655	14,058
LIABILITIES								
Total segment liabilities	5,831	11,476	1,832	34	5,387	926	95,578	121,064

33 Segment information (continued)

(a) *Segment information provided to the Senior Management Team for the reportable segments for the year ended 30 June is as follows: (continued)*

Group 2018	Projects	Access Services	Fabrication & Manufacturing - Australia	Fabrication & Manufacturing - Singapore (Discontinued)	Maintenance Services	Port & Marine Services	Corporate/ Unallocated	Total
	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000
TOTAL REVENUE								
Revenue from external customers	200,760	300,787	11,567	-	50,593	3,100	-	566,807
Revenue	200,760	300,787	11,567	-	50,593	3,100	-	566,807
RESULTS								
Adjusted EBITDA	21,742	23,340	(1,766)	46	5,641	(5,248)	6,590	50,345
Depreciation and amortisation	(287)	(5,785)	(653)	-	(5)	(2,273)	(1,848)	(10,851)
Interest income	180	5	-	-	-	-	429	614
Interest expense	(223)	(1,326)	-	-	-	(8,169)	(1,963)	(11,681)
Impairment losses	-	(8,281)	-	(36)	-	(4,654)	(1,902)	(14,873)
Net gain on partial debt restructure	-	-	-	-	-	452	862	1,314
Profit / (loss) before tax	21,412	7,953	(2,419)	10	5,636	(19,892)	2,168	14,868
ASSETS								
Total segment assets	45,515	52,166	11,161	923	17,092	97,972	38,260	263,089
Additions to non-current assets (other than financial assets and deferred tax)	-	3,556	10	-	-	1,687	532	5,785
LIABILITIES								
Total segment liabilities	13,750	34,974	833	2,638	5,401	17,654	146,114	221,364

The Group's wholly-owned Australian entities have implemented the tax consolidation legislation. As a consequence, the Australian entities are taxed as a single entity and deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. The deferred tax assets and liabilities relate to the tax consolidated group as a whole and are not treated as assets and liabilities belonging to the individual segments but as unallocated assets and liabilities.

33 Segment information (continued)

(b) *Segment assets for reportable segments*

The amounts provided to the Senior Management Team with respect to total assets are measured in a manner consistent with the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Senior Management Team monitors the property, plant and equipment, intangible assets, inventories and receivables attributable to each segment.

Reportable segments' assets are reconciled to total assets as follows:

	Group	
	2019 AU$'000	2018 AU$'000
Segment assets for reportable segments	**189,265**	224,829
Cash and cash equivalents	**15,578**	31,005
Other receivables and prepayments	**11,330**	4,225
Property, plant and equipment	**1,488**	321
Intangible assets	**1,320**	2,709
	218,981	263,089

(c) *Segment liabilities for reportable segments*

The amounts provided to the Senior Management Team with respect to total liabilities are measured in a manner consistent with the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Senior Management Team monitors the trade payables, other payables, borrowings and accruals attributable to each segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Group	
	2019 AU$'000	2018 AU$'000
Segment liabilities for reportable segments	**25,486**	75,250
Trade payables	**6,178**	2,548
Other payables	**8,783**	16,380
Borrowings	**74,916**	120,943
Accruals for other liabilities and charges	**4,114**	2,936
Deferred tax liabilities and current tax payable (including set off of deferred tax pursuant to set-off provisions)	**1,587**	3,307
	121,064	221,364

33 Segment information (continued)

(d) *Other segment information*

	Revenue AU$'000	%	Segment assets AU$'000	%	Non-current assets (Exclude deferred tax assets) AU$'000	%
2019						
Australia	284,802	99.5%	206,619	94.5%	125,786	96.6%
Singapore	-	-%	9,434	4.4%	4,353	3.3%
Thailand	568	0.2%	663	0.1%	60	0.1%
Malaysia	880	0.3%	2,265	1.0%	-	-%
Total	286,250	100.0%	218,981	100.0%	130,199	100.0%
2018						
Australia	563,380	99.4%	238,108	90.5%	113,760	95.4%
Singapore	-	-%	21,817	8.3%	5,338	4.4%
Thailand	721	0.1%	306	0.1%	100	0.1%
Malaysia	2,706	0.5%	2,858	1.1%	84	0.1%
Total	566,807	100.0%	263,089	100.0%	119,282	100.0%

34 Events occurring after the reporting period

No further matters or circumstances have arisen since the end of the financial year which 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.

35 Litigation and claims

(i) *Teras Cargo Transport (America) LLC*

The Group, through its wholly owned subsidiary, Teras Global Pte Ltd, is party to legal proceedings in relation to its receivable balance due from Teras Cargo Transport (America) LLC ("TCTA"). The Group chartered one vessel and three barges to TCTA under four different charter-parties.

A Statement of Claim ("SOC") was issued to TCTA on 23 March 2016 in relation to unpaid balances for the one vessel and three barges. TCTA served a Statement of Defence and Counterclaim on 4 May 2016 denying the Group's claim. Further, TCTA alleged that the Group had breached its charter-parties with TCTA as it failed to ensure that the barges were available to perform the charter-parties with TCTA. As a result, TCTA is counterclaiming for a sum related to the loss it has suffered flowing from the Group's alleged breach. The Group denies TCTA's counterclaim.

The SOC incorporated in the Statement of Claimant's Case was filed under a matter of arbitration under the International Arbitration Act, with the Group having lodged its Statement of Claimant's Case and amended SOC on 21 September 2016.

In December 2017, an award was made by the arbitrator in favour of Teras Global Pte Ltd.

During the year, Teras Global Pte Ltd entered into a deed of settlement with Teras OffShore Pte Ltd ("TOPL") to transfer all of its present, future rights, title and interests in and to and all benefits and entitlement of TCTA contracts to TOPL. The settlement resulted an offset of payables against receivables for related entities of AU$17.4 million. No cash was received or paid in respect of this settlement.

35 Litigation and claims (continued)

(ii) *Karara Mining Limited*

Action is ongoing in the Supreme Court of Western Australia in relation to claims submitted to Karara Mining Limited ("KML") by AGC Industries Pty Limited ("AGCI"), a wholly owned subsidiary of the Group, in relation to its contracted works completed in 2013. On 3 May 2019, the Supreme Court of Western Australia delivered judgement for the legal proceedings between AGC and KML in the Supreme Court of Western Australia, dismissing AGCI's claims. AGCI has lodged an appeal in July 2019 with this matter now progressing through the appeal process.

SHAREHOLDINGS STATISTICS AS AT 26 SEPTEMBER 2019

Class of equity securities	:	Ordinary share
No. of equity securities	:	3,048,230,431
No. of treasury shares	:	Nil
No. of Subsidiary Holdings Held	:	Nil
Voting rights	:	One vote per share

Analysis of Shareholdings

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	9	0.13	170	0.00
100 – 1,000	143	2.03	123,896	0.00
1,001 - 10,000	2,524	35.89	18,278,812	0.60
10,001 - 1,000,000	4,252	60.47	387,101,063	12.70
1,000,001 and above	104	1.48	2,642,726,490	86.70
	7,032	100.00	3,048,230,431	100.00

Top 20 Shareholders

No.	Name of Shareholders	No. of Shares	%
1	Raffles Nominees(Pte) Limited	865,522,812	28.39
2	DBS Nominees Pte Ltd	818,795,538	26.86
3	Ezion Holdings Limited	409,232,604	13.43
4	Poh Boon Kher Melvin (Fu Wenke Melvin)	100,000,000	3.28
5	Citibank Noms Spore Pte Ltd	50,870,559	1.67
6	Maybank Kim Eng Securities Pte Ltd	40,877,010	1.34
7	United Overseas Bank Nominees Pte Ltd	37,960,714	1.25
8	Barry Alfred Carson and Jennifer Margaret Carson	20,651,518	0.68
9	Gea Ban Guan	18,300,000	0.60
10	Phillip Securities Pte Ltd	14,424,200	0.47
11	Wong Hin Yet Or Lee Keng Lan	11,320,000	0.37
12	Lee Chee Seng	10,500,000	0.34
13	OCBC Securities Pte Ltd	9,729,100	0.32
14	OCBC Nominees Singapore Pte Ltd	9,336,500	0.31
15	Emerald River Pty Ltd	8,908,896	0.29
16	Lim Ah Kaw @ Lim Lan Ching	8,595,400	0.28
17	DB Nominees (Singapore) Pte Ltd	7,000,000	0.23
18	Chew Ching Ida Mrs Ida Leong	6,000,000	0.20
19	Ngooi Chong Cho @Ngooi Choon Choo	6,000,000	0.20
20	Aw Guan Hong	5,705,500	0.19
		2,459,730,351	80.70

Shareholdings Held in Hands of Public

Based on information available to the Company and to the best knowledge of the Company as at 26 September 2019, approximately 38% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

There are no treasury shares held in the issued capital of the Company.

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders as at 26 September 2019)

Names of Substantial Shareholders	No. of shares in which shareholders have a direct interest	%	No. of shares in which shareholders are deemed to have an interest	%
Ezion Holdings Limited	409,232,604	13.43	-	-
Bernard Toh Bee Yong (1)	356,093,525	11.68	-	-
Poh Boon Kher Melvin (2)	299,799,712	9.84	-	-
AOC Acquisitions Pte. Ltd.	750,000,000	24.60	-	-
Asdew Acquisitions Pte. Ltd. (3)	68,326,974	2.24	750,000,000	24.60
Wang Yu Huei (4)	-	-	818,326,974	26.85

Notes:

(1) 156,093,525 shares of the total number of shares held by Bernard Toh Bee Yong are registered in the name of DBS Nominees Pte Ltd.

(2) 199,799,712 shares of the total number of shares held by Poh Boon Kher Melvin are registered in the name of DBS Nominees Pte Ltd.

(3) Asdew Acquisitions Pte. Ltd. holds a majority of the total voting rights of AOC Acquisitions Pte. Ltd. and is therefore deemed to have interest in the shares held by AOC Acquisitions Pte. Ltd. by virtue of the provisions of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore.

(4) Wang Yu Huei is a majority shareholder and director of Asdew Acquisitions Pte. Ltd. and is therefore deemed to have interest in the shares held by Asdew Acquisitions Pte. Ltd. and AOC Acquisitions Pte. Ltd. by virtue of the provisions of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore.

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COMPANY INFORMATION

Board of Directors

Mr Wu Yu Liang
Independent Director and Non-Executive Chairman

Mr Shane Francis Kimpton
Managing Director and Chief Executive Officer

Mr Eng Chiaw Koon
Non-Independent and Non-Executive Director

Mr Chew Heng Ching
Independent Non-Executive Director

Ms Ooi Chee Kar
Independent Non-Executive Director

Mr Melvin Poh Boon Kher
Non-Independent and Non-Executive Director

Mr Wang Yu Huei
Non-Independent and Non-Executive Director

Mr Bernard Toh Bee Yong
Non-Independent and Non-Executive Director

Audit Committee

Ms Ooi Chee Kar (Chair)
Mr Wu Yu Liang
Mr Chew Heng Ching

Nominating Committee

Mr Chew Heng Ching (Chair)
Ms Ooi Chee Kar
Mr Wu Yu Liang

Remuneration and Human Capital Committee

Mr Chew Heng Ching (Chair)
Mr Wu Yu Liang
Ms Ooi Chee Kar

Company Secretary

Ms Kim Yi Hwa

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Partner-in-Charge: Chiang Yong Torng
Date of Appointment: 17 May 2016

Internal Auditors

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