2018

AusGroup Limited | Annual Report

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About Us

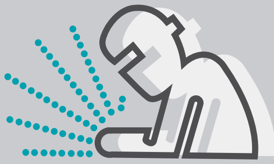
With over 29 years of experience, AusGroup is an established project and asset services provider. We create ongoing value for our clients across construction and maintenance environments.

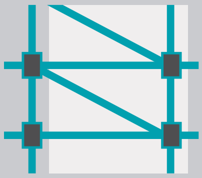
Through our subsidiaries AGC, MAS and NT Port and Marine, we provide speciality services to the energy, resources, industrial, utilities and port & marine sectors.

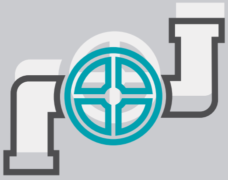
Our core capabilities;

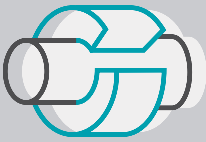

Multi-disciplinary maintenance

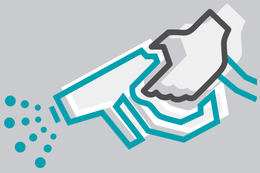

Shutdowns / turnarounds


Fabrication

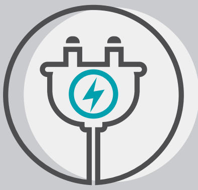

Scaffolding

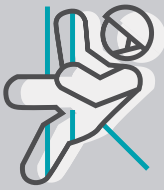

Mechanical and piping

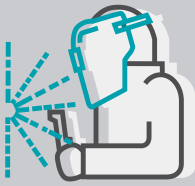

Industrial insulation


Surface protection

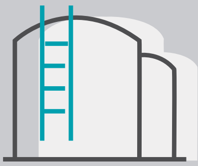

Refractory

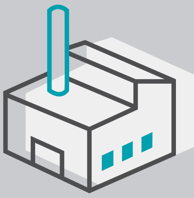

Electrical and instrumentation

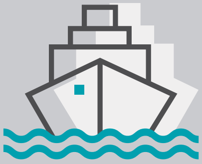

Rope access


Specialist welding


Training and competency


Fuel supply


Industrial precinct and laydown


Berthage

AusGroup Major Projects

We've taken a unique approach to safety, with an initiative created by our people.

The Perfect Day initiative moves away from the traditional mindset of health and safety, to a dynamic and positive approach. It is focused on delivering excellence in safety performance, one day at a time.

A day when there are zero injuries or incidents, there is no harm to the environment and all of our employees return home in the same condition in which they arrived is the definition of a Perfect Day.

Message from the Chairman

Dear Shareholders,

It is pleasing to report that the year has been a successful one, with our highest revenue for five years of AU$566.8m and a full year profit after tax of AU$13.5m. When reviewing the performance of the Group over the last financial year, there have been significant financial and operational successes, with some of the highlights including our major projects being executed safely, profitably and efficiently and the start of fuel sales in the Port and Marine business, which is a major milestone in achieving the commercial success of this part of the Group.

Financial performance

The increase in our revenue for 2018 was 30.3% higher than the prior year as a result of the project work undertaken on the INPEX-operated Ichthys contracts in the Northern Territory and on the core maintenance contract work for Chevron at the Gorgon and Wheatstone facilities in Western Australia. The work on the Ichthys contracts was delivered without a lost time injury, which over the three-year period is an outstanding achievement.

EBIT for the year was up 38.1% to AU$25.2m from FY2017, reflecting the strong underlying project and maintenance work performance and profitability. When adjusted for impairments of AU$14.8m, the normalised operational returns for the year increased to AU$40m. The impairments in the year were necessary to reduce the carrying value of the MAS scaffolding assets due to the completion of the large project at Ichthys and will ensure that the MAS business continues to operate at an efficient and profitable level.

Cash and cash equivalents have increased to AU$37.8m and cash flow generated from continuing operations was AU$49.8m, an increase of 11.8% and 130.7% respectively since 2017. The return to profitability has also seen a strengthening on the balance sheet net equity position, increasing by 79% since 2017 to AU$ 41.7m. There has been another debt to equity conversion during the year of AU$5.3m which has reduced debt overall by AU$39.4m since FY2016 and as a result, the debt servicing costs have significantly reduced in line with the debt reductions to be 31% lower than the corresponding year. For the first time in five years AusGroup's net profit after tax has been greater than the financing costs for the financial year.

Our work in hand has decreased to AU$230m as at 30 June 2018, following the completion of major projects in the energy sector and, as a result, the business has undertaken some restructure in the year so that the overall business is positioned for success. This restructure resulted in impairments of AU$14.8m.

At the date of this report the Group has finalised a restructure proposal to present to the Noteholders in October 2018 which will provide a strong and stable platform for the Group.

The year has been one of growth and improvement, reflected in our strong full year results with the business well positioned to experience continued sustainable growth moving forward.

The year has been one of growth and improvement for the Group, reflected in our strong results.

JKC - INPEX-operated Ichthys Project Onshore LNG Facilities, Bladin Point, Northern Territory, Australia.

While we are focused on our clients in the oil and gas sector, we are also pursuing long-term opportunities in the resources sector primarily in the iron ore and lithium sectors.

Safety

It is pleasing to see that we have maintained an exceptional safety performance across all projects during a busy year. We have recently demobilised the AMJV (AGC and Meisei Joint Venture) and MAS teams from the INPEX-operated Ichthys project following a very successful three years delivering painting, insulation, fire protection, scaffolding and rope access for the onshore and offshore facilities. Despite the challenging environment, our teams delivered high quality work with an outstanding safety record, recognised by our clients. This was the second project we delivered in a joint venture with Meisei, and we look forward to potential future opportunities to work together again.

We continue to focus on our Perfect Day program and strive to have a Perfect Day every day.

Message from the Chairman continued

Board strengthening

During the year we welcomed a new Independent Non-Executive Director, Mr Melvin Poh to the Board in addition to Mr Shane Kimpton as Executive Director. The contributions from the new Directors since their appointment has strengthened the capability and capacity of the Board and I believe the balance of the Board is fit-for-purpose.

Looking forward

This has been a promising year for the business, with our strong performance based on the hard work and contribution from our employees, working safely under sometimes challenging conditions whilst producing a high quality of work for our clients. The key focus for the Group moving forward remains on safe working, delivery excellence and building a solid pipeline of new work for the future. The turnaround in financial performance of AusGroup is particularly pleasing after some challenging years and I feel that the future prospects are strong.

I would like to thank the Board for their wise counsel and contribution throughout the year and also our Shareholders for their continued support of AusGroup.

Stuart Kenny
Non-Executive Board Chairman

Yara Pilbara Ammonia Plant, Burrup Peninsula, Western Australia.
Image courtesy of Yara Pilbara Fertilisers Pty Ltd.

CEO & Executive Director's Report

The 2018 financial year has been successful for the Group, with a number of projects delivered, new projects underway, and an exceptional safety performance.

Our strong financial results follow seven consecutive profitable quarters, demonstrating a continued strength and stability for the business. I am pleased that we have cleared a number of claims and historical debt, allowing us to focus on developing existing contracts and winning new work.

This year, we have had some changes to our management team, with some very experienced industry experts joining the Group to focus on securing long term recurring revenue contracts. I would like to take this opportunity to welcome Daniel Kennedy to the business as Chief Operating Officer AGC & NT Port and Marine. Daniel joined us in May, and brings over 25 years' experience as a maintenance and project delivery specialist. We also welcomed Nathan Pike to the role of Executive General Manager HESQ in January, developing our HESQ systems and processes and providing expertise at an executive level. Nathan has over 20 years' experience in operational, management and executive sustainability roles across Australia and internationally. We look forward to continuing to provide our clients with confidence in our ability to deliver exceptional maintenance services with a strong and highly experienced management team.

Operational overview

During the financial year, the MAS business continued to build its offshore delivery capability with the provision of multi-discipline services on the Shell-operated Prelude FLNG project. Our team was awarded Contractor of the Month for their continued ability to implement strict HSE protocols within extremely challenging offshore work environments. We also delivered high quality work on the Chevron-operated Wheatstone project and the INPEX-operated Ichthys project offshore.

The Group's performance on the INPEX-operated Ichthys project was exceptional, with both MAS and AMJV (AGC and Meisei Joint Venture) working on separate scopes across the project. MAS erected and dismantled 14,353 tonnes of scaffold, using a workforce of 1,000, safely and efficiently over the life of the project. The AMJV workforce peaked at 1,800, delivering excellent quality blasting, painting, insulation and fireproofing services. I was proud to see that both teams received multiple HSE excellence awards, presented by the client to various individuals and crews, for the duration of the contract. There was also a strong sense of community from the teams, with a high level of participation in fundraising, community events and engagement.

The AGC business experienced a solid financial year, with the delivery and award of key contracts. Our Chevron Maintenance Services Contract continues to provide recurring work, with the team performing very well to deliver quality maintenance services for Chevron's onshore and offshore facilities. Under the contract, we were awarded an additional package from Chevron for fabrication, painting and pre-assembly and acoustic insulation work which is being undertaken at our Kwinana facility.

The AGC business experienced a solid financial year, with the delivery and award of key contracts.

Chevron Australia - Master Contractor Services Contract, Barrow Island, off the coast of Western Australia.

In April, AGC was awarded a structural, mechanical and piping installation package by MSP Engineering for the Talison Lithium Chemical Grade Plant 2 Expansion Project in Greenbushes Western Australia. Our scope includes installation of approximately; 2,000 tonnes of structural steel and associated flooring and cladding, 70 tonnes of plate work and 450 pieces of mechanical equipment. Since the initial contract award, our scope has been extended to include electrical and instrumentation services, bringing the total contract value to AU$38m.

The AGC asset maintenance teams have been busy, delivering a number of shutdowns/turnarounds during the 2018 financial year. One of our largest, was the Yara Pilbara liquid ammonia plant, where the team was responsible for planning, mechanical, fabrication, vessel integrity works, refractory scope, remedial repair work and the implementation of a life extension program.

Our Kwinana facility is experiencing increasing demand, producing high quality specialist piping and structural steel work.

CEO & Executive Director’s Report continued

We continue to provide fabrication work for Woodside, Chevron, WorleyParsons and Wood PLC.

I am pleased to report that NT Port and Marine has experienced significant growth over the past 12 months, with the port now operational and fuel sales underway for key clients within the oil & gas and defence sectors. Port Melville has experienced a significant increase in activity including fuel bunkering and woodchip export and I look forward to the continued future opportunities.

To support this increased activity, we have invested in upskilling the Tiwi local students with a Port Operations Support Officer training program, delivered in partnership with Civil Safety and the Tiwi Islands Training Education Board, and funded by the Northern Territory government. The program provides multi-skilled training to local Tiwi students with the view to provide employment and local labour for the NT Port and Marine business.

Perfect Day

While we are focused on delivery excellence, our priority is executing all work safely, in line with our Perfect Day philosophy. Our safety results speak for themselves, and continue to improve across the business. We achieved a Lost Time Injury (LTI) free year, with over 4.5 million hours worked, and a low recordable injury performance, with a Total Recordable Injury Frequency Rate (TRIFR) of 2.35.

I am proud to see our workforce take significant interest in their own personal safety, and that of those around them. Their efforts are reflected in our exceptional safety performance. We continue to focus on delivering safety excellence one day at a time, building awareness that the choices we make at work ultimately impact our families and personal lives.

Our people

We invest in our people, and realise that our high performing teams are essential to client delivery and the success of our business. During the 2018 financial year, we have been focused on developing culture and building relationships through the delivery of initiatives to drive increased engagement, recruitment and retention.

As part of this, we are driven to build on our diverse and inclusive workforce with opportunities for career growth through training, performance development, supervisor development and apprenticeship programs.

Our strategy

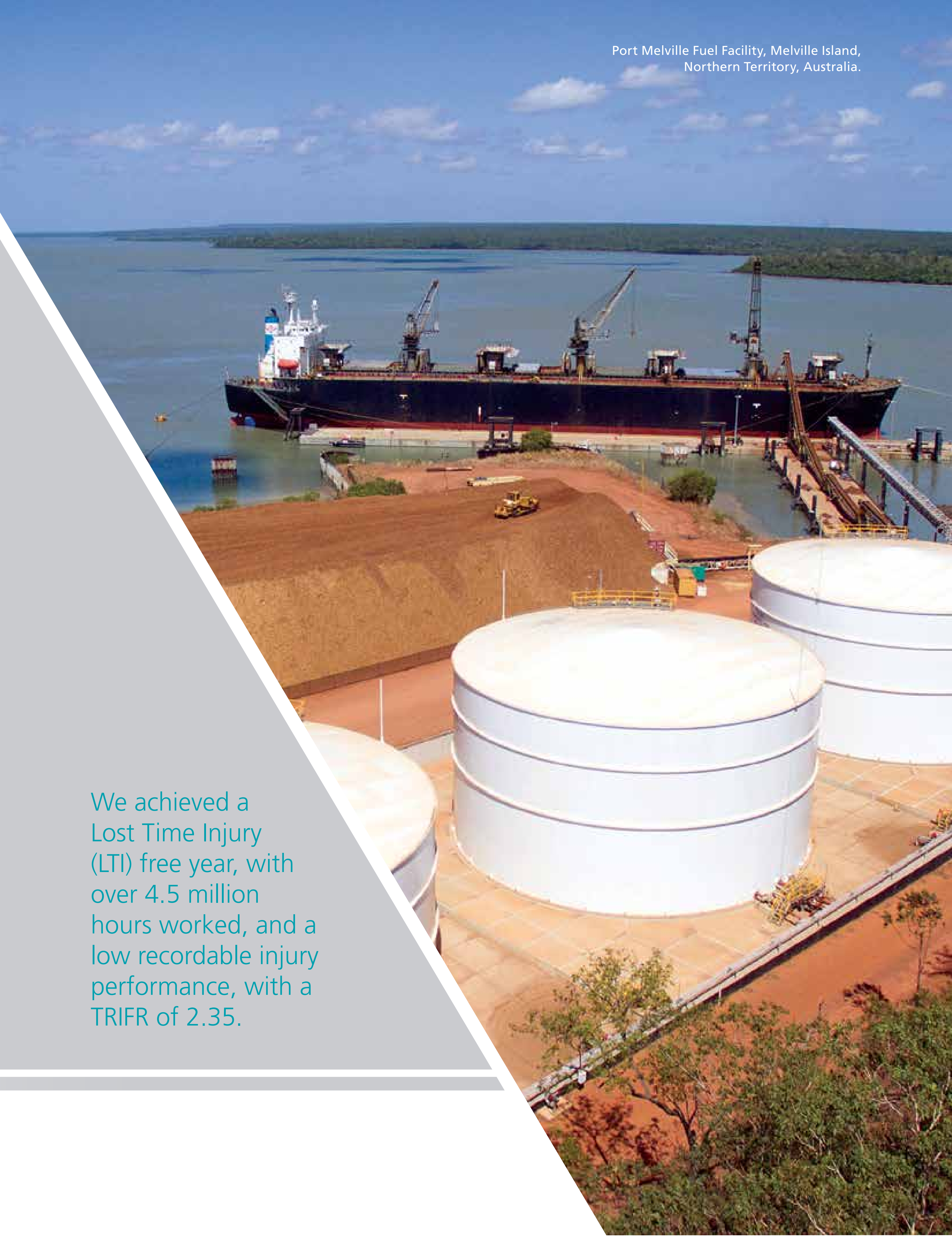
We have a renewed focus on our strategic initiatives, building on improved market conditions and increased opportunities. Our executive team has developed strategies that support growth and expansion, which has been endorsed by the Board.

We are committed to providing an agile and innovative approach for our clients, positioning us to take advantage of a wide range of opportunities within the oil & gas, energy, resources, industrial and port and marine sectors.

Through our strategic approach, we are targeting and winning work that aligns with our core capabilities, allowing us to deliver efficiently and to the highest standard. Our pipeline of opportunities has increased and I look forward to a positive future for the Group.

I would like to take this opportunity to thank our shareholders, clients and employees for their ongoing support and I look forward to sharing in our continued success.

Shane Kimpton
Chief Executive Office and Executive Director



Port Melville Fuel Facility, Melville Island, Northern Territory, Australia.

We achieved a Lost Time Injury (LTI) free year, with over 4.5 million hours worked, and a low recordable injury performance, with a TRIFR of 2.35.

Board of Directors

Stuart Maxwell Kenny

Non-Executive Board Chair

- Member of the Board of Directors
- Member of the Nominating Committee
- Member of the Remuneration and Human Capital Committee

Mr Kenny has almost 50 years of experience in commercial, mining, and oil & gas construction, gaining extensive experience at all levels within project organisations including as senior project manager on large resource construction projects. He has managed major construction contracts both within Australia and wider Asia, receiving clients' commendation for his emphasis on project quality, team management and workforce safety.

Mr Kenny has been a member of the AusGroup Board of Directors since December 2004, and was appointed to the position of executive board chair in November 2014. Mr Kenny held the position of CEO and managing director of AusGroup Limited for over 13 years collectively, returning to the role in an acting capacity from October 2013 until April 2015.

Eng Chiaw Koon

Managing Director, Executive Director

- Member of Board of Directors

Mr Eng has over 25 years of senior management, business development and mergers & acquisitions experience in various industries. Mr Eng was previously director, special projects with Ezion Holdings 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.

Shane Kimpton

Chief Executive Officer & Executive Director

- Member of 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 & 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 and 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.

Chevron Australia - Master Contractor Services Contract, Barrow Island, off the coast of Western Australia.

Chew Heng Ching

Independent Non-Executive Director, Deputy Board Chair

- Deputy Chairman of the Board of Directors
- Lead Independent Director
- Member of the Board of Directors
- Member of the Audit Committee
- Member of the Remuneration and Human Capital Committee
- 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.

Board of Directors continued

Ooi Chee Kar

Independent Non-Executive Director

- Member of the Board of Directors
- Chair of the Audit Committee
- Member of the Nominating Committee

Ms Ooi brings more than 30 years of professional experience in Singapore and the United Kingdom. Ms Ooi is currently an independent director of Pacific Radiance Ltd., Singapore Eye Research Institute, Tokyo Marine Life Insurance Singapore Ltd., Tokyo Marine Insurance Singapore Ltd., Singapore Pools (Private) Limited and honorary secretary and audit committee chair for the National Council of Social Services.

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).

Wu Yu Liang

Independent Non-Executive Director

- Member of the Board of Directors
- Member of the Audit Committee
- Chair 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.

Melvin Poh Boon Kher

Independent Non-Executive Director

- Member of Board of Directors

Mr Poh has more than 20 years of experience in land 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.

Chevron Australia - Master Contractor Services Contract, Ashburton North, Western Australia.
Image courtesy of Chevron Australia Pty Ltd.

Senior Management

Christian Johnstone

Chief Financial Officer

Mr Johnstone has over 20 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, AGC & NT Port and Marine

Mr Kennedy has over 24 years' experience working in the resources sector across Australia. He has successfully led a range of large maintenance contracts and construction projects for a number of major resource 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.

As an accomplished leader, Mr Kennedy has a track record in delivering a culture of excellence, driving safety, growth and improvement within organisations.

Simon MacLeod

Chief Operating Officer MAS Australasia

Mr MacLeod has over 35 years of construction and maintenance experience in the oil and gas and natural resource industries across Australia. He has been involved in projects from the tender preparation phase through to negotiation and project management.

With a focus on client relationships and delivering projects to the highest standard, Mr MacLeod has successfully completed a number of high risk projects with zero lost time injuries. While maintaining project schedules, Mr MacLeod ensures his teams develop and implement the best standards for work.

Mr MacLeod has worked as a project director, project manager, site manager and superintendent for a number of challenging projects including; INPEX-operated Ichthys Project, Pluto LNG Project, Karratha Gas Plant, Sino Iron Ore Project, Burrup Fertilisers Project and Woodside Domestic Gas Plant.

Chevron Australia - Master Contractor Services Contract, Barrow Island, off the coast of Western Australia.

Senior Management continued

Matt Prendergast

Executive General Manager Business Services

Mr Prendergast has over 25 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; human resources, industrial relations, legal and risk, commercial management, recruitment, business systems and project controls.

Nathan Pike

Executive General Manager HESQ

Mr Pike has more than 20 years' experience in the oil & gas, utilities and mining & mineral processing industries in Australia and internationally. With a Masters of Business Administration and Diplomas in Work Health & Safety, Human Resources and Environmental Management, Nathan brings a wealth of knowledge and experience to the Group.

Throughout his career, Mr Pike has been responsible for the successful delivery and implementation of HSEQ strategy across complex and large multi-disciplinary businesses.

Jennifer McIlveen

Group General Manager Strategy & Development

Mrs McIlveen has over 20 years of project management, strategic and business development experience across the engineering, maintenance and construction industries. As a commercially focused senior executive, Mrs McIlveen has spent over 15 years in engineering management consulting, with a specific focus on providing maintenance and strategic infrastructure asset management advice.

With a track record of delivering effective business improvement across a number of complex engineering environments, Mrs McIlveen has also provided strategic business advice to a number of executive teams regarding organisational design, asset management improvements and business planning.

Mrs McIlveen holds a Bachelor of Engineering, Master of Business Administration (MBA), is a Chartered Professional Engineer and a Fellow of the Institution of Engineers Australia.


Speedglas
3M
AGC
perfect
day

Board Statement – Sustainability Reporting

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

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

AusGroup has reviewed 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.

The Board Statement may require further modification to encompass material social and governance factors in addition to environmental factors.

The Group is in the early stages of Sustainability Reporting to fully define and agree its material ESG factors, agree on targets and monitor performance at Board level. Going forward it will look 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.

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 a new Director, Poh Boon Kher, Melvin on 1 November 2017 who is also a substantial shareholder of the Company. He had attended the briefing and orientation programme conducted by Management and received a formal letter of appointment that set out the Director's duties and obligations.

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 2018.

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

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 is 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												
Eng Chiaw Koon	M	8	8	-	-	-	-	-	-	-	-	-
Shane Francis Kimpton	M	8	8	-	-	-	-	-	-	-	-	-
Non-Executive Director												
Stuart Maxwell Kenny	C	8	5	-	-	-	M	4	3	M	4	3
Ooi Chee Kar	M	8	7	C	5	5	M	4	4	-	-	-
Wu Yu Liang	M	8	8	M	5	5	-	-	-	C	4	4
Chew Heng Ching	M	8	6	M	5	5	C	4	4	M	4	4
Poh Boon Kher, Melvin(2)	M	7	7	-	-	-	-	-	-	-	-	-

Notes:

P - Position held as at 30 June 2018

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 2017 (or from date of appointment or until the date of resignation of director, where applicable) to 30 June 2018.

(2) Poh Boon Kher, Melvin was appointed as an Independent Non-Executive Director on 1 November 2017.

Board Composition And Guidance (Principle 2)

Currently, the Board comprises seven members, five of whom are Non-Executive Directors:

- Stuart Maxwell Kenny - Non-Independent and Non-Executive Chairman ("**NEC**")
- Chew Heng Ching - Deputy Non-Executive Chairman and Lead Independent Director
- Eng Chiaw Koon - Managing Director ("**MD**")
- Ooi Chee Kar - Independent Non-Executive Director
- Wu Yu Liang - Independent Non-Executive Director
- Shane Francis Kimpton - Executive Director and Chief Executive Officer ("**CEO**") (appointed with effect from 10 July 2017)
- Poh Boon Kher, Melvin - Independent Non-Executive Director (appointed with effect from 1 November 2017)

All Non-Executive Directors, except for Stuart Maxwell Kenny, are independent. The Nominating Committee confirms that Independent Directors made up at least half of the Board for the financial year ended 30 June 2018.

Together, the Directors contribute 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.

Due to the current composition of Independent and Non-Executive Directors on the Board, 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. The Board also has a Lead Independent Director, Chew Heng Ching. His role as the Lead Independent Director is to be available to shareholders when they have concerns, which contact through the normal channels of the Chairman, the MD or the Chief Financial Officer ("CFO") has failed to resolve or for which such contact is inappropriate.

Board Composition And Guidance (Principle 2) (continued)

Although all the Directors have an equal responsibility for the Group's operations, the role of the Independent 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)

Stuart Maxwell Kenny is the NEC 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.

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)
- Stuart Maxwell Kenny
- 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, Poh Boon Kher, Melvin would be subject to election pursuant to Article 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, Chew Heng Ching and Wu Yu Liang would be subject to re-election pursuant to Article 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.

Nominating Committee (Principle 4) (continued)

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
Stuart Maxwell Kenny	13 Dec 2004	15 Dec 2016	-	-
Eng Chiaw Koon	10 Jul 2014	26 Oct 2017	-	-
Ooi Chee Kar	17 Jan 2014	26 Oct 2017	-	-
Wu Yu Liang	20 May 2014	15 Dec 2016	√	√
Chew Heng Ching	14 Nov 2014	29 Oct 2015	√	√
Shane Francis Kimpton	10 Jul 2017	26 Oct 2017	-	-
Poh Boon Kher, Melvin	1 Nov 2017	N/A	√	√

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.

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 2018. 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.

None of the Directors has an alternate Director.

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 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:

- Wu Yu Liang (Chairman)
- Chew Heng Ching
- Stuart Maxwell Kenny

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 2018 to June 2018 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.

Disclosure On Remuneration (Principle 9) (continued)

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.

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 2018, 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 2018 is as follows (based on an average exchange rate of S$1.0411 : 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	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 (1)	100%	0%	0%	0%	0%	100%
S$500,000 to below S$750,000						
Eng Chiaw Koon	0%	54%	31%	15%	0%	100%
S$750,000 to S$1,000,000						
Shane Francis Kimpton (2)	0%	86%	14%	0%	0%	100%

(1) Appointed on 1 November 2017

(2) Appointed on 10 July 2017

Disclosure On Remuneration (Principle 9) (continued)

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 2018 is as follows (based on an average exchange rate of S$1.0411 : AU$1.00):

Remuneration band and name of key management personnel	Fixed salary	Variable salary & bonus	Value of share options and share rights granted	Termination benefits	Total
Below S$250,000					
James Nicholas Stokes (1)	84%	0%	0%	16%	100%
Nathan Walter Pike (2)	86%	14%	0%	0%	100%
Daniel Hume Kennedy (3)	100%	0%	0%	0%	100%
S$250,000 to below S$500,000					
Matthew John Prendergast	74%	26%	0%	0%	100%
S$500,000 to below S$750,000					
Christian Andrew Robin Johnstone	67%	33%	0%	0%	100%
Simon Macleod	67%	33%	0%	0%	100%

(1) Resigned on 21 December 2017 and a termination payment was made.
(2) Appointed on 1 February 2018
(3) Appointed on 17 May 2018

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.

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 five 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.

Audit Committee (Principle 12) (continued)

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;
- 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 2018, 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 2018 were AU$0.6 million. The fees for non-audit services provided by them for the financial year ended 30 June 2018 were $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.

Conduct Of Shareholder Meetings (Principle 16) (continued)

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 2018 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$750,855 (1)* USD$42,372 (2)* SGD$144,000 (3)*	AUD$10,850 (4)**

(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) Charter of vessel from Teras Maritime Pty Ltd (subsidiary of Ezion Holdings Limited).

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

** The transaction is carried out pursuant to the IPT mandate approved by shareholders on 26 October 2017.

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.

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 2018.

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 38 to 102 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 2018 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:

- Stuart Maxwell Kenny
- Eng Chiaw Koon
- Shane Francis Kimpton (appointed 10 July 2017)
- Ooi Chee Kar
- Wu Yu Liang
- Chew Heng Ching
- Poh Boon Kher, Melvin (appointed on 1 November 2017)

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 01.07.2017 or date of appointment, if later	At 30.06.2018	At 01.07.2017 or date of appointment, if later	At 30.06.2018
The Company				
No. of ordinary shares				
Stuart Maxwell Kenny	-	-	8,908,896	8,908,896
Poh Boon Kher, Melvin	133,199,808	133,199,808	-	-

There was no change in the directors' interests in the ordinary shares of the Company between 30 June 2018 and 21 July 2018.

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.

4 Share option and share right schemes (continued)

(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 2018. 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 these 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:

- Wu Yu Liang (Chairman)
- Chew Heng Ching
- Stuart Maxwell Kenny

(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

4 Share option and share right schemes (continued)

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 2018 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.

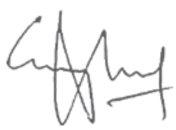
The duties and functions of the Audit Committee have been included in the Corporate Governance Report.

7 Independent Auditors

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

On behalf of the Board of Directors

Stuart Maxwell Kenny
Non-Executive Chairman
Singapore



Eng Chiaw Koon
Managing Director
Singapore

26 September 2018

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 2018, 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 38 to 102.

We do not express an opinion on the accompanying financial statements of the Group. Because of the significance of the matters described in the ‘*Basis for disclaimer of opinion*’ section of our report, 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 2018 include property, plant and equipment of AU$45.2 million (2017: AU$43.4 million) and intangible asset of AU$32.1 million (2017: AU$31.7 million) attributable to the Port and Marine cash-generating unit (“CGU”). As disclosed in note 24 to the financial statements, the Company 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 accompanying consolidated balance sheet of the Group as at 30 June 2018, and the consolidated statement of comprehensive income and consolidated statement of changes in equity for the year ended 30 June 2018.

(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$140.4 million as at 30 June 2018 (2017: AU$178.0 million), AU$30.9 million (2017: AU$29.1 million) relates to investments in subsidiaries and AU$50.9 million (2017: AU$52.6 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 2017 also included a disclaimer of opinion, with the same basis as described above for the year ended 30 June 2018, which is in relation to the recoverable amount of the Port and Marine CGU.

We also draw attention to Notes 2(a) and 17 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 (i) the extension of maturity date of the Multi Currency Notes (“Notes”) (amounting to AU$73.4 million as at 30 June 2018) from October 2018 to October 2022 and (ii) the completion of subscription of the share placement and rights issue. On (i), the Company has received the agreement of the Noteholders’ Steering Committee to the revised terms of the Notes, but the restructuring of the terms is subject to Noteholders’ approval. The extension of maturity date is also conditional upon a partial redemption of the Notes, to be funded by a share placement and rights issue. On (ii), the Company has executed a subscription agreement for the share placement, but certain conditions have not yet been fulfilled as of the date of this report.

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 Singapore Companies Act, Chapter 50 (‘the Act’) and Financial Reporting Standards in Singapore (‘FRSs’), 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 Group's 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
26 September 2018

Consolidated Statement of Comprehensive Income

	Notes	Group 2018 AU$'000	Group 2017 AU$'000
Continuing operations			
Revenue	22	**566,807**	434,960
Cost of sales		**(509,324)**	(390,286)
Gross profit		**57,483**	44,674
Other operating income	23	**1,528**	894
Other operating costs		**(9,920)**	(10,889)
Other losses			
- Impairment of trade receivables	6	**(5,469)**	(2,013)
- Impairment of property, plant and equipment	11	**(7,547)**	-
- Impairment of intangible assets	13	**(1,821)**	-
Administrative expenses		**(7,162)**	(13,230)
Marketing and distribution expenses		**(1,867)**	(1,164)
Profit from operations	25	**25,225**	18,272
Finance costs	26	**(11,681)**	(17,104)
Net gain on debt restructure	17	**1,314**	5,541
Profit before income tax		**14,858**	6,709
Income tax expense	27	**(1,392)**	(3,574)
Profit from continuing operations		**13,466**	3,135
Discontinued operation			
Profit from discontinued operation	29	**10**	1,438
Net profit for the year		**13,476**	4,573
Net profit is attributable to:			
Equity holders of the Company		**13,476**	4,738
Non-controlling interests		**-**	(165)
		13,476	4,573
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		**(1,688)**	4,559
Total comprehensive income for the year		**11,788**	9,132
Total comprehensive income attributable to:			
Equity holders of the Company		**11,788**	9,297
Non-controlling interests		**-**	(165)
		11,788	9,132
Earnings per share attributable to equity holders of the Company (AU$ cents per share)			
- Basic earnings per share	28	**0.9**	0.6
- Diluted earnings per share	28	**0.9**	0.6

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

Consolidated and Company Balance Sheets

AusGroup Limited
As at 30 June 2018

	Notes	Group		Company	
		2018 AU$'000	2017 AU$'000	**2018 AU$'000**	2017 AU$'000
ASSETS					
Current assets					
Cash and cash equivalents	5	**37,846**	33,851	**63**	163
Trade receivables	6	**93,418**	133,022	**-**	-
Other receivables and prepayments	7	**8,378**	7,144	**660**	593
Inventories	8	**4,165**	3,096	**-**	-
Total current assets		**143,807**	177,113	**723**	756
Non-current assets					
Property, plant and equipment	11	**75,584**	87,420	**-**	-
Goodwill	12	**10,994**	10,994	**-**	-
Other intangible assets	13	**32,704**	36,576	**-**	-
Due from subsidiaries	9	**-**	-	**57,556**	98,895
Investments in subsidiaries	10	**-**	-	**82,823**	79,126
Deferred income tax assets	14	**-**	110	**-**	-
Total non-current assets		**119,282**	135,100	**140,379**	178,021
Total assets		**263,089**	312,213	**141,102**	178,777
LIABILITIES					
Current liabilities					
Trade payables	15	**37,051**	47,843	**-**	-
Other payables	16	**47,725**	66,826	**1,709**	2,273
Due to subsidiaries	9	**-**	-	**8,363**	7,996
Borrowings	17	**86,770**	44,801	**85,756**	41,395
Accruals for other liabilities and charges	18	**10,215**	19,993	**-**	-
Current income tax liability		**1,945**	528	**295**	153
Provisions	19	**859**	-	**-**	-
Total current liabilities		**184,565**	179,991	**96,123**	51,817
Non-current liabilities					
Deferred income tax liabilities	14	**1,362**	1,871	**-**	-
Borrowings	17	**34,172**	105,893	**34,172**	105,893
Accruals for other liabilities and charges	18	**1,265**	1,160	**-**	-
Total non-current liabilities		**36,799**	108,924	**34,172**	105,893
Total liabilities		**221,364**	288,915	**130,295**	157,710
Net assets		**41,725**	23,298	**10,807**	21,067

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

The above consolidated statement of comprehensive income 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$'000	Total AU$'000	Non-controlling interest AU$'000	Total equity AU$'000
Balance as at 1 July 2017		156,285	(163)	5,183	19,917	(157,924)	23,298	-	23,298
Profit for the year		-	-	-	-	13,476	13,476	-	13,476
Other comprehensive income		-	-	-	(1,688)	-	(1,688)	-	(1,688)
Total comprehensive income/(loss) for the year		-	-	-	(1,688)	13,476	11,788	-	11,788
Transactions with owners in their capacity as owners:									
Employee share and option scheme expense	21	-	-	277	-	-	277	-	277
Issue of ordinary shares through debt restructure	20	6,362	-	-	-	-	6,362	-	6,362
		6,362	-	277	-	-	6,639	-	6,639
Balance at 30 June 2018		162,647	(163)	5,460	18,229	(144,448)	41,725	-	41,725

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$'000	Total AU$'000	Non-controlling interest AU$'000	Total equity AU$'000
Balance as at 1 July 2016		128,040	(163)	4,395	15,409	(161,449)	(13,768)	(1,099)	(14,867)
Profit for the year		-	-	-	-	4,738	4,738	(165)	4,573
Other comprehensive income		-	-	-	4,559	-	4,559	-	4,559
Total comprehensive income/(loss) for the year		-	-	-	4,559	4,738	9,297	(165)	9,132
Transactions with owners in their capacity as owners:									
Employee share and option scheme expense	21	-	-	788	-	-	788	-	788
Issue of ordinary shares through debt restructure	20	28,245	-	-	-	-	28,245	-	28,245
Acquisition of non-controlling interests		-	-	-	(51)	(1,213)	(1,264)	1,264	-
		28,245	-	788	(51)	(1,213)	27,769	1,264	29,033
Balance at 30 June 2017		156,285	(163)	5,183	19,917	(157,924)	23,298	-	23,298

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

Consolidated Statement of Cash Flows

	Notes	Group 2018 AU$'000	Group 2017 AU$'000
Cash flows from operating activities			
Net profit for the year		**13,476**	4,573
Adjustments for:			
Income tax expense	27	**1,392**	3,574
Depreciation of property, plant and equipment	11	**8,809**	9,643
Amortisation of intangible assets	13	**2,042**	2,844
Employee share and share option scheme expense	30	**277**	788
Impairment loss on trade receivables	6	**5,505**	2,013
Impairment loss on property, plant and equipment	11	**7,547**	-
Impairment loss on intangible assets	13	**1,821**	-
Allowance for / (reversal of) foreseeable contract losses	15	**2,497**	(1,954)
Gain on debt restructure	17	**(1,314)**	(5,966)
Net unrealised foreign exchange differences		**1,063**	(570)
Loss / (profit) on sale of property, plant and equipment		**1,233**	(2,077)
Interest income	23	**(614)**	(259)
Finance costs	26	**11,681**	17,467
Operating cash flows before working capital changes		**55,415**	30,076
Changes in operating assets and liabilities			
Trade receivables		**34,797**	(2,171)
Other receivables and prepayments		**(1,234)**	7,487
Trade and other payables		**(10,544)**	(8,979)
Accruals		**(27,562)**	(8,490)
Inventories		**(1,069)**	3,662
Cash generated from operations		**49,803**	21,585
Interest paid		**(9,595)**	(15,225)
Interest received		**614**	246
Income tax paid		**(1,005)**	(3,023)
Net cash generated from operating activities		**39,817**	3,583
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**2,099**	6,564
Purchase of property, plant and equipment		**(5,768)**	(8,295)
Purchase of other intangible assets		**(16)**	(390)
Release / (withholding) restricted cash*	5	**10,650**	(285)
Net cash generated from / (used in) investing activities		**6,965**	(2,406)
Cash flows from financing activities			
Proceeds from insurance funding/borrowings		**5,992**	21,663
Repayment of borrowings		**(29,513)**	(9,929)
Net repayment of insurance funding / finance leases		**(8,384)**	(1,520)
Net cash (outflow) / inflow from financing activities		**(31,905)**	10,214

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

	Notes	Group 2018 AU$'000	2017 AU$'000
Net increase in cash and cash equivalents		**14,877**	11,391
Effects of exchange rate changes on cash and cash equivalents		**(232)**	80
Cash and cash equivalents at the beginning of the financial year		**21,951**	10,480
Cash and cash equivalents at end of year excluding restricted cash	5	**36,596**	21,951

* 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 15 Hoe Chiang Road, #12-05 Tower Fifteen Singapore 089316 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 2018 and the balance sheet of the Company as at 30 June 2018 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 26 September 2018.

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*

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") using the historical cost convention, except as disclosed in the accounting policies below.

Critical accounting estimates

The preparation of financial statements in conformity with FRS 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$13.5 million for the year ended 30 June 2018 and as at that date, total assets exceed total liabilities by AU$41.7 million. During FY2018, the Group had breached certain covenants on its major debt facilities. The Group had, however, received quarterly waivers for these breaches from its principal banker throughout FY2018 (refer to note 17(b) for details).

In September 2018, the Company entered into an agreement with the Company's major shareholder, Ezion Holdings Limited, to extend the term of its current shareholder loan by 5 years to October 2023, and at a reduced coupon rate.

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 2018 to 31 December 2019, 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 future contracts, management remains confident that sufficient contracts will be secured to generate the Group's positive cash flows.

These cash flows may, however, not be sufficient to support the repayment of the Multi Currency Notes ("Notes") facility (refer to note 17(b) for details of the Notes), which are due on 20 October 2018; and therefore, the Group has also assessed the proposed restructuring (including extension of maturity date) of the Notes based on on-going discussions undertaken with the Noteholders and the Noteholders' Steering Committee.

Management has assessed the various options (as described in the following paragraphs) available in order to ensure that sufficient cash flow is in place to enable the Group to meet its obligations as and when they fall due.

Management's plans to address these uncertainties

<u>(i) Re-negotiation of debt facilities and debt reduction</u>

The Company is nearing finalisation of the extension of the maturity date for the Notes, from October 2018 to October 2022 at a reduced interest rate. Whilst the Company has received the agreement of the Noteholders' Steering Committee to the revised terms of the Notes, the proposal to restructure the terms of the Notes is subject to Noteholders' approval. The extension of maturity date is also conditional upon a partial redemption of the Notes of AU$21.0 million, to be funded by a Share Placement (refer below).

2 Summary of significant accounting policies (continued)

(a) *Basis of preparation (continued)*

Going Concern (continued)

The Group is in discussions with its principal banker (DBS) to extend the term of the outstanding loan which is due for repayment on 21 September 2018, by at least another 12 months.

The completion of the above refinancing transactions and debt reduction programme will significantly extend the repayment terms for the Group's borrowings at reduced interest servicing levels and thus improving the Group's financial stability and strength.

(ii) Share Placement and Rights Issue

On 29 March 2018, the Group announced the placement of 1,050,000,000 shares at AU$0.0345 per share (S$0.035) to raise AU$36.3 million (S$36.8 million). The funds raised will be used to retire debt (AU$21.0 million) and provide working capital to the Company. In addition, the Company announced a proposed rights issue of one (1) rights share for every two (2) existing shares which may raise up to AU$26.0 million (S$26.3 million).

The Share Placement is subject to a number of conditions, including but not limited to:

- Ezion Holdings Limited giving an undertaking, in writing, to vote in favour of the Rights Issue;
- the successful restructuring of the Notes;
- the Company's receipt of the approval in-principle from the SGX-ST for the listing and quotation of the Rights Shares; and
- Ezion Holdings Limited entering into an agreement with the Company to extend the term of its existing loan to the Company by a minimum of five years.

AusGroup continues to focus on options available to reduce debt and bolster working capital to support the expansion of services to its clients.

Preparation of the financial report on a going concern basis

Until the matters outlined above have been approved by the shareholders and Noteholders respectively and the share placement and rights issue is complete, there is some uncertainty 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. After assessing the above factors and the agreement of the Noteholders' Steering Committee to the revised terms of the Notes, the directors consider that the Group continues to be able to meet its obligations as and when they fall due. Such assessment is premised on the following:

- the generation of positive cashflow from the Group from 1 July 2018 to 31 December 2019, including revenue from secured and unsecured contracts;
- the extension of the maturity date of the Notes to October 2022;
- the completion of capital funding of up to S$63.1 million from the subscription agreements and rights issue announced on SGX-ST in March 2018 and April 2018;
- the availability of credit facilities to the Group;
- extension of the maturity date of the outstanding loan with DBS for at least another 12 months and
- the divestment of assets or businesses to raise proceeds, if needed, to extinguish the Group's debt obligations.

Accordingly, the directors have prepared the report on a going concern basis.

2 Summary of significant accounting policies (continued)

(b) *New accounting standards and interpretations*

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

On 1 July 2017, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

(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 2018 and have not been early adopted by the Group. The Group's and the Company's assessment of the impact of these new standards is set out below.

SFRS(I) 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)

SFRS(I) 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including FRS 18 Revenue and FRS 11 Construction Contracts. The core principle of SFRS(I) 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption, however the move to the IFRS framework permits only a full retrospective approach.

The Group has assessed the impact on its consolidated financial statements resulting from the application of the new standard. Broadly there is an increased threshold to recognising revenue and related assets in the new standard. Initial assessments indicate that there will be minimal impact on revenue, however, the assets recognised on the balance sheet are expected to reduce. The following areas have been identified that are likely to be significantly affected.

- Construction revenue is predominantly derived on projects with one performance obligation. Contracted revenue will continue to be recognised over time on a percentage completion basis however the new standard imparts a higher threshold of probability for recognition of claims and variances. Revenue is currently recognised when it is probable that work performed will result in revenue whereas under the new standard revenue is recognised when it is highly probable that a significant reversal of revenue will not occur. Therefore, a reduction in net contract debtors and deferral of revenue is expected under the new standard.
- The new standard requires significant increases in disclosures in relation to revenue derived from contracts, key judgements and future revenue expected to be generated.

The Group did not adopt the standard early and has applied the standard from 1 July 2018.

SFRS(I) 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

This standard replaces the guidance in FRS 39 Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial assets, and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss.

The Group has undertaken an assessment of the classification and measurement impacts of the new standard, and identified the following impacts:

- the new standard will not have a material impact on the classification and measurement of its financial assets;
- the Group does not hold any financial liabilities at fair value through profit or loss and as such there is no impact of the new standard on financial liabilities;

The Group did not adopt the standard early and has applied the standard from 1 July 2018.

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

The impact of the new standard is expected to result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

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 new standard is expected to primarily affect accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of AU$13.2 million (refer to note 32) that would likely be affected by these changes. The Group is currently assessing the extent to which these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under SFRS(I) 16.

The Group is currently assessing but has not yet quantified the effect of the new standard, however the following impacts are expected:

- Total assets and total liabilities on the balance sheet will increase.
- Interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease; and
- Operating cash flows will be higher as a repayment of the principal portion of all lease liabilities will be classified as financing activities.

The Group will not be adopting the standard early and will apply the standard from 1 July 2019.

Certain amendments to accounting standards have been published that are not mandatory for the financial year ended 30 June 2018 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 Measuring an Associate or Joint Venture at Fair Value	1 January 2018
Amendments to SFRS(I) 15 Clarifications to FRS 115 Revenue from Contracts	1 January 2018
Amendments to SFRS(I) 2 Classification and Measurement of Share-based	1 January 2018
SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

Full convergence with International Financial Reporting Standards (IFRS) 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.

The Group's financial statements for the financial year ending 30 June 2019 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International).*

Summary of quantitative impact

The Group is currently finalising the analysis of the available accounting policy choices, transitional option exemptions and transitional mandatory exceptions under SFRS(I) 1. Based on management assessment, the adoption of SFRS(I) 1 is not expected to have a significant impact on the Group's and the Company's financial position as at 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.

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.

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.

2 Summary of significant accounting policies (continued)

(c) *Principles of consolidation (continued)*

(iii) Changes in ownership interests (continued)

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.

(f) *Property, plant and equipment*

<u>Measurement</u>

(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.

2 *Summary of significant accounting policies (continued)*

(f) *Property, plant and equipment (continued)*

(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.

<u>Depreciation</u>

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.

<u>Subsequent expenditure</u>

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.

<u>Disposal</u>

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.

(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.

2 Summary of significant accounting policies (continued)

(g) *Other intangible assets (continued)*

(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.

Loans due from subsidiary undertakings are treated as part of the net investment in subsidiaries as settlement is neither planned nor likely to occur in the foreseeable future.

(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.

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.

2 Summary of significant accounting policies (continued)

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

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) *Construction contracts*

When accounting for construction contracts, the contracts are either combined or segmented if deemed necessary to reflect the substance of a contract or group of contracts.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the ratio of contract costs incurred to date to the estimated total costs for the contract or on the basis of value of work completed. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the balance sheet date, the cumulative costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade receivables". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade payables".

Progress billings not yet paid by customers and retentions are included within "trade receivables". Advances received are included within "trade payables".

(k) *Financial assets*

The Group classifies its financial assets as loans and receivables. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. Initial recognition occurs at settlement date.

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.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

2 Summary of significant accounting policies (continued)

(k) *Financial assets* (continued)

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(l) *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.

(m) *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.

(n) *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.

(o) *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.

(p) *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.

2 Summary of significant accounting policies (continued)

(q) *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.

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.

(r) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the circumstances of each arrangement.

(i) *Short-term contracts*

Revenue from short-term contracts (less than 12 months) is recognised upon completion, delivery and acceptance by the customer and the collectability of the related receivables is reasonably assured.

(ii) Construction contracts

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts, refer to note 2(j).

(iii) Sale of goods

Revenue on sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer and collectability of the related receivables is reasonably assured.

(iv) Hire revenue

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

Revenue from the hiring of boat, barge and jack up rig charters 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.

2 Summary of significant accounting policies (continued)

(s) *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.

(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 FRS 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)

(t) *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.

(u) *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.

(v) *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)

(v) *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.

Research and development tax incentives

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.

(w) *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.

(x) *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.

(y) *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.

(z) *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.

2 Summary of significant accounting policies (continued)

(z) *Earnings per share (continued)*

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.

(aa) *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.

(ab) *Rounding of amounts*

Amounts in the financial statements have been rounded off to the nearest thousand dollars.

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")

FRS 36 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 2018, the Group recognised AU$9.4 million in impairment (2017: Nil). 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.

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.

3 Critical accounting estimates and judgements (continued)

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

Deferred income tax as-sets (continued)

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 uses the percentage-of-completion method in accounting for its contract revenue. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract or on the basis of value of work completed. Significant assumptions are required to estimate the total contract costs and the recoverable variations works that will affect the stage of completion and the contract revenue respectively.

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 result before income tax will increase/decrease by approximately 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(j).

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 2018, a provision for loss on construction contracts of AU$2.5 million has been recognised (2017: Nil). 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 this financial report.

(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 maintains an allowance for impairment at a level based on the result of individual assessment under FRS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows. Impairment loss is determined as the difference between the financial assets carrying value and the computed present value. Factors considered in individual assessment are payment history, past due status and term (refer to note 4).

3 Critical accounting estimates and judgements (continued)

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

As at 30 June 2018 the Group is party to legal proceedings in relation to its receivables from Teras Cargo Transport America LLC. The receivable has been subject to the same procedures as other receivables in order to determine the appropriate level of provision, and no provision has been considered necessary at the reporting date. Refer to note 35 for further details regarding the ongoing litigation.

Construction contracts

When accounting for construction contracts, the contracts are either combined or segmented if deemed necessary to reflect the substance of a contract or group of contracts.

Construction contract accounting requires that variations, claims and incentive payments only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customer. As the approval process (often involving lengthy negotiations) takes some time, judgement is required to be exercised of its probability and revenue recognised accordingly.

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, Thai Baht, Euro, US dollars 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 overleaf:

4 *Financial risk management (continued)*

(a) *Currency risk (continued)*

	2018		2017	
Group	**Singapore Dollar AU$'000**	**United States Dollar AU$'000**	Singapore Dollar AU$'000	United States Dollar AU$'000
Financial assets				
Trade receivables	**-**	**-**	-	1,293
Cash and cash equivalents	**122**	**6**	1	2
	122	**6**	1	1,295
Financial liabilities				
Trade payables	**-**	**-**	90	211
Other payables	**-**	**-**	130	-
Borrowings	**-**	**46,532**	-	45,985
	-	**46,532**	220	46,196
Currency exposure on net financial liabilities	**122**	**(46,526)**	(219)	(44,901)

Company	**Singapore Dollar AU$'000**	**United States Dollar AU$'000**	Singapore Dollar AU$'000	United States Dollar AU$'000
Financial assets				
Due from subsidiaries	**-**	**46,532**	-	45,985
	-	**46,532**	-	45,985
Financial liabilities				
Borrowings	**-**	**46,532**	-	45,985
Currency exposure on net financial liabilities	**-**	**-**	-	-

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

	Group		Company	
	2018 AU$'000	2017 AU$'000	**2018 AU$'000**	2017 AU$'000
Net foreign exchange income/(loss)	**5**	129	**-**	-

Sensitivity analysis

A change of 10% (2017: 10%), taking into consideration both strengthening and weakening aspect of AU$, against the following currencies at the balance sheet 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	
	2018 AU$'000	2017 AU$'000	**2018 AU$'000**	2017 AU$'000
SGD against AU$				
- strengthened	**11**	(20)	**-**	-
- weakened	**(12)**	22	**-**	-
USD against AU$				
- strengthened	**(4,230)**	(4,082)	**-**	-
- weakened	**4,653**	4,490	**-**	-

4 *Financial risk management (continued)*

(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% (2017 : 1%) increase/(decrease) in the floating rate terms of the Group's borrowings and bank deposits at the balance sheet date would increase/(decrease) profit or loss by the following amount:

	Group		Company	
	2018 AU$'000	2017 AU$'000	**2018 AU$'000**	2017 AU$'000
Profit or loss impact	**145**	190	**145**	145

This analysis assumes that all other variables remain constant. There is no impact on other components of equity (2017: 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 4 debtors (2017: 4 debtors) that individually represented 6 - 25% (2017: 6 - 60%) of trade receivables and in aggregate 50% (2017: 87%) of the trade receivables.

The Group's maximum exposure to credit risk arose mainly from trade receivables, which had a balance at 30 June 2018 of AU$93.4 million (2017: AU$133.0 million). This exposure is further analysed below:

	Group	
	2018 AU$'000	2017 AU$'000
By currency denomination:		
Australian dollar	**79,213**	117,664
US dollar	**14,205**	14,907
Singapore dollar	**-**	390
Malaysia ringgit	**-**	51
Thai baht	**-**	10
	93,418	133,022
By type of customer :		
Non-related and related parties	**93,418**	133,022

The Company's maximum exposure to credit risk arose mainly from amounts due from subsidiaries, which had a balance at 30 June 2018 of AU$59.4 million (2017: AU$98.9 million) (refer to note 9).

At 30 June 2018, the Group's most significant customer accounted for AU$22.9 million (30 June 2017: AU$79.8 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 receivables that were past due (2017: None).

4 *Financial risk management (continued)*

(c) *Credit risk (continued)*

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.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2018 AU$'000	2017 AU$'000
Past due less than 3 months	**8,962**	2,918
Past due 3 to 6 months	**913**	2,621
Past due greater than 6 months	**14,980**	19,255
	24,855	24,794

Included in amounts past due greater than 6 months is an amount receivable from Teras Cargo Transport America LLC. This is part of an ongoing litigation case to which the Group is a party. For details of the status of the case, refer to note 35.

As at 30 June 2018, there was an allowance for impairment of AU$6.1 million against trade receivables (2017: AU$1.6 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 2018, the Company is carrying an allowance for impairment of AU$127.6 million (2017: AU$123.0 million) against amounts due from subsidiaries (refer to note 9).

There are no other categories of financial asset which were either past due or impaired at the end of financial year.

(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$'000**	**Over 5 years AU$'000**	**Total Contractual cashflows AU$'000**	**Carrying amount of liabilities AU$'000**
Group						
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**
2017						
Trade and other payables	114,669	-	-	-	114,669	114,669
Borrowings	51,859	111,096	-	-	162,955	150,694
	166,528	111,096	-	-	277,624	265,363

4 *Financial risk management (continued)*

(d) *Liquidity risk (continued)*

	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					
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**
2017					
Trade and other payables	2,273	-	-	2,273	2,273
Borrowings	48,319	111,096	-	159,415	147,288
Due to subsidiaries	7,996	-	-	7,996	7,996
	58,588	111,096	-	169,684	157,557

As at 30 June 2018, the Group has net current liabilities of AU$40.8 million (2017: net current liabilities of AU$2.9 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	
	2018 AU$'000	2017 AU$'000	**2018 AU$'000**	2017 AU$'000
Expiry within one year (bank overdraft and loan facility)	**-**	14,041	**-**	14,041
Surety bond facility	**4,811**	3,259	**4,811**	3,259
Guarantee facility	**-**	20,323	**-**	20,323

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. Refer to note 17 for further details in respect of breaches of financial ratios in the current year and to note 2(a) for further details in respect of negotiations with financiers.

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.

4 Financial risk management (continued)

(e) *Capital risk (continued)*

	Group		Company	
	2018 AU$'000	2017 AU$'000	**2018 AU$'000**	2017 AU$'000
Net debt	**83,096**	116,843	**119,865**	147,125
Total equity	**41,725**	23,298	**10,807**	21,067
Total capital	**124,821**	140,141	**130,672**	168,192
Gearing ratio	**66.6%**	83.4%	**91.7%**	87.5%

(f) *Financial instruments by category*

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

	Group		Company	
	2018 AU$'000	2017 AU$'000	**2018 AU$'000**	2017 AU$'000
Loans and receivables and cash[1]	**135,294**	172,510	**58,238**	99,648
Financial liabilities measured at amortised cost[2]	**217,198**	286,516	**130,000**	157,557

Fair value of financial instruments

As at balance sheet date, carrying amount of current and non-current assets and liabilities of the Group and Company approximate fair value.

[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	
	2018 AU$'000	2017 AU$'000	**2018 AU$'000**	2017 AU$'000
Cash and cash equivalents represented by:				
Cash at bank	**36,596**	21,951	**63**	163
Restricted cash	**1,250**	11,900	**-**	-
	37,846	33,851	**63**	163

Restricted cash was held as term deposits with effective interest rates ranging from 1.28% to 1.81% (2017: 1.27% to 1.55%) 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	
	2018 AU$'000	2017 AU$'000
Balance as above	**37,846**	33,851
*Restricted cash	**(1,250)**	(11,900)
Balance per consolidated statement of cash flows	**36,596**	21,951

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

6 Trade receivables

	Group	
	2018 AU$'000	2017 AU$'000
Trade receivables		
- Third party debtors	**71,796**	53,017
- Less: Allowance for impairment of receivables (note 6(a))	**(6,140)**	(1,646)
	65,656	51,371
Construction contracts		
- Due from third party customers (note 6(b))	**22,097**	81,651
- Retentions	**5,665**	-
	93,418	133,022

At 30 June 2018, all amounts included in trade receivables and arising from construction contracts are due for settlement within 12 months (2017: 12 months).

At 30 June 2018, the Group's most significant customer accounted for AU$22.9 million (30 June 2017: AU$79.8 million) of the trade receivables carrying amount.

(a) *Allowance for impairment of receivables*

	Group	
	2018 AU$'000	2017 AU$'000
Beginning of financial year	**(1,646)**	(2,286)
Additional provision for doubtful debt	**(5,505)**	(2,013)
Written off during the year	**1,011**	2,653
End of financial year	**(6,140)**	(1,646)

(b) *Construction contracts - due from third party customers*

	Group	
	2018 AU$'000	2017 AU$'000
Aggregate costs incurred plus recognised profit less recognised losses to date on uncompleted construction contracts	**1,027,675**	631,504
Less: Progress billings	**(1,005,578)**	(564,088)
	22,097	67,416
Presented as:		
Due from customers on construction contracts	**27,635**	81,651
Advances received (note 15)	**(5,538)**	(14,235)
	22,097	67,416

7 Other receivables and prepayments

	Group		Company	
	2018 AU$'000	2017 AU$'000	**2018 AU$'000**	2017 AU$'000
Current				
Prepayments	**4,348**	1,507	**41**	3
Deposits	**986**	1,029	**1**	-
Sundry receivables	**3,044**	4,608	**618**	590
	8,378	7,144	**660**	593

8 Inventories

	Group	
	2018 AU$'000	2017 AU$'000
Spares and consumables	**4,165**	3,096

9 Due from / (to) subsidiaries

Company	**Total due AU$'000**	**Provision for doubtful debts AU$'000**	**Total AU$'000**
2018			
Due from subsidiaries	**185,107**	**(127,551)**	**57,556**
Due to subsidiaries	**(8,363)**	**-**	**(8,363)**
2017			
Due from subsidiaries	221,923	(123,028)	98,895
Due to subsidiaries	(7,996)	-	(7,996)

(a) *Provision for doubtful debts*

	Group	
	2018 AU$'000	2017 AU$'000
Beginning of financial year	**(123,028)**	(127,422)
Currency translation movement	**(4,523)**	4,394
End of financial year	**(127,551)**	(123,028)

Both the receivables and payables bear interest at 5.0% (2017: 5.0%) per annum. There are no advances due from subsidiaries that are due for repayment within the next 12 months (2017: Nil). There are AU$8.4 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 (2017: AU$8.0 million).

10 Investments in subsidiaries

	Company	
	2018	2017
	AU$'000	AU$'000
Investments in subsidiaries	**82,823**	79,126

	Company	
	2018	2017
	AU$'000	AU$'000
Equity investment at cost		
Beginning of financial year	**79,126**	83,632
Investment at cost	**17,243**	-
Impairment loss	**(17,243)**	-
Currency translation movement	**3,697**	(4,506)
End of financial year	**82,823**	79,126

Name of entity	Principal activity	Country of incorporation	Equity holding	
			2018	2017
			%	%
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	Dormant	Malaysia	**100**	100
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
AGC Energy and Infrastructure Pty Ltd	Labour supply	Australia	**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
Mechanical Access Services Australasia Sdn Bhn	Engineering and service	Malaysia	**100**	100
Access Australasia Sdn Bhd	Engineering and service	Malaysia	**100**	100

KPMG LLP is the auditor of all Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of all foreign-incorporated subsidiaries and unincorporated joint ventures.

Joint operations

The Group holds 67% of the voting rights of its unincorporated operation between AGC Industries Pty Ltd 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.

10 *Investments in subsidiaries (continued)*

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 2016					
Cost	3,828	7,855	134,413	119,303	265,399
Accumulated depreciation and impairment	(1,213)	(2,031)	(88,430)	(77,367)	(169,041)
Net book amount	2,615	5,824	45,983	41,936	96,358
Year ended 30 June 2017					
Opening net book amount	2,615	5,824	45,983	41,936	96,358
Depreciation charge (note 25)	-	(196)	(1,652)	(7,795)	(9,643)
Additions	-	13	1,225	7,057	8,295
Disposals	-	-	-	(5,497)	(5,497)
Exchange differences	-	-	(1,496)	(597)	(2,093)
Closing net book amount	2,615	5,641	44,060	35,104	87,420
At 30 June 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**

(i) Impairment loss

During the year ended 30 June 2018, the Group recognised $7.5 million impairment loss (2017: Nil) with respect to property, plant and equipment. Refer to note 24 for further details. At 30 June 2018, the carrying amount (net of impairment) of property, plant and equipment relating to the Port and Marine CGU amounted to AU$45.2 million (2017: AU$43.4 million).

(ii) Non-current assets pledged as security

The Group has pledged freehold land and buildings, leasehold buildings and certain plant and equipment, having a carrying amount of approximately AU$75.6 million (2017: AU$87.4 million) to secure syndicated loan facilities granted to the Group. Refer to note 17 for details of the security.

12 Goodwill

	Group	
	2018 **AU$'000**	2017 AU$'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	
	2018 **AU$'000**	2017 AU$'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
2017					
Cost					
Beginning of financial year	88,713	15,833	5,369	1,232	111,147
Additions	-	390	-	-	390
Exchange differences	(3,068)	-	-	-	(3,068)
End of financial year	85,645	16,223	5,369	1,232	108,469
Accumulated amortisation and impairment					
Beginning of financial year	(55,333)	(9,247)	(5,369)	(1,228)	(71,177)
Amortisation charge (note 25)	(745)	(2,095)	-	(4)	(2,844)
Exchange differences	2,128	-	-	-	2,128
End of financial year	(53,950)	(11,342)	(5,369)	(1,232)	(71,893)
Carrying value at 30 June 2017	31,695	4,881	-	-	36,576
Group					
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**

(i) Impairment loss

At 30 June 2018, the carrying amount (net of impairment) of intangible assets relating to the Port and Marine CGU amounted to AU$32.1 million (2017: AU$31.7 million).

During the year ended 30 June 2018, the Group recognised $1.8 million impairment loss (2017: Nil) 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	
	2018 AU$'000	2017 AU$'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**699**	-
Provisions and payables	**6,560**	10,780
Other	**1,051**	606
	8,310	11,386
Set-off of deferred tax liabilities pursuant to set-off provisions	**(8,310)**	(11,276)
Net deferred tax assets	**-**	110
Deferred tax assets expected to be recovered within 12 months	**39**	381
Deferred tax assets expected to be recovered after more than 12 months	**8,271**	11,005
	8,310	11,386

Movement in deferred tax assets	**Property, plant and equipment AU$'000**	**Provisions and payables AU$'000**	**Other AU$'000**	**Total AU$'000**
At 30 June 2016	3,700	10,085	1,346	15,131
(Charged) / credited:				
- to profit or loss in income tax benefit (note 27)	(3,700)	695	(740)	(3,745)
At 30 June 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**

14 Deferred income tax assets / (liabilities) Continued)

(i) Deferred tax assets

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

(ii) Deferred tax liabilities

	Group	
	2018 AU$'000	2017 AU$'000
Property, plant and equipment	**-**	(3,598)
Intangibles	**(9,631)**	(9,508)
Other	**(41)**	(41)
	(9,672)	(13,147)
Set-off of deferred tax assets pursuant to set-off provisions	**8,310**	11,276
Net deferred tax liabilities	**(1,362)**	(1,871)
Deferred tax liabilities expected to be settled within 12 months	**(11)**	(11)
Deferred tax liabilities expected to be settled after more than 12 months	**(9,661)**	(13,136)
	(9,672)	(13,147)

Group	**Property, plant and equipment AU$'000**	**Intangibles AU$'000**	**Other AU$'000**	**Total AU$'000**
At 1 July 2016	(6,648)	(10,408)	(52)	(17,108)
(Charged)/credited				
- to profit or loss in income tax expense (note 27)	3,050	900	11	3,961
At 30 June 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)**

(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	
	2018	2017
	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	**11,138**	17,515
Other deferred tax assets not recognised		
Other temporary differences	**14,162**	12,315

15 Trade payables

	Group	
	2018 AU$'000	2017 AU$'000
Trade payables		
- Non-related parties	**12,106**	14,473
- Related parties (note 31d)	**16,910**	19,134
Construction contracts		
- Advances received (note 6b)	**5,538**	14,236
- Provision for foreseeable contract losses	**2,497**	-
	8,035	14,236
	37,051	47,843

(i) Provision for foreseeable contract losses

	Group	
	2018 AU$'000	2017 AU$'000
Beginning of financial year	**-**	2,002
Increase in provision	**2,497**	-
Reversal of provision	**-**	(1,954)
Currency translation movement	**-**	(48)
End of financial year	**2,497**	-

16 Other payables

	Group		Company	
	2018 AU$'000	2017 AU$'000	**2018 AU$'000**	2017 AU$'000
Current				
Accrued expenses	**12,297**	21,171	**139**	131
Employee benefit accruals	**6,824**	8,426	**-**	-
Payroll tax and other statutory liabilities	**20,732**	31,966	**1**	-
Other payables	**7,872**	5,263	**1,569**	2,142
	47,725	66,826	**1,709**	2,273

17 Borrowings

	Group		Company	
	2018 AU$'000	2017 AU$'000	**2018 AU$'000**	2017 AU$'000
Current				
Bridge loan	**-**	13,551	**-**	13,551
Secured loans	**12,359**	27,844	**12,359**	27,844
Finance leases	**-**	116	**-**	-
Multi currency notes	**73,397**	-	**73,397**	-
Insurance premium funding	**1,014**	3,290	**-**	-
	86,770	44,801	**85,756**	41,395
Non-current				
Multi currency notes	**-**	73,909	**-**	73,909
Loan from substantial shareholder (note 31(f))	**34,172**	31,984	**34,172**	31,984
	34,172	105,893	**34,172**	105,893
Total borrowings (interest bearing)	**120,942**	150,694	**119,928**	147,288

	Group	
	2018 AU$'000	2017 AU$'000
Secured borrowings:		
Multi currency notes	**73,397**	73,909
DBS Term Loan - USD	**12,359**	13,944
DBS Short Term Loan - AUD	**-**	13,900
DBS Short Term Bridge Loan - AUD	**-**	13,551
Total secured borrowings	**85,756**	115,304
Unsecured borrowings:		
Loan from substantial shareholder	**34,172**	31,984
Insurance premium funding	**1,014**	3,290
Finance leases	**-**	116
Total unsecured borrowings	**35,186**	35,390
Total borrowings	**120,942**	150,694

(a) *Total current and non-current secured liabilities*

	Group		Company	
	2018 AU$'000	2017 AU$'000	**2018 AU$'000**	2017 AU$'000
Bridge loan - DBS	**-**	13,551	**-**	13,551
Secured loans - DBS	**12,359**	27,844	**12,359**	27,844
Multi currency notes	**73,397**	73,909	**73,397**	73,909
	85,756	115,304	**85,756**	115,304

17 Borrowings (continued)

(b) *Loan and overdraft facilities*

Multi currency notes

On 20 October 2014, the Company (the "Issuer") announced that it had issued S$110 million 7.45% Notes due in 2016 (the "Notes") pursuant to the S$350 million Multi currency Debt Issuance Programme (the "Programme") established by the Issuer on 22 September 2014. DBS Bank Ltd., as sole arranger of the Programme, acted as the sole lead manager and bookrunner in relation to the issuance of the Notes. The Notes bear interest at a fixed rate of 7.45% per annum payable semi-annually in arrears and, unless previously redeemed or cancelled, were due to mature on 20 October 2016.

On 13 September 2016 the Company commenced the S$110 million Noteholder Consent Solicitation Exercise (the "NCSE") to vary the terms of the Notes. On 5 October 2016 the Noteholders voted in favour of the NCSE, and consequently the terms of the Notes are amended as follows with effect from that date:

- An upfront partial redemption of the Notes of S$4.0 million was made on 18 November 2016;
- Maturity of the Notes has been extended to 20 October 2018, with an option at the election of the Noteholders to extend the maturity further to 20 October 2019 upon an Extraordinary Resolution being passed in accordance with the Trust Deed. Accordingly, the Notes have been classified as non-current;
- Interest will be paid monthly at a rate of 7.95%pa from 20 October 2017 and 8.45%pa from 20 October 2018;
- Upon redemption of the Notes, a make-whole premium such that the total interest paid for the period from 20 October 2016 to redemption is equal to 9.45%pa of the original principal value of the Notes;
- Upon redemption of the Notes pursuant to the sale of the Port Assets, then 10% of any capital gains (calculated based on the actual costs incurred) valued on such sale would be payable to the Noteholders on a pro-rata basis;
- 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; and
- Financial covenants previously in place with regard to the Notes are removed.

Exchange Offers

On 21 May 2017, the Company announced that it was proposing to undertake an invitation to Noteholders to offer to exchange Notes for new ordinary shares in the capital of the Company (the "Shares"), fractional entitlements to be disregarded (the "Exchange Offer"). Salient terms of the Exchange Offer are detailed below.

- The issue price (the "Issue Price") of each New Share is S$0.058.
- The consideration payable to each Noteholder is such number of New Shares equivalent in value to the sum of:

  (i) the aggregate principal amount of Notes offered for exchange and accepted for exchange by the Group; and

  (ii) the interest accrued and unpaid on such Notes accepted for exchange by the Group, from and including 20 June 2017.
- The offer period of the Exchange Offer was initially between 22 May 2017 and 8 June 2017,however, this was extended to 9 June 2017 following feedback received from Noteholders.

On 12 June 2017, the Company announced that the Offer Period had closed and that the Company had received offers from Noteholders to exchange 116 Notes with an aggregate principal amount equal to S$27,944,400. Based on the foregoing, the Exchange Consideration is S$28,005,265.20 (the "Noteholder Exchange Sum").

On 14 June 2017, the Company issued its Circular to Shareholders for the proposed allotment and issue of 482,849,304 new ordinary shares in the capital of the Company to Exchanging Noteholders pursuant to the Exchange Offer at the issue price of S$0.058 at an Extraordinary General Meeting ("EGM") of Shareholders to be held on 29 June 2017 in Singapore.

On 29 June 2017, the Company announced it had obtained approval from its shareholders at the EGM for the issuance of 482,849,304 new Shares pursuant to the Exchange Offer.

On 30 June 2017, the Company announced the settlement of the Exchange Offer and as a result the Company completed the allotment and issue of 482,849,304 new Shares ("Exchange Shares") to Exchanging Noteholders on that date in exchange for S$28,005,265.20 of the Notes.

17 Borrowings (continued)

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

As a result of the debt conversion performed in FY 2017, the Group recorded a one-off net gain of AU$5.5m, consisting of a gain of AU$6.0m from movements in the Company's share price between the offer and the settlement date, less costs associated with the exercise of AU$0.5 million.

On 30 June 2017 the Company announced it had entered into a subscription agreement (the "Subscription Agreement") with Suntera Limited (the "Subscriber") pursuant to which the Company has agreed to allot and issue to the Subscriber, and the Subscriber has agreed to subscribe for, an aggregate of 49,202,971 new ordinary shares in the capital of the Company (the "Shares") at an issue price of S$0.058 per new Share (the "Issue Price"), as full and final settlement of AU$2,717,878.41 (equivalent to S$2,853,772.33 based on the exchange rate as at 30 June 2017 of AU$1 : S$1.05) outstanding and owing by the Company to the Subscriber.

On 13 July 2017, the Company announced the completion and issuance of 49,202,971 new ordinary shares in connection to the Subscription Agreement with Suntera Limited, in exchange for the settlement of approximately AU$2.7 million owing by one of the Group's subsidiaries to the aforementioned external party.

On 11 September 2017, the Noteholders were further invited to convert Notes to equity in the capital of the Company. On 29 September 2017, the Company announced the results of the additional exchange offer, following the closure of the offer period on 28 September 2017, whereby the total exchange consideration of the Notes converted to equity were S$5,310,189, in exchange for 91,554,980 new shares in the Company. The new shares were listed and quoted on the SGX-ST on 2 October 2017.

As a result of the debt conversion performed in FY 2018, the Group recorded a one-off net gain of AU$1.3 million from movement in the Company's share price between the offer and settlement date.

Loans from DBS Bank Ltd

On 1 April 2015, the Company announced that AusGroup Limited had entered into a facility agreement for a US$20 million 3 year term loan and AU$76.5 million Banker Guarantee facility with DBS Bank Ltd in Singapore. The loan facility was used to refinance the previous facility at a much reduced all-in interest rate, while extending the Group's debt maturity profile to 2018. As at 30 June 2018 US$9.2 million (AU$12.4 million) of this balance had been utilised (2017: US$10.8 million (AU$14.0 million)). Final repayment of DBS Term loan was originally due in April 2018 however by agreement this was extended with a final repayment of US$8.8 million due in September 2018. Upon the successful extension of the maturity term of the Notes the Company will discuss with its principal banker the options to extend the maturity date of this loan.

In Q3 FY2016 the Group entered into a AU$30 million Short Term loan facility with DBS Bank Ltd (which was fully drawn down at 30 June 2017). As at 30 June 2018, the balance has been fully repaid (2017: AU$13.9 million).

In Q4 FY2017 the Group entered into a Short Term bridge facility of AU$13.5 million with DBS Bank Ltd (which was fully drawn down at 30 June 2017) with an initial repayment date of 13 August 2017, which was extended to 20 August 2017 and has been subsequently repaid in full.

Loan from substantial shareholder

Loan from Ezion Holdings Limited ("Ezion") (a substantial shareholder of the Company) were acquired by the Group on acquisition of 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 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.

17 Borrowings (continued)

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

The repayment date on the loan has been extended until after 30 June 2019. 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.

As at 30 June 2018 the amount owing on the loan by the Company to Ezion was AU$34.2 million (30 June 2017: AU32.0 million) and is unsecured.

Subsequent to year end the Company has executed an agreement with Ezion to extend the repayment deadline of the loan by five years until October 2023 at the reduced coupon rate of 2.0% per annum.

Ezion Loan Capitalisation

On 30 June 2017, the Company announced the completion of the Ezion Loan Capitalisation and the allotment and issue of 140,766,195 new Shares to Ezion on that date in exchange for settlement of US$5,903,000 of the Shareholder Loan with Ezion. As a result, Ezion now holds 272,821,736 shares representing 20.0% of the Company's issued share capital and the outstanding amount on the Shareholder Loan has reduced from US$30,505,342.07 to US$24,602,342.07 (equivalent to AU$31,984,324.06 at 30 June 2017).

(i) Security pledged and financial covenants

Security pledged

Multi currency S$110 million notes

Refer above for details regarding security that was pledged against the Multi currency notes following the Noteholder vote in favour of the NCSE on 5 October 2016.

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.

A deed of charge executed by AGC Australia incorporating an all-monies charge over the fixed deposit account maintained by AGC Australia with DBS Bank Ltd ("The Lender") for an amount not less than AU$11.9 million (2017: AU$11.6 million). A fixed and floating charge executed by AusGroup Ltd, AusGroup Singapore Pte. Ltd and Modern Access Services Singapore Pte. Ltd in favour of the Lender.

First registered fixed and floating charge over all the present and future property, interests, rights and proceeds of AGC Australia Pty Ltd, AGC Industries Pty Ltd, MAS Australasia Pty Ltd, Seagate Structural Engineering Pty Ltd, AGC Energy & Infrastructure Pty Ltd and Resource People Pty Ltd ("Australian Group Companies"), including real and personal property, goodwill, uncalled and called but unpaid capital.

First registered real property mortgage by AGC Australia Pty Ltd over the commercial properties located at 15 Beach Street, Kwinana WA 6167.

In Q4 2018 written confirmation has been provided to DBS Bank Limited from Ezion Holdings Limited and the direct subsidiaries of the Company in consideration of DBS Bank Limited continuing to provide finance to the Company and that each of the Security Documents provided by Ezion Holdings Limited and the direct subsidiaries of the Company shall continue in full force and effect.

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

	Group	
	2018 AU$'000	2017 AU$'000
Bank facilities	**268,194**	312,103

17 Borrowings (continued)

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

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

Facility covenants

Multi currency S$110 million notes

In accordance with the Noteholder vote in favour of the NCSE on 5 October 2016, the Group renegotiated the terms of the Notes such that the financial covenants previously in place were removed following completion of the securitisation of the Notes.

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 EBITDA to interest cost cover and a minimum net worth (net assets). EBITDA 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 is in breach of the maximum gearing ratio and minimum net worth covenants at 30 June 2018. However, waivers for these breaches for FY2018 have been been obtained from DBS Bank Ltd. 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*

Facilities	Approved Amount	Effective interest rate
Multi-currency Debt Issuance	SGD$110 million	9.45%
DBS Term Loan	USD$20 million	1 month LIBOR + 3.85%

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

	Borrowings	Insurance Funding	Finance Lease	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2017	147,288	3,290	116	150,694
Repayment of borrowings / insurance funding	(29,513)	(8,268)	-	(37,781)
Proceeds from insurance funding	-	5,992	-	5,992
Payment of finance lease liabilities	-	-	(116)	(116)
Total changes from financing cash flows	**117,775**	**1,014**	**-**	**118,789**
Other changes				
Debt to equity conversion	(4,932)	-	-	(4,932)
The effect of changes in foreign exchange rates	4,960	-	-	4,960
Interest expense - Noteholder	1,104	-	-	1,104
Interest expense - shareholder loan	58	-	-	58
Borrowing costs	963	-	-	963
Balance at 30 June 2018	**119,928**	**1,014**	**-**	**120,942**

17 Borrowings (continued)

(d) *Obligations under finance leases and hire purchase*

	Group			
	Minimum Lease Payments 2018 AU$'000	**Present value of Minimum Lease Payments 2018 AU$'000**	Minimum Lease Payments 2017 AU$'000	Present value of Minimum Lease Payments 2017 AU$'000
Within one year	-	-	116	116
	-	-	116	116
Amount due for settlement	-	-	116	116

The Group leases certain of its plant and equipment under finance leases. As at 30 June 2018 there were no outstanding finance leases. (For the financial year ended 30 June 2017, the average effective interest rate was 5.5% per annum.) Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair values of the Group's lease obligations approximate their carrying amounts. The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

18 Accruals for other liabilities and charges

	Group	
	2018 AU$'000	2017 AU$'000
Current		
Annual leave	**5,059**	9,397
Redundancy allowance/rostered day off/sick leave	**4,346**	9,902
Long service leave	**567**	270
Fringe benefit tax payable	**243**	424
	10,215	19,993
Non-current		
Long service leave	**1,265**	1,160

19 Provisions

	Group	
	2018 AU$'000	2017 AU$'000
Current		
Restructuring provision	**392**	-
Onerous lease provision	**467**	
	859	-
Non-current		
	-	-
Total provisions	**859**	

(a) *Movements in provisions*

During the last quarter of the 2018 financial year, parts of the business were restructured due to the completion of major project work in order to right-size the business which has resulted in onerous lease and restructuring provisions.

20 Share capital

	Group and Company 2018 AU$'000	Group and Company 2017 AU$'000
Ordinary shares issued and fully paid:		
Beginning of financial year	**156,285**	128,040
Shares issued through debt to equity exercise	**6,362**	28,245
End of financial year	**162,647**	156,285

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 2018	Group and Company 2017
Number of issued shares:		
Opening balance	**1,364,047,515**	740,432,016
Shares issued through debt to equity exercise	**140,757,951**	623,615,499
Closing balance	**1,504,805,466**	1,364,047,515

On 13 July 2017, the Company announced the completion and issuance of 49,202,971 new ordinary shares at an issue price of S$0.058 to an external party, Suntera Limited, in exchange for the settlement of S$2,853,772 owing by one of the Group's subsidiaries to the aforementioned external party.

On 29 September 2017, the Company announced the results of the additional exchange offer, following the closure of the offer period on 28 September 2017, whereby the total exchange consideration of the Notes converted to equity were S$5,310,189, in exchange for 91,554,980 new shares in the Company.

Between the dates of agreement of settlement and the completion of the debt to equity exercises, the underlying share price moved from S$0.058 to S$0.048, resulting, in combination with a favourable foreign exchange movement, in a AU$1.3 million gain.

21 Other reserves

	Group		Company	
	2018 **AU$'000**	2017 AU$'000	**2018** **AU$'000**	2017 AU$'000
Other reserves:				
Capital reserve	**(163)**	(163)	**(163)**	(163)
Share based payment reserve	**5,460**	5,183	**5,460**	5,183
Foreign currency translation reserve	**18,229**	19,917	**25,891**	25,009
	23,526	24,937	**31,188**	30,029
Movements:				
Capital reserve:				
Beginning and end of financial year	**(163)**	(163)	**(163)**	(163)
Share based payment reserve:				
Beginning of financial year	**5,183**	4,395	**5,183**	4,395
Option expense net of options exercised (note 30)	**277**	788	**277**	788
At end of financial year	**5,460**	5,183	**5,460**	5,183
Foreign currency translation reserve:				
Beginning of financial year	**19,917**	15,409	**25,009**	24,615
Net currency translation difference of financial statements of foreign subsidiaries and the Company	**(1,688)**	4,508	**882**	394
At end of financial year	**18,229**	19,917	**25,891**	25,009

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.

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.

21 Other reserves (continued)

(a) *Share options (continued)*

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 2018 ASOS and ESOS are not operative and there are Nil options exercisable at balance date.

Movements in the number of unissued ordinary shares under option and their exercise prices are as follows:

	No. of ordinary shares under option						
Group and Company	**Beginning of financial year**	**Granted during financial year**	**Forfeited / lapsed during financial year**	**Exercised during financial year**	**End of financial year**	**Exercise price**	**Exercise period**
2018							
2008 Options (ESOS)	119,000	-	(119,000)	-	-	S$1.64	24.08.2008 to 23.08.2017
	119,000	**-**	**(119,000)**	-	-		
Weighted average exercise price (S$)	1.64	-	1.64	-	-		
2017							
2009 Option 2 (ESOS)	121,000	-	(121,000)	-	-	S$0.16	25.02.2010 to 24.02.2019
2008 Options (ESOS)	239,000	-	(120,000)	-	119,000	S$1.64	24.08.2008 to 23.08.2017
	360,000	-	(241,000)	-	119,000		
Weighted average exercise price (S$)	1.14	-	0.90	-	1.64		

There are Nil outstanding options at 30 June 2018.

(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 these 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 2018, the Company has incurred a share based payments expense of AU$0.3 million (FY2017 : AU$0.6 million) in respect of the options issued to Eng Chiaw Koon.

21 Other reserves (continued)

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

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.

	No. of ordinary shares under rights				
Group and Company	**Beginning of financial year**	**Granted during financial year**	**Forfeited during financial year**	**Vested during financial year**	**End of financial year**
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)**	-	-
2017					
2010 rights (ASS)	13,498	-	-	-	13,498
2011 rights (ASS)	107,898	-	-	-	107,898
2012 rights (ASS)	239,372	-	(167,328)	-	72,044
	360,768	-	(167,328)	--	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 2017: 193,440).

The Group did not meet the relevant TSR (Total Shareholder Return is based on a comparable peer group) targets for the financial year ended 30 June 2018 and hence no ordinary shares are to be issued under the share scheme.

22 Revenue from continuing operations

	Group	
	2018 AU$'000	2017 AU$'000
Contract revenue	**482,787**	357,367
Sale of goods	**91**	371
Hire revenue	**80,829**	70,670
Port & Marine services	**3,100**	6,552
	566,807	434,960

23 Other operating income

	Group	
	2018 AU$'000	2017 AU$'000
Interest income	**614**	246
Profit on sale of property, plant and equipment	**-**	113
Net foreign exchange income	**58**	6
Other income	**856**	529
	1,528	894

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 2018 which has led the Group to assess the recoverable value for CGUs:

- A number of large projects in Australia have been completed during the last year shifting the market focus from capital to maintenance based projects resulting in reductions in capital previously employed on these large projects. This has particularly impacted the MAS CGU (Access Services), resulting in the impairments discussed below.
- Port Melville is operational following the completion of the commissioning for the fuel farm. Fuel sales have commenced, however the Port and Marine CGU is currently operating at a level below capacity whilst the CGU increases its footprint across the oil and gas sector, the local market and increases the penetration of the international fuel market, which 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:

		2018		**2017**
Impairment of CGUs based on year end assessment	**Method**	**Impairment charge**	**Method**	**Impairment charge**
		AU$'000		**AU$'000**
Port and Marine	FVLCD*	-	FVLCD	-
Fabrication and Manufacturing – Singapore	FVLCD	-	FVLCD	-
Total		-		-
Impairment based on assessment of individual asset values	Method		Method	
Fabrication and Manufacturing – Australia	FVLCD	-	FVLCD	-
Projects	FVLCD	-	FVLCD	-
Access Services	FVLCD	7,466	FVLCD	-
Maintenance Services	FVLCD	-	FVLCD	-
Corporate	FVLCD	1,902	FVLCD	-
Total		9,368		-

*Fair value less costs of disposal

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 $87.9 million (2017: $81.3 million) on a FVLCD basis. The carrying amount of the CGU as at 30 June 2018 was $71.7 million (2017: $73.3 million). There is no impairment recognised in the year (2017: Nil).

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

During the year, management identified impairment indicators for certain items of property, plant and equipment and other intangible assets which were under-utilised or redundant which resulted in a write down of $9.4 million (2017: Nil) based on an assessment of the market value of the impacted assets.

Australian based CGUs

Projects: Value in use (VIU)

The recoverable amount of the Projects CGU based on a VIU is estimated to be $36.3 million (2017: $115.7 million based on VIU). The carrying amount of the CGU as at 30 June 2018 was $24.9 million (2017: $35.5 million). No impairment has been recognised in the year (2017: Nil).

Access Services: Value in use

The recoverable amount of the Access Services CGU based on a VIU is estimated to be $18.1 million (2017: $41.3 million based on VIU). The carrying amount of the CGU as at 30 June 2018 was $25.6 million (2017: $37.9 million). Accordingly, an impairment of $7.5 million (2017: Nil) has been made in the year reducing the carrying amount of the CGU to $17.6 million. This is in recognition of surplus scaffolding assets due to the completion of the large scale project work during the year. The impairment taken was only on plant and equipment using an estimated recoverable value per tonne of scaffold.

Maintenance Services: Value in use

The recoverable amount of the Maintenance Services CGU based on a VIU is estimated to be $35.7 million (2017: $50.3 million based on VIU). The carrying amount of the CGU as at 30 June 2018 was $13.7 million (2017: $8.9 million). No impairment has been recognised in the year (2017: Nil).

Fabrication and Manufacturing: Value in use

The recoverable amount of the Fabrication and Manufacturing - Australia CGU based on a VIU is estimated to be $7.4 million (2017: $4.7 million based on VIU). The carrying amount of the CGU as at 30 June 2018 was $4.4 million (2017: $4.5 million). No impairment has been recognised in the year (2017: Nil).

Corporate

During the year, the intangible assets were assessed for impairment triggers due to the planned migration to a new ERP. It was determined that the requirements for maintaining the current level of service for the ERP once the new ERP was operational would be reduced to be access only to historical records and therefore the carrying amount of intangibles was impaired by $1.9 million (2017: Nil).

(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.

24 *Impairment of non-current assets (continued)*

(b) *Key assumptions (continued)*

(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 in 2018 or 2017 are based on a discount rate of 17.6% (pre-tax discount rate applied to cash flow projections) and a growth rate of 2.25% (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 2018 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 re-assessed 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.

During the year, Port Melville has increased the footprint in the fuel market industry and has transitioned from a commercialisation phase to operational, with the ability to provide core services in the fuel sale market and the woodchip market. The port has been largely commercialised although as fuel sales have only just started in the last quarter of the year 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 the prior year, 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 had 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

The completion of the commercialisation of Port Melville in the last year has transitioned the CGU into an operational phase with two deliveries of fuel received in the year and fuel sales commencing in the last quarter, selling 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, international specialist vessels, domestic market consumption and various NT Government departments.

Port and Marine Services 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 Tiwi Island 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 and Marine valuation is the revenue earned on the woodchip sales. There is ample resource on Tiwi Island to service this industry and the client requirements for the life of the model as they adopt more mature plantation and forestry techniques. In addition, during the year a new source of revenue has been included in forecast, being the sale of pine logs, using Port Melville as the shipping point.

24 Impairment of non-current assets (continued)

(b) *Key assumptions (continued)*

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

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 calender year 2016 and is still relevant for 2018/19. 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 and 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.

Over the life of the right to operate the port (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 9.67% post tax nominal (pre-tax equivalent: 13.82% 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.

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:

24 *Impairment of non-current assets (continued)*

(b) *Key assumptions (continued)*

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

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 2019 (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 year 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 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 operat-ing costs required to operate the facilities at East Arm, Darwin, Port Melville and are deemed appropriate to operate the facilities in future years.
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 2059). 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 which have just started 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 initial sales and fuel purchases and will grow as sales increase.

24 Impairment of non-current assets (continued)

(b) *Key assumptions (continued)*

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

- 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.

(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 the recoverable value in relation to the Port and Marine CGU and after consideration of these sensitivities, no impairment charge was assessed to be recognised at 30 June 2018:

	Potential increase/(decrease) in impairment charge
	2018 $'million
Port and Marine	
Fuel sales price decreased by 10%	**34.0**
Fuel sales price increased by 10%	**(32.9)**
Fuel volumes increased by 10%	**(7.8)**
Fuel volumes decrease by 10%	**7.8**
Discount rate increased by 1.0%	**11.9**
Discount rate decreased by 1.0%	**(14.6)**
Fuel purchase price increased by 10%	**25.9**
Fuel purchase price decreased by 10%	**(25.4)**

25 Expenses by nature

Profit from continuing operations has been determined after charging:

	Group	
	2018 AU$'000	2017 AU$'000
Included in cost of sales:		
- Materials	**7,020**	4,008
Depreciation of property, plant and equipment:		
- included in cost of sales	**8,003**	9,056
- included in administrative expenses	**806**	587
Total depreciation charge (note 11)	**8,809**	9,643
Amortisation of other intangible assets		
- included in cost of sales	**723**	751
- included in administrative expenses	**1,319**	2,093
Total amortisation charge (note 13)	**2,042**	2,844
Employee compensation		
- included in cost of sales	**422,191**	341,175
- included in operating and administrative expenses	**20,604**	19,400
Total employee compensation (note 30)	**442,795**	360,575
Operating lease payment	**6,166**	10,329
Audit fees:		
Auditor of the Company (KPMG)	**118**	122
Other auditors (KPMG)	**510**	308
Non-audit fees:		
Auditor of the Company (KPMG)	**28**	246

26 Finance costs

	Group	
	2018 AU$'000	2017 AU$'000
Note interest	**6,861**	8,789
Bank and shareholder loan interest	**4,493**	7,805
Bank fees	**189**	323
Bank guarantee fees	**71**	174
Finance leases and hire purchase	**67**	13
	11,681	17,104

27 Income tax expense

	Group	
	2018	2017
	AU$'000	AU$'000
Income tax expense:		
Current tax expense	**1,790**	2,023
Deferred tax expense	**(398)**	(216)
Under/(over) provision of current tax in prior periods	**-**	1,767
	1,392	3,574
Deferred income tax expense/(benefit) included in income tax expense/ (benefit) comprises:		
Decrease in deferred tax assets (note 14)	**3,077**	3,745
Decrease in deferred tax liabilities (note 14)	**(3,475)**	(3,961)
	(398)	(216)

	Group	
	2018	2017
	AU$'000	AU$'000
Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax from continuing operations	**14,858**	6,709
Reconciliation		
Tax calculated at domestic tax rates applicable to profits in the respective countries	**7,156**	2,312
Tax effect of non-assessable items	**-**	(191)
Tax effect of non-deductible items :		
- Non-deductible expenses	**477**	-
- Stock options	**43**	145
- Interest	**226**	188
Deferred tax asset not recognised :		
- Current year tax losses	**4,039**	1,289
- Other	**(1,414)**	18
Non-recoverable withholding tax credits	**1,281**	1,225
Previously un-recognised tax losses utilised	**(10,416)**	(3,179)
Under/(over) provision of current tax in prior periods	**-**	1,767
	1,392	3,574

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:

	2018 Number of shares	2017 Number of shares
Issued and paid-up ordinary shares as at 30 June	**1,504,805,466**	1,364,047,515

	2018 AU$'000	2017 AU$'000
Profit attributable to the owners of the Company:		
- from continuing operations	**13,466**	3,300
- from discontinued operation (refer note 29)	**10**	1,438
	13,476	4,738

(a) *Basic earnings per share*

	2018 Number of shares	2017 Number of shares
Weighted average number of ordinary shares on issue	**1,479,474,489**	742,140,552

	2018 Cents	2017 Cents
Basic earnings per share (AU$ cents per share)		
- from continuing operations	**0.9**	0.4
- from discontinued operation	**-**	0.2
	0.9	0.6

(b) *Diluted earnings per share*

	Number of shares	Number of shares
Weighted average number of ordinary shares on issue	**1,479,474,489**	742,140,552
Adjustments for calculation of diluted earnings per share:		
Share rights/options	**-**	193,440
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,479,474,489**	742,333,992

	2018 Cents	2017 Cents
Diluted earnings per share (AU$ cents per share)		
- from continuing operations	**0.9**	0.4
- from discontinued operation	**-**	0.2
	0.9	0.6

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 was 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*

	2018 AU$'000	2017 AU$'000
Revenue	**1**	1,830
Cost of sales	**172**	(2,281)
Gross profit / (loss)	**173**	(451)
Other operating income	**46**	2,559
Expenses	**(172)**	(307)
Impairment of Trade Receivables	**(37)**	-
Finance cost	**-**	(363)
Profit before tax from discontinued operations	**10**	1,438
Net profit from discontinued operation	**10**	1,438
Basic earnings per share (cents)	-	0.2
Diluted earnings per share (cents)	-	0.2

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

	2018 AU$'000	2017 AU$'000
Cash flows from/ (used in) discontinued operations		
Net cash used in operating activities	**(1,445)**	(6,761)
Net cash generated from investing activities	**-**	3,445
Net cash generated from financing activities	**1,273**	3,225
Net cash used in discontinued operations	**(172)**	(91)

30 Employee compensation

	Group	
	2018 AU$'000	2017 AU$'000
Salaries and other short-term employee benefits	**391,112**	329,108
Employer's contribution to defined contribution plans including superannuation and Central Provident Fund	**24,249**	18,836
Employee share option scheme expense (refer to note 21)	**277**	788
Termination benefits	**27,157**	11,843
	442,795	360,575

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	
	2018 AU$'000	2017 AU$'000
Sale of services to entities controlled by Ezion Holdings Limited, a substantial shareholder of the Company having significant influence over the Company (1)	**-**	1,706
Services provided by Eng Chiaw Koon under consultancy agreement with Ezion Holdings Limited	**140**	-

(1) Custodian charges to Teras Maritime Pty Ltd (subsidiary of Ezion Holdings Limited)

(b) *Purchases of goods and services*

	Group	
	30 June 2018 AU$'000	30 June 2017 AU$'000
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**	1,048
Interest accrued on loan from Ezion Holdings Limited (1)	**949**	-
Management fee and reimbursement of expenses paid on behalf by Ezion Holdings Limited (2)	**54**	57
Charter of vessel from Teras Offshore Pte Ltd a subsidiary of Ezion Holdings Limited (2)	**-**	281
Charter of vessel from Teras Maritime Pty Ltd a subsidiary of Ezion Holdings Limited (2)	**11**	492

(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 IPT mandate as approved by shareholders.

(c) *Key management personnel*

	Group	
	2018 AU$'000	2017 AU$'000
Salaries and other short-term employee benefits	**3,885**	4,014
Termination benefits	**35**	526
Employer's contribution to defined contribution plans including superannuation and Central Provident Fund	**137**	114
Employee share option scheme expense	**85**	589
	4,142	5,243

31 Related party transactions (continued)

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

	Group	
	2018 AU$'000	2017 AU$'000
Current payable relating to service received from entities controlled by Ezion	**(16,910)**	(16,416)
Current payable relating to rental of accommodation village from Aus Am Pte Ltd	**-**	(2,718)

(e) *Advances (from) / to subsidiaries*

Company			
2018	**Total due AU$'000**	**Provision for doubtful debts AU$'000**	**Total AU$'000**
Due from subsidiaries	**185,107**	**(127,551)**	**57,556**
Due to subsidiaries	**(8,363)**	**-**	**(8,363)**
2017			
Due from subsidiaries	221,923	(123,028)	98,895
Due to subsidiaries	(7,996)	-	(7,996)

(f) *Loan from substantial shareholder*

	Group	
	2018 AU$'000	2017 AU$'000
Beginning of the year	**31,984**	39,150
Interest charged	**963**	1,968
Repayment through Ezion Loan Capitalisation	**-**	(7,674)
Currency translation differences	**1,225**	(1,460)
End of the year (note 17)	**34,172**	31,984

The Group has an unsecured loan with Ezion, a substantial shareholder of the Company which is denominated in United States Dollars. The amount outstanding as at 30 June 2018 was US$25.4 million, equivalent to AU$34.2 million (2017: US$24.6 million, equivalent to AU$32.0 million). This loan accrues interest at 2.0% (2017: 5.0%) per annum capitalised to the loan balance. Repayment of the loan is due after 30 October 2023.

During the 2017 financial 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) *Capital commitments*

Capital expenditure contracted for at the reporting date (within one year) but not recognised as liabilities is as follows:

	Group	
	2018 AU$'000	2017 AU$'000
Property, plant and equipment / Intangible assets	**-**	2,171

(b) *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	
	2018 AU$'000	2017 AU$'000
Within one year	**4,208**	4,780
Later than one year but not later than five years	**8,108**	12,430
Later than five years	**865**	886
	13,181	18,096

(ii) *Amounts recognised in profit or loss*

	2018 AU$'000	2017 AU$'000
Total rental expense relating to operating leases	**6,166**	10,329

(c) *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	
	2018 AU$'000	2017 AU$'000
Within one year	**486**	458
Later than one year but not later than five years	**784**	1,277
	1,270	1,735

(d) *Bank guarantees*

Bank guarantees to a total of AU$27.7 million (2017: AU$30.9 million) and surety bonds to a total of AU$22.8 million (2017: AU$26.7 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 maker and comprises the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer - AGC and NT Port and Marine, Chief Operating Officer - MAS, the Executive General Manager - Business Services and Group General 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).
Access Services	Provide access services include scaffolding, engineering and design, labour supply and stock control, logistics, transportation and rope services.
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.
Maintenance Services	Provides preventative and breakdown maintenance services as well as shut down services and sustaining capital works.
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.

* 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 2018	Projects AU$'000	Access Services AU$'000	Fabrication & Manufacturing - Australia AU$'000	Fabrication & Manufacturing - Singapore (Discontinued) AU$'000	Maintenance Services AU$'000	Port & Marine Services AU$'000	Corporate/ Unallocated AU$'000	Total AU$'000
TOTAL REVENUE								
Revenue from external customers	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**

* Intercompany interest income has been reclassified to Corporate/Unallocated to present comparable results across all segments.

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 2017	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	146,080	230,791	5,992	1,830	45,545	6,552	-	436,790
Inter-segment revenue	(7,755)	7,755	-	-	-	-	-	-
Revenue	138,325	238,546	5,992	1,830	45,545	6,552	-	436,790
RESULTS								
Adjusted EBITDA	18,950	17,795	(505)	1,876	4,393	(6,043)	(2,152)	34,314
Depreciation and amortisation	(1,402)	(5,083)	(866)	(88)	(28)	(2,403)	(2,617)	(12,487)
Interest income*	21	6	-	-	-	-	232	259
Interest expense	(141)	(1,351)	-	(361)	-	(12,228)	(3,386)	(17,467)
Impairment losses	-	(525)	-	-	(1,488)	-	-	(2,013)
Net gain on partial debt restructure	-	-	-	-	-	-	5,541	5,541
Profit / (loss) before tax	17,428	10,842	(1,371)	1,427	2,877	(20,674)	(2,382)	8,147
ASSETS								
Total segment assets	66,282	94,595	10,524	2,327	13,031	97,264	28,190	312,213
Additions to non-current assets (other than financial assets and deferred tax)	147	6,716	13	-	-	1,286	523	8,685
LIABILITIES								
Total segment liabilities	26,315	57,164	600	5,156	4,070	20,758	174,852	288,915

* Intercompany interest income has been reclassified to Corporate/Unallocated to present comparable results across all segments.

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	
	2018 **AU$'000**	2017 AU$'000
Segment assets for reportable segments	**224,829**	284,023
Cash and cash equivalents	**31,005**	19,174
Other receivables and prepayments	**4,225**	3,511
Property, plant and equipment	**321**	225
Intangible assets	**2,709**	5,170
Deferred tax assets	**-**	110
	263,089	312,213

(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	
	2018 **AU$'000**	2017 AU$'000
Segment liabilities for reportable segments	**75,250**	114,063
Trade payables	**2,548**	2,543
Other payables	**16,380**	19,914
Borrowings	**120,943**	147,404
Accruals for other liabilities and charges	**2,936**	2,592
Deferred tax liabilities and current tax payable (including set off of deferred tax pursuant to set-off provisions)	**3,307**	2,399
	221,364	288,915

33 Segment information (continued)

(d) *Other segment information*

	Revenue AU$'000	%	Segment assets AU$'000	%	Non-current assets (Exclude deferred tax assets) AU$'000	%
2018						
Australia	**563,380**	**99.4%**	**238,108**	**90.5%**	**118,108**	**99.0%**
Singapore	**-**	**0%**	**21,817**	**8.3%**	**990**	**0.8%**
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%**
2017						
Australia	432,517	99.0%	283,820	90.9%	129,024	95.6%
Singapore	3,882	0.9%	27,869	8.9%	5,794	4.3%
Thailand	300	0.1%	168	0.1%	145	0.1%
Malaysia	91	0%	356	0.1%	27	0%
Total	436,790	100.0%	312,213	100.0%	134,990	100.0%

34 Events occurring after the reporting period

Extension of loan repayment term with Ezion Holdings Limited

In September 2018, the Company has executed an agreement with Ezion Holdings Limited to extend the repayment deadline of the loan payable to Ezion Holdings Limited by five years until October 2023 at a reduced coupon rate of 2.0% per annum.

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. Included in trade receivables is management's best estimate of the amounts expected to be recovered.

(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 26 March 2016, AGCI submitted a claim to the court for an amount of AU$23.8 million for amounts AGCI consider due under the contract and several meetings with KML have proved fruitless. The trial for the case was heard in March 2017 and oral closing submissions were heard in June 2017. As at the date of this report, the decision by the judge is still pending. Included in trade receivables is management's best estimate of the amounts expected to be recovered.

Shareholdings Statistics as at 12 September 2018

Class of equity securities	:	Ordinary share
No. of equity securities	:	1,504,805,466
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	10	0.14	198	0.00
100 -1,000	144	1.96	129,447	0.01
1,001 - 10,000	2,761	37.66	20,085,234	1.34
10,001 - 1,000,000	4,334	59.11	363,449,704	24.15
1,000,001 and above	83	1.13	1,121,140,883	74.50
	7,332	100.00	1,504,805,466	100.00

Top 20 Shareholders

No.	Name of Shareholders	No. of Shares	%
1	DBS Nominees Pte Ltd	399,197,440	26.53
2	Ezion Holdings Limited	272,821,736	18.13
3	Raffles Nominees (Pte) Ltd	72,494,204	4.82
4	Maybank Kim Eng Securities Pte Ltd	37,740,686	2.51
5	Citibank Nominee Singapore Pte Ltd	31,771,064	2.11
6	OCBC Securities Pte Ltd	25,851,600	1.72
7	Barry Alfred Carson and Jennifer Margaret Carson	20,651,518	1.37
8	ABN Amro Clearing Bank N.V.	20,304,800	1.35
9	Gea Ban Guan	12,200,000	0.81
10	Koh Eng Kheng Victor	11,450,000	0.76
11	DBS Vickers Securities (S) Pte Ltd	10,713,000	0.71
12	Phillip Securities Pte Ltd	9,674,100	0.64
13	Morgan Stanley Asia (S) Sec Pte Ltd	9,202,600	0.61
14	Emerald River Pty Ltd	8,908,896	0.59
15	UOB Kay Hian Pte Ltd	8,263,000	0.55
16	United Overseas Bank Nominees Pte Ltd	8,253,000	0.55
17	OCBC Nominees Singapore Pte Ltd	7,645,100	0.51
18	Chew Ching Ida Mrs Ida Leong	7,000,000	0.47
19	Ngooi Chong Cho @ Ngooi Choon Choo	6,000,000	0.40
20	Wong Hin Yet or Lee Keng Lan	5,398,100	0.36
		985,540,844	65.50

Shareholdings Held in Hands of Public

Based on information available to the Company and to the best knowledge of the Company as at 12 September 2018, approximately 66% 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 12 September 2018)

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	272,821,736	18.13	-	-
Bernard Toh Bee Yong [(1)]	104,062,350	6.92	-	-
Poh Boon Kher Melvin [(2)]	133,199,808	8.85	-	-

Notes:

(1) The 104,062,350 shares are registered in the name of DBS Nominees Pte Ltd.

(2) The 133,199,808 shares are registered in the name of DBS Nominees Pte Ltd.

Company Information

Board of Directors

Mr Stuart Maxwell Kenny
Non-Executive Director and Chairman

Mr Eng Chiaw Koon
Managing Director and Executive Director

Mr Shane Kimpton
Chief Executive Officer and Executive Director

Ms Ooi Chee Kar
Independent Non-Executive Director

Mr Wu Yu Liang
Independent Non-Executive Director

Mr Chew Heng Ching
Independent Non-Executive Director

Mr Poh Boon Kher Melvin
Independent 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 Stuart Maxwell Kenny

Remuneration and Human Capital Committee

Mr Wu Yu Liang (Chair)
Mr Chew Heng Ching
Mr Stuart Maxwell Kenny

Company Secretary

Ms Ngiam May Ling

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Auditors

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Partner-in-Charge: Chiang Yong Torng
Date of Appointment: 17 May 2016

Internal Auditors

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Tower 2, Brookfield Place
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