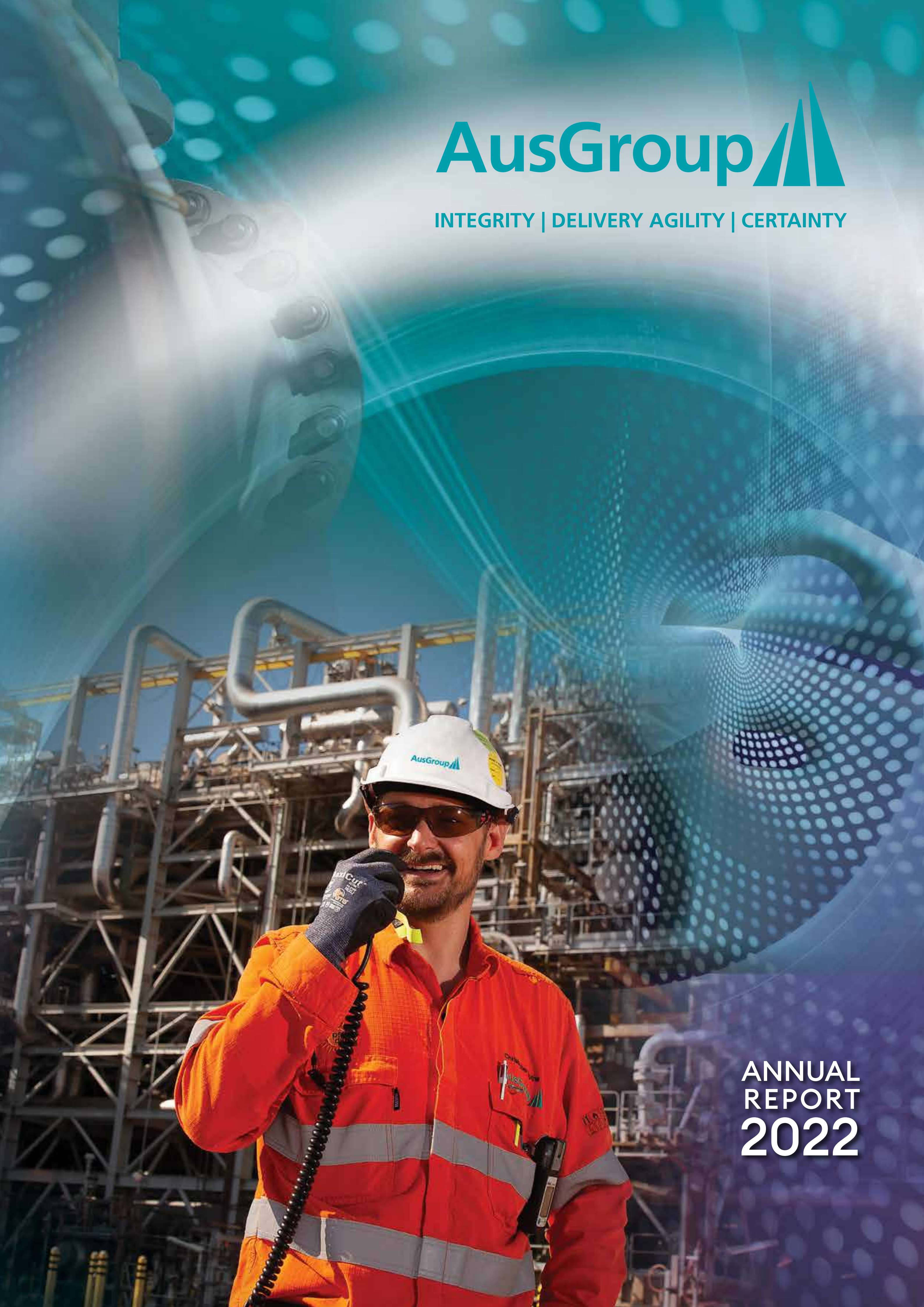
AusGroup

INTEGRITY | DELIVERY AGILITY | CERTAINTY



ANNUAL REPORT 2022

Contents

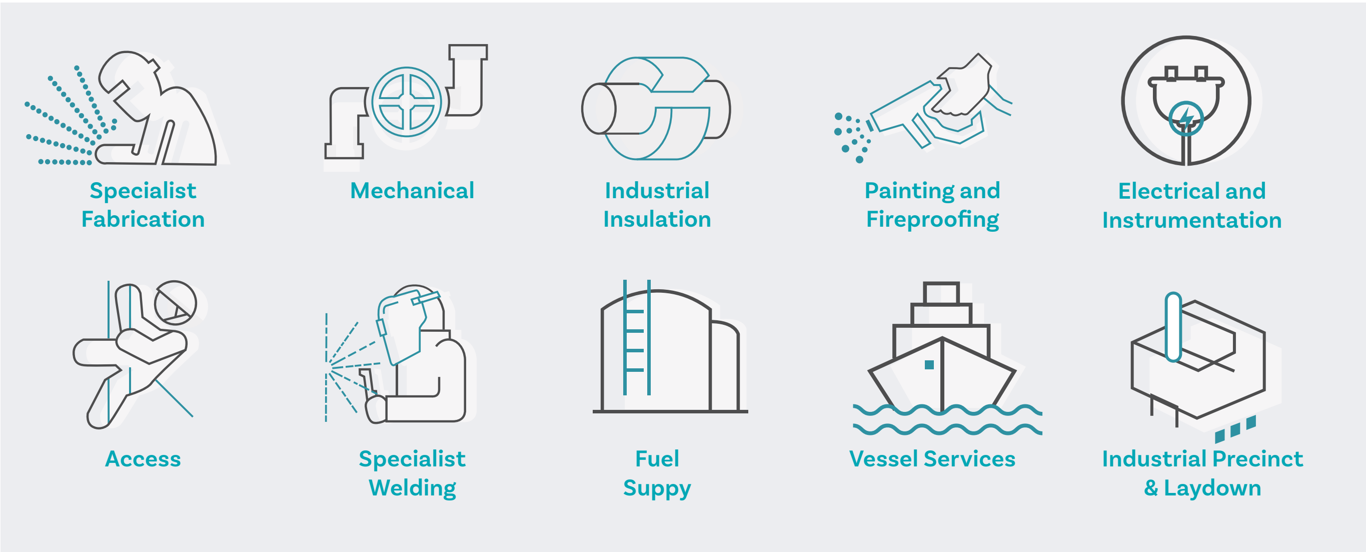
About Us

AusGroup is a leading integrated service solutions provider, with operations across Australia and South East Asia.

With over 30 years of experience, we have worked closely with clients to build, maintain and upgrade some of the region's most challenging projects.

With over one thousand employees and six strategically located operating centres, our suite of services is comprehensive and includes:

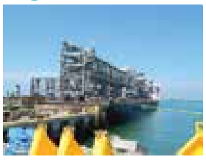
- Multidisciplinary maintenance
- Shutdowns / turnarounds
- Fabrication
- Mechanical & piping
- Specialist welding
- Electrical & instrumentation
- Industrial insulation
- Surface protection
- Access services
- Scaffold supply & management
- Scaffold design and planning
- Rope access
- Logistics & laydown
- Labour supply
- Training programs
- Fuel storage & distribution
- Vessel Services



Support For All Stages of Asset Development and Operational Scheduless

Our services and solutions are comprehensive.

We provide a fully integrated suite of multi-disciplinary support covering all stages of asset lifecycles – from initial fabrication, modularisation, construction, ongoing maintenance, turnarounds and eventual decommissioning.

Duration	Phase	Potential Services Delivery
Up to 5 years	Exploration 	• Marine transportation • Storage • Supply Base services • Fuel distribution • Fabrication
2 - 5 years	Construction 	• Fabrication • Modularisation • Structural mechanical and piping • Electrical and Instrumentation • Insulation • Painting • Scaffolding and rope access • Marine transportation • Logistic/Mobilisation base • Load-out facility • Fuel storage and distribution
	Logistics 	• Marine transportation • Storage • Supply Base services • Fuel distribution
	Installation 	• Structural mechanical and piping • Fabrication • Insulation • Scaffolding and rope access
25 -40 years	Operations 	• Maintenance • Structural mechanical and piping • Electrical and Instrumentation • Scaffolding and rope access • Painting • Insulation • Fabrication • Onshore/Offshore logistics
+ 40 years	Decommission 	• Demolition • Labour provision • Marine logistics • Onshore/Offshore logistics

AusGroup Operations

With expert teams and strategically located operating centres, AusGroup provides a comprehensive range of services across the construction, commissioning & handover and operation, maintenance and turnaround phases, throughout regions of Australia and South East Asia

AusGroup Project Experience

Fabrication Services

FQM Ravensthorpe Shoemaker Levy Project – Truss Assembly

Client: First Quantum Minerals Ltd

Location: Esperance region, Western Australia

Contract term: 2020 to 2021

AusGroup provided services for the assembly, alignment, construction verification and preparation for shipment for thirty-three pre-fabricated truss sections.

Each of the sections were fabricated overseas and shipped to AGC's Kwinana facility where they were organised, assembled and outfitted with grating, handrail and idler rollers.

Fabrication Services

Dampier Salt Stacker Fabrication And Install (CV007)

Client: Rio Tinto (Dampier Salt)

Location: Dampier, WA

As part of contract CV007 AusGroup fabricated approx. 77t of steelwork fabrication for a replacement stacker boom at Dampier Salt Mine.

The scope of work included:

- Shop detailing
- Steel procurement and fabrication
- Mechanical equipment procurement
- Assembly at Kwinana
- Transport in module form to Dampier
- Site demolition of the old stacker
- Site installation of the new stacker

AusGroup Project Experience

Construction Services

Technical Ammonium Nitrate Plant Recovery Project

Client: Yara International / Orica Ltd JV

Location: Pilbara region, Western Australia

AusGroup (AGC) provided critical deconstruction and construction services for dryers, heat exchangers and an absorption tower, together with a range of integrated services including:

- Mechanical
- Electrical & instrumentation
- Welding
- Boilermaking
- Scaffolding
- Rigging
- Cranage
- Insulation
- Fabrication

Construction Services

FQM Ravensthorpe Nickel Operations Expansion Restart Works

Client: First Quantum Minerals Ltd

Location: Esperance region, Western Australia

Contract term: 2020 to 2021

AusGroup (AGC) has been contracted to provide onsite structural, mechanical and piping services to bring the Ravensthorpe Nickel plant into operation.

AGC is also engaged as an early contractor for a new ore handling and primary crushing facility, including an eight kilometre overland conveyor.

Painting, Insulation and Fireproofing

INPEX - Ichthys Project Onshore LNG Facilities

Client: JKC Australia LNG Pty Ltd

Location: Bladin Point, Northern Territory

Contract term: March 2015 - 2018

AusGroup and Meisei Industrial Company Limited formed a joint venture (AMJV) to provide painting, surface protection, fireproofing and insulation works for JKC as part of the wider INPEX project.

AusGroup Project Experience

Maintenance Services

Chevron Australia Master Contractor Services Contract

Client: Chevron Australia Pty Ltd

Location: Ashburton North, Western Australia

Contract term: 6 years from 2015, and recently extended to 2030

AusGroup was awarded a 6 + 10 year maintenance services contract by Chevron Australia Pty Ltd to provide brownfield maintenance and support services for the operational phase of its Western Australian assets.

The scope of work encompasses maintenance turnaround and brownfield execution services onshore and offshore. The services are delivered as part of a 10 year multi-discipline contract. The contract creates local jobs as well as traineeship and apprenticeship opportunities for the indigenous community through AusGroup's Reconciliation Action Plan (RAP).

Maintenance and Shutdown Services

The Wheatstone Asset's turnaround (TAR) maintenance project commenced with the extensive planning services provided by AusGroup at our head office in West Perth.

The TAR Planning Team of over 90 staff comprised of specialist disciplines working in an integrated approach with the client. The team focused on maximising efficiency, cost savings and identifying risk mitigations in the early planning stages of each TAR event, including:

- Work packing
- Event management
- Execution leads and support
- Planning and scheduling
- Production support
- Materials specialists
- Resources planning
- QA/QC & completions
- Shutdown engineers
- Structural Mechanical Engineers
- Procurement

AusGroup Project Experience

Multi-discipline Maintenance Services

Prelude Brownfield Projects

Client: Technip FMC (Shell)

Location: Shell Prelude FLNG

Contract term: July 2021 to June 2023

As an expansion of AusGroup's existing Brownfield Project services contract with Technip FMC, we now support their contract with Shell for the Prelude FLNG asset. Including; supervision, inspection, mechanical, welding, electrical & instrumentation, rigging, insulation, scaffolding and rope access technicians which is expanded from the original scope of Rope Access, Painter and Blasters.

Maintenance and Shutdown Services

Scaffold and Insulation Services

Client: Esso Public Company Ltd

Location: Thailand

Contract term: 5 year commencing January 2021

AusGroup was awarded a multidisciplinary services contract to supply scaffold material and insulation services for the Esso Sriracha Refinery, Thailand.

The scope includes routine maintenance, shut down and project work.

Access Services

INPEX - Ichthys Project Onshore LNG Facilities

Client: JKC Australia LNG Pty Ltd

Location: Bladin Point, Northern Territory

Contract Term: March 2015 - 2018

AusGroup provided over 15,000T of scaffold and 1000 scaffolders to JKC as part of the INPEX project.

Chairman & CEO Message

> The Board recognises the significant work involved in delivering our projects successfully, safely and sustainably and thanks them for their ongoing commitment

Mr Wu Yu Liang

Mr Shane Kimpton

The total revenue for the year of AU$245.1m is 25.7% better than the previous year (AU$195.1m), clearly demonstrating that the business is recovering from the impacts of the COVID-19 pandemic that curtailed all business activity levels in 2021 and has also impacted this current period of market volatility, and challenging market conditions.

The results for the full year to June 2022, however, are disappointing despite some solid performances from our projects completed in the maintenance sector, reflecting the successful and safe completion of two major shutdowns for our major client. The full loss after tax for the year of AU$31.7m resulted from the losses due to outstanding claim positions from one client on one challenging construction contract, the East Rockingham waste to energy project in Western Australia, which is nearing completion. In addition, further non-cash impairments have been recognised in relation to the carrying value of the NT Port & Marine Port business in Northern Territory following a review of the underlying business cash flows. This has resulted in impairments of AU$10.8m in the value of property, plant & equipment, other intangible assets and right of use assets respectively, due to the reduced work activity at the Port on Melville Island and in Darwin where the East Arm facility is no longer used by the business.

AusGroup continued to win and extend contracts with tier 1 clients across the Lithium, Nickel, Iron Ore and LNG sectors and ended the year with AU$882 million of contracted work in hand, underpinning a high-level of secured revenue and earnings for FY23 and beyond.

Our business this year, has been impacted by supply chain shortages and disruptions stemming from the impact of COVID-19, increasing interest rates and cost inflation as well as the market shortage in labour resources resulting in escalating labour costs. The shortage of skilled labour caused by the fallout from the effects of the COVID-19 pandemic has had a major impact on our cost base and project margins requiring an extension to the cost management measures instigated at the outset of the pandemic. It is encouraging to see these impacts gradually reducing as travel restrictions ease and international skilled labour markets become more accessible.

Chairman & CEO Message

HEALTH AND SAFETY

AusGroup continued to implement improved Health & Safety programs and the ongoing engagement with our workforce across all our operations delivered an improved result with no major safety incidents. Our Total Recordable Injury Frequency Rate (TRIFR) has reduced further this year to 1.66 (FY21 recorded a TRIFR of 2.57) which is a tremendous achievement given all the complexities that have existed this year. Our Long Term Injury Frequency Rate (LTIFR) has again been maintained at 0.00, another significant milestone. The success of "Our Perfect Day" is the foundation for these results so that we send our people home to their loved ones safely every day.

PEOPLE

The challenges faced to provide a high level of service to our clients in Western Australia required commitment from our employees. The ability to meet and provide the resources to successfully sustain our projects safely in a competitive labour market and with all the challenges that existed during and after the worst of the pandemic is a testament to the organisation and our most valuable human resources. A measure of success is recognition, so we are extremely proud of the achievements of our young apprentices and in particular congratulations are conveyed to Ruben Phelps for winning the 'Apprentice of the Year' Award at the recent Onslow Chamber of Commerce & Industry Business Awards 2022.

We would also like to take this opportunity to thank all our employees across the Group for their hard work and commitment to delivering for our clients during the year.

SUSTAINABILITY

Our Annual Report this year includes an expanded Sustainability Report providing information on the progressive nature of all the programmes we are participating in across the Environmental, Social and Governance activities and initiatives (ESG) and it is pleasing to have met all of our sustainability targets however we acknowledge that this is a long and evolving journey.

AusGroup has three key sustainability sectors covering Our People and Community, Our Environment and Our Governance. We have highlighted our Perfect Day philosophy earlier in this message and expand on the importance of this initiative to our business and, more critically, our people in the Sustainability Report. Another very important initiative that impacts our people is the work progressed in the year on our mental health awareness strategies – we now have 45 Mental Health First Aiders.

Our Gender and Diversity activities have increased further this year with our "Thrive" initiative which is part of our gender parity approach. Thrive was founded to assist in building deeper connections across the female population in AusGroup and to make change happen so that there is a more inclusive environment to thrive and grow at AusGroup. AusGroup's female employees have participated in a number of events focused on positively challenging perceptions around gender diversity, including Women In Oil Gas & Energy (WIOG), International Women's Day, Energy Club and WA Mining Club Young Professionals.

AusGroup is also a proud supporting partner of the Aboriginal Business Directory WA ("ABDWA") to help enable ABDWA carry out activities such as onboarding and helping Aboriginal businesses win work, particularly in the regions we operate in.

We remain focused on our commitment of inclusion and acceptance across the ESG spectrum with a view to continuous improvement.

OPERATIONS

There have been some outstanding performances on contracts, in particular on the Chevron Master Services Contract where we completed two major turnarounds on the Chevron facilities safely, on time and successfully.

The diversification of our revenue has continued with work across all sectors increasing in the year from fabrication packages, resources projects and mid to long term maintenance contracts, which includes Rope Access services being supplied across all these areas. We have also seen an increasing exposure to service and maintenance style work with recurring revenues.

Chairman & CEO Message

The sustaining capital work on our resource's projects and long term contracts with our name plate clients has continued to grow this year with work completed across a multitude of Western Australian Iron Ore mine sites.

OUTLOOK

The year-end order book was AU$882m, with some near-term opportunities likely to see this continue to grow as we convert the current tenders to win work across our core markets in the maintenance and resources sectors. Our focus and investment on our people will continue as we move forward and we have a strong pipeline of highly targeted and operationally aligned opportunities worth approximately AU$221m in the short to mid-term, in addition to numerous contract renewals and recurring services scopes we are targeting.

The Group's workforce remains adequate to service client requirements, although constraints within the labour pool of available resources will need to be managed to suit emerging opportunities so that the current opportunities can be maximised and converted.

CONCLUSION

We would like to take this opportunity to thank our employees across the Group for their hard work, dedication and commitment to delivering for our clients during the year. The Board recognises the significant work involved in delivering our projects successfully, safely and sustainably and thanks them for their ongoing commitment.

We have seen two members of our Board depart this year and wish to express our sincere appreciation for their significant contribution to the Group, providing guidance and clear leadership during their tenure. We wish to express our thanks to Mr. Wang Yu Huei and Mr. Toh Shi Jie and wish Alan and Shi Jie every success in the future.

We would also like to thank our clients and shareholders for their continued support and express our thanks during this very challenging year.

Mr Wu Yu Liang
Independent Director & Non-Executive Chairman

Mr Shane Kimpton
Chief Executive Officer & Managing Director

Board Of Directors

MR WU YU LIANG
Independent Director and Non-Executive Chairman

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

Mr Wu has more than 36 years of legal experience, advising a broad spectrum of corporate and commercial issues, ranging from 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 Sevens Atelier Limited.

MR SHANE KIMPTON
Managing Director and Chief Executive Officer

- **Member of the Board of Directors**

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

Mr Kimpton has held senior executive roles with ExxonMobil and Contractors, working in a number of locations across some of the world's largest Oil & LNG plants. He has a demonstrated track record of strategic, operational HSE leadership, delivering outstanding long-term business and EBIT growth.

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

MR CHEW HENG CHING
Independent Non-Executive Director

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

Mr Chew has more than 40 years' senior management experience in both the public and private sectors. He was formerly a Member of Parliament and the Deputy Speaker of the Singapore Parliament.

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

Mr Chew is currently an independent non -executive director of Bonvests Holdings Ltd, Hong Leong Global Enterprises Ltd and Pharmesis International Ltd.

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

MS OOI CHEE KAR
Independent Non-Executive Director

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

Ms Ooi Chee Kar has more than 30 years of professional experience in Singapore and the United Kingdom. Qualified as a UK chartered accountant, Ms Ooi's experience covers a wide range of industries from financial services to shipping and oil trading. 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 currently an independent director of Tokyo Marine Life Insurance Singapore Ltd., Tokyo Marine Insurance Singapore Ltd., board member and Audit Committee Chair of National Council of Social Services and member of Investor Committee of Mapletree US Logistics Private Trust. She served as an independent director of Pacific Radiance Limited from October 2013 to April 2019, Singapore Pools (Private) Limited from June 2016 to June 2022 and Singapore Eye Research Institute from October 2013 to September 2022 She also served as a member of Tote Board audit and risk committee from September 2019 to June 2022.

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

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

- **Member of the Board of Directors**

Mr Eng has over 28 years of Mr Eng has almost 30 years of senior management, business development and mergers and acquisitions experience across various industries. Mr Eng was previously the managing director and executive director of AusGroup Limited.

Before joining AusGroup Limited, he was the chief executive officer of Aquaterra Supply Co. Ltd. where he grew and led the company to be listed on the Singapore Exchange, and was concurrently 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 is currently a nonexecutive director of Charisma Energy Services Limited.

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

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

- **Member of the Board of Directors**

Mr Poh has more than 20 years of experience in town planning, real estate and property development across both the public and private sectors. He is currently the 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 Postgraduate Diploma in Business Administration from the National University of Singapore.

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 2018 ("**Code**") issued by the Monetary Authority of Singapore on 6 August 2018.

Set out below are the policies and practices adopted by the Company to comply with the principles and provisions of the Code. The Company has complied in all material aspects with the principles and provisions set out in the Code. 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 company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

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 NC, 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 as recommended by the R&HCC;
- 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.
- Considering and addressing the Group's sustainability issues in relation to the Environmental, Social and Governance ("ESG") factors identified as material for the Company as part of its strategic formulation. The Company's Sustainability Reporting is set out on page 28 of the Annual Report.

The Board acts in the best interests of the Company and oversees the performance of Management. Management are held accountable for performance of the Company. A formal code of conduct has been adopted to ensure that all Directors and employees maintain a high level of integrity and ethical standards in all business practices.

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.

A Director would abstain from voting on resolutions approving any contract, transaction, arrangement in which he or she or any of his or her close associates is materially interested in and such Director is not counted for quorum determination purposes.

The Board has delegated specific responsibilities to the Audit, Nominating and R&HCCs, the details of which are set out in this Report. All Board committees are constituted with clear written terms of reference.

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.

Corporate Governance *CONTINUED*

The Board's Conduct Of Affairs (continued)

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 Board meets at least four times a year, with additional meetings convened as necessary. Each Director ensures that sufficient time and attention are given to the affairs of the Company, even though they may have multiple board representations. The Board had six meetings during the financial year ended 30 June 2022 ("FY2022"). 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 2022.

The matrix on the roles, the frequency of the Board and Board Committee meetings held during FY2022, and the attendance of each Director at these meetings are set out below.

	Board of Directors			Audit Committee ("AC")			Nominating Committee ("NC")			Remuneration And Human Capital Committee ("R&HCC")			Annual General Meeting		Extra -ordinary General Meeting	
		No. of Meetings(1)			No. of Meetings(1)			No. of Meetings(1)			No. of Meetings(1)		No. of Meetings(1)		No. of Meeting(1)	
	P	**H**	**A**	P	H	A	P	H	A	P	H	A	H	A	H	A
Executive Director																
Shane Francis Kimpton	M	6	6	–	–	–	–	–	–	–	–	–	1	1	1	1
Non-Executive Director																
Wu Yu Liang	C	6	6	M	5	5	M	4	4	M	4	4	1	1	1	1
Eng Chiaw Koon	M	6	6	–	–	–	–	–	–	–	–	–	1	1	1	1
Ooi Chee Kar	M	6	6	C	5	5	M	4	4	M	4	4	1	1	1	1
Chew Heng Ching	M	6	6	M	5	5	C	4	4	C	4	4	1	1	1	1
Poh Boon Kher, Melvin	M	6	6	–	–	–	–	–	–	–	–	–	1	1	–	–
Wang Yu Huei(2)	M	6	6	–	–	–	–	–	–	–	–	–	1	1	1	1
Toh Shi Jie(2)	M	6	6	–	–	–	–	–	–	–	–	–	1	1	1	1

Notes:

P - Position held as at 30 June 2022

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 2021 (or from date of appointment or until the date of resignation of director, where applicable) to 30 June 2022.

(2) Resigned on 6 September 2022

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

Corporate Governance *CONTINUED*

The Board's Conduct Of Affairs (continued)

Board Composition And Guidance

Principle 2 : The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Currently, the Board comprises one Executive Director and five Non-Executive Directors, out of which three are Independent Directors:

- Wu Yu Liang - Independent Director and Non-Executive Chairman
- Shane Francis Kimpton - Managing Director and Chief Executive Officer ("MD/CEO")
- Ooi Chee Kar - Independent and Non-Executive Director
- Chew Heng Ching - Independent and Non-Executive Director
- Eng Chiaw Koon - Non-Independent and Non-Executive Director
- Poh Boon Kher, Melvin - Non-Independent and Non-Executive Director

The Nominating Committee ("NC") confirms that Independent Directors made up at least one-third of the Board for the financial year ended 30 June 2022. Non-executive directors make up a majority of the Board.

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

Pursuant to Rule 210(5)(d)(iii) of the Listing Rules which takes effect from 1 January 2022, a director will not be considered independent if he has served for an aggregate of more than nine (9) years and his/her continued appointment as an independent director has not been sought and approved in separate resolutions by (a) all shareholders and (b) shareholders, excluding the directors and chief executive officer of the issuer, and associates of such directors and chief executive officer (the "Two-Tier Voting Process"). Such resolutions approved by a Two-Tier Voting Process may remain in force for three (3) years from the conclusion of the annual general meeting following the passing of the resolutions or the retirement or resignation of the director, whichever is earlier.

Messrs Wu Yu Liang and Ooi Chee Kar were appointed as an Independent Directors of the Company on 20 May 2014 and 17 January 2014 and would have served on the Board beyond nine (9) years on 21 May 2023 and 18 January 2023 respectively and they will be subject to the Two-Tier Voting Process at the forthcoming Annual General Meeting for them to remain in office as Independent Non-Executive Directors of the Company.

In this respect, the Board has recommended that the approval from the shareholders be sought through the Two-Tier Voting Process at the forthcoming Annual General Meeting for Messrs Wu Yu Liang and Ooi Chee Kar to continue in office as Independent Non-Executive Directors of the Company, notwithstanding that they will have served as an Independent Non-Executive Director for an aggregate term of nine (9) years on 21 May 2023 and 18 January 2023 respectively.

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

The composition of the Board is reviewed annually by the NC and the Board to ensure that there is an appropriate mix of expertise and experience to enable the Management to benefit from a diverse perspective of issues that are brought before the Board.

The Board recognises that a diverse Board enhances decision-making, with variety in skills, industry and business experiences, gender and other distinguishing qualities of the members of the Board. Together, the Directors contribute diversity and wide-ranging business, industry knowledge and financial experiences relevant to the direction of the Group. Key information regarding the Directors, including directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments is presented in the "Board of Directors" section of this Annual Report.

Whilst there is no formal Board diversity policy, the NC and the Board are cognizant of the recommendations as set out under Provision 2.4 of the Code and adopt these when considering potential candidates for the refreshment of Board.

Corporate Governance *CONTINUED*

Board Composition And Guidance (continued)

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

The Non-Executive Directors and/or Independent Directors had met amongst themselves when necessary, without the presence of Management during the FY2022. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

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

Chairman and Chief Executive Officer

Principle 3 : There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Wu Yu Liang is the Non-Executive Chairman of the Board and Shane Francis Kimpton is the CEO. The two roles are separate whereby the Chairman is responsible for providing guidance on the corporate direction of the Group and leadership to the Board, and the CEO is responsible for the day-to-day management and leadership of the business. There is clear division of responsibilities between the leadership of the Board and Management. 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.

Wu Yu Liang, an Independent Non-Executive Director was appointed as the Board Chairman on 13 February 2019. Concerns by shareholders and for which contact through the normal channels of communication with the Management are inappropriate or inadequate, can be raised through the independent Chairman. No query or request on any matter which requires the Board Chairman's attention, was received from shareholders in FY2022.

Board Membership

Principle 4 : The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.
Nominating Committee ("NC")

The NC comprises the following three Directors, all of whom, including the Chairman, are Independent and Non-Executive Directors:

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

The principal functions of the NC in accordance with its terms of reference are:

- Setting a process to identify and nominate to the Board, candidates for all directorships to be filled by shareholders or the Board; the appointment and re-appointment of Directors, candidates for all Management positions; and Directors to fill the seats on Board Committees;
- Overseeing the management, development and succession planning of the Group, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel, including appointing, training and mentoring key management personnel;
- Determining the process and 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/her duties as a Director when he/she 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 training and professional development programmes for the Board; and
- Determining annually, and as and when circumstances require, whether or not a Director is independent.

Corporate Governance *CONTINUED*

Board Membership (continued)

The NC had four meetings during the financial year under review to perform the above responsibilities, as well as to review and recommend the Directors due for re-appointment at the AGM.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his/her 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 NC. 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. The Regulations also provide that at least one-third of the remaining Directors be subject to re-election by rotation at each AGM. At this AGM, Eng Chiaw Koon and Wu Yu Liang would be subject to re-election pursuant to Regulation 91 of the Company's Constitution. In addition, the NC is cognizant that in accordance with Rule 720(5) of the SGX-ST Listing Manual, all Directors must submit themselves for re-nomination and re-appointment at least once every three years.

In the search, nomination and selection process for new Directors, the NC 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 NC utilises 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 NC, before a decision is reached. The NC also oversees the re-appointment of Directors as and when their tenure of appointment is due. In assessing the Directors for re-appointment, the NC evaluates several criteria including qualifications, contributions and independence of the Directors.

The NC carries out annual review of the independence status of each Independent Director. For FY2022, the Board had concurred with the NC's view that the three (3) Independent and Non-Executive Directors, namely, Wu Yu Liang, Ooi Chee Kar and Chew Heng Ching are independent, taking into account the circumstance set out in Rule 210(5) of the SGX-ST Listing Manual and Provision 2.1 of the Code and any other salient factors that might affect their independence.

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.

No Alternate Directors have been appointed during FY2022.

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

Director	Date of first appointment	Date of last re-election	Due for re-election / election at the coming AGM	Seeking re-election / election
Eng Chiaw Koon	10 Jul 2014	24 Oct 2019	v	v
Ooi Chee Kar	17 Jan 2014	24 Oct 2019	–	–
Wu Yu Liang	20 May 2014	22 October 2020	v	v
Chew Heng Ching	14 Nov 2014	22 October 2020	–	–
Shane Francis Kimpton	10 Jul 2017	22 October 2020	–	–
Poh Boon Kher, Melvin	1 Nov 2017	25 Oct 2018	–	–

Information on the Directors and their shareholdings are disclosed on pages and of this Annual Report. Each of the Director due for re-appointment at the coming AGM, namely Eng Chiaw Koon and Wu Yu Liang, have no relationship (including immediate family relationship) with the other Directors, the Company or its substantial shareholders.

Board Performance

Principle 5 : The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

On an annual basis, the Chairman of the Board and the NC, 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.

Corporate Governance *CONTINUED*

Board Performance (continued)

The NC 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 NC 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 NC 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 2022. The results of the self-assessment by Directors and the Board's effectiveness as a whole as compiled were tabled to the NC and Board for review and deliberation.

There was no external consultant involved in the Board's assessment process in FY2022.

The Board was satisfied with the results of the assessment and the current size and composition of the Board and board committees are 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 NC 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 NC 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. For the financial year under review, no director has exceeded the limit.

Directors' training

As an integral element of the process of appointing new Directors, the NC 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 develop, maintain and update themselves with the necessary skills and knowledge to discharge their duties and responsibilities as Directors at the Group's expense. The Directors attend courses and trainings as and when they are scheduled such as programmes organised by the Singapore Institute of Directors.

Pursuant to Listing Rule 720(7), all directors are required to undergo training on sustainability matters as prescribed by the Exchange. The Company will make arrangement for the directors to attend the said training.

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 6 : The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

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 ("R&HCC") making recommendations to the Board.

The R&HCC comprises the following three Directors, all of whom are Independent and Non-Executive Directors:

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

Corporate Governance *CONTINUED*

Procedures for Developing Remuneration Policies (continued)

The principal responsibilities of the R&HCC in accordance with its terms of reference 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.

The R&HCC had four meetings during the financial year under review to perform the above responsibilities, as well as to monitor the remuneration practices in the Group. The matrix on the roles, the frequency of meetings and the attendance of Directors at these meetings is set out on page 15 of this report.

No remuneration consultants were engaged by the Company in FY2022.

None of the Directors is involved in the discussion and making a decision on his/her own remuneration.

Level and Mix of Remuneration

Principle 7 : The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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 8 : The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The R&HCC 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.

Directors' fees to be paid to non-executive directors are subject to shareholders' approval at the AGM.

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.

Between the period from April 2022 to June 2022, the R&HCC 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 R&HCC seeks to ensure the alignment of remuneration and reward plans with the shareholders' interests.

Remuneration structure

The remuneration and reward framework for executives consists of a competitive fixed remuneration comprising a base salary, superannuation and other benefits, short-term or long-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.

Corporate Governance *CONTINUED*

Disclosure On Remuneration (continued)

Short-term incentives

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

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

For the financial year ended 30 June 2022, short-term incentive bonuses have been provided for based on the Board agreed annual targets.

Long-term incentives

The AusGroup Performance Share Plan ("PSP") and AusGroup Share Option Scheme ("ASOS") for employees of the Group (including any executive and non-executive director) and/or a subsidiary was approved by shareholders and adopted on 9 October 2019.

The AusGroup PSP and ASOS are designed to reward its Participants via the issue and/or transfer of fully paid shares according to the extent to which they achieve performance targets over set performance periods. Performance targets will be in the form of key performance indicators prescribed by the R&HCC and may include, for example, the successful completion of a project or the successful achievement of certain quantifiable performance conditions or targets, such as sales targets, productivity targets or years of service.

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 not to disclose a breakdown of the exact amount of remuneration for each individual director and the CEO. The Board and the R&HCC are of the view that the disclosure of the remuneration of the Directors and MD/CEO in bands of S$250,000 with a breakdown of the components in percentage would be sufficient and is consistent with the intent of Principle 8 of the Code. The remuneration of the Directors for the financial year ended 30 June 2022 is as follows (based on an average exchange rate of S$0.987 : 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						
Chew Heng Ching	100%	0%	0%	0%	0%	100%
Ooi Chee Kar	100%	0%	0%	0%	0%	100%
Wu Yu Liang	100%	0%	0%	0%	0%	100%
Poh Boon Kher, Melvin	100%	0%	0%	0%	0%	100%
Wang Yu Huei (1)	100%	0%	0%	0%	0%	100%
Eng Chiaw Koon	100%	0%	0%	0%	0%	100%
Toh Shi Jie (1)	100%	0%	0%	0%	0%	100%
S$500,000 to below S$750,000						
Shane Francis Kimpton	0%	79.2%	0%	20.8%	0%	100%

(1) Resigned on 6 September 2022

Corporate Governance *CONTINUED*

Disclosure On Remuneration (continued)

The Board is aware of the recommendation under Provision 8.1(b) of the Code to disclose in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the MD/CEO). 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 and is consistent with the intent of Principle 8 of the Code. The remuneration of the top five key management personnel of the Group for the financial year ended 30 June 2022 is as follows (based on an average exchange rate of S$0.987 : 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					
Andrew Mark Horsfield [1]	55%	45%	0%	0%	100%
James Joseph Dunbar [2]	100%	0%	0%	0%	100%
S$250,000 to below S$500,000					
Christian Andrew Johnstone	100%	0%	0%	0%	100%
Nathan Walter Pike	100%	0%	0%	0%	100%
Easwaren Puvanendran	100%	0%	0%	0%	100%
Michael Edward Birch [3]	100%	0%	0%	0%	100%

(1) Resigned on 29 October 2021

(2) Appointed on 4 January 2022

(3) Appointed on 15 September 2021

There is no employee of the Group who is a substantial shareholder of the Company, or an immediate family member of any Director or CEO or substantial shareholder of the Company and whose remuneration exceeded S$100,000 during the financial year ended 30 June 2022.

Share option and share right schemes

The Group currently has the following two schemes in operation (collectively referred to as "the Schemes") and details of the Schemes are disclosed in the Directors' statement section set out in page of this Annual Report.

- AusGroup Employee Share Option Scheme 2019
- AusGroup Performance Share Plan

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.

Corporate Governance *CONTINUED*

ACCOUNTABILITY AND AUDIT

Risk Management And Internal Controls

Principle 9 : The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

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 AC 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 AC, 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.

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 AC 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 AC, 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.

In addition, the AC and the Board have received assurance from:

- the MD/CEO and the Chief Financial Officer ('CFO') that as of 30 June 2022, the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- the MD/CEO and other key management personnel that as of 30 June 2022, the Group's risk management and internal control systems to address the key financial, operational, compliance and information technology risks affecting the operations are adequate and effective to meet the needs of the Group in its current business environment.

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC. The AC would report all material updates to the Board. Hence the Board is of the view that it would not be necessary to establish a separate board risk committee to oversee and monitor the Group's risk management framework and policies as recommended under Provision 9.1 of the Code.

The Board and the AC are also responsible for (a) monitoring the Company's risk of becoming subject to, or violating, any Sanction Law; and (b) ensuring timely and accurate disclosures to SGX-ST of any such risks and other relevant authorities. The Company will inform shareholders of any sanction-related risks on the Company, the impact of such risk on the financials and operations of the Group, if any, and also the cessation of such risk via announcement to the SGXNet.

Corporate Governance *CONTINUED*

Audit Committee

Principle 10 : The Board has an Audit Committee ("AC") which discharges its duties objectively.

The AC comprises the three following Directors, all of whom are Independent and Non-Executive Directors:

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

The Board is of the view that the members of the AC are appropriately qualified, having accounting or related financial management expertise or experience as the Board interprets such qualification, to discharge their responsibilities. No AC member is a former partner or director of the Company's existing auditing firm or auditing corporation (a) within a period of two years commencing on the date of his/her ceasing to be a partner or director and in any case (b) for as long as he/she has any financial interest in auditing firm or auditing corporation.

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

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

During the financial year under review, the AC 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 independence, appointment, replacement, reassignment or the dismissal of the internal auditors, and the adequacy and effectiveness of the internal audit function;
- 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 AC and the Board.

The total fees paid to the external auditors of the Group, KPMG LLP Singapore, for the financial year ended 30 June 2022, are as disclosed in note 26 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 2022 were AU$0.5 million (2021: AU$0.5 million). There were no non-audit services provided by them for the financial year ended 30 June 2022. (2021: AU$94,000).

The total 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 AC 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.

Corporate Governance *CONTINUED*

Audit Committee (continued)

After reviewing the independence, performance and remuneration of KPMG LLP Singapore based on the recommendation of the AC, 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 the appointment of auditing firm as external auditors of the Group.

Financial matters

The AC also considered the report from the external auditors, including their findings on the key areas of audit focus. Significant matters that were discussed with management and external auditors have been included in the Independent Auditors' Report for the financial year ended 30 June 2022 (refer to pages 41 to 42 of this Annual Report).

The AC has considered the impairment risk over the Port and Marine cash-generating unit. The Group engaged an independent external valuer to prepare a valuation for the Port and Marine cash generating unit for financial reporting purposes. Having considered the independent external valuation the AC concurs with the opinion of the external auditors that the carrying value of the Port and Marine cash generating unit is within a supportable range.

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 AC any improprieties committed by Management or staff of the Group. Details of the whistle blowing policy are posted on the Group's intranet for staff access. New staff members are briefed during their induction.

A whistle blowing policy unit has been set up to review all matters reported to the MD/CEO. The AC reviews all cases reported and investigated every quarter. No reports were made during the year in review.

Internal Audit

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 have free access to the documents, records, properties and personnel of the Group. The internal auditors report directly to the AC which assists the Board in monitoring and managing risks and ensuring the integrity of internal controls of the Group. The AC approves the strategic internal audit plan, which is reviewed by the AC annually in light of the changing risk profile of the Group, and ensures the adequacy of internal audit resources to perform its tasks. The AC is of the opinion that the internal audit function is independent and adequately resourced to discharge its responsibilities effectively.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11 : The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.
Shareholder Rights

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.

Corporate Governance *CONTINUED*

Shareholder Rights and Conduct of general meetings (continued)

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.

In view of the current COVID-19 situation in Singapore, similar to last year, the Company's forthcoming AGM in respect of 2022 will be convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at least 48 hours prior to the closing date and time for the lodgement of proxy form and voting by appointing the Chairman of the Meeting or such other person as proxy at the AGM, will be put in place for the coming AGM.

All Directors, including the Chairman of the respective Board Committees, key management personnel and representative from the external auditors will be present at the Company's AGMs. Shareholders are able to address their queries about the conduct of audit and the preparation and content of the auditors' report. Details of the Directors' attendance at the AGM held in respect of FY2021 is disclosed on page 15 of this report.

Balanced and understandable assessment of performance, position and prospects

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.

Conduct of General Meetings

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/CEO, the CFO and the respective Chairman of the AC, NC and R&HCCs, and external auditors are available to respond to shareholders' questions during the meeting.

Each item of ordinary/special business included in the notice of the general meeting will be accompanied by a full explanation of the effects of a proposed resolution as part of the explanatory notes to the notice of the general meetings. Separate resolutions are proposed for substantially separate issues at the general meetings.

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.

In line with Provision 11.5 of the Code, the minutes of the Company's AGM held last year on 21 October 2021 was announced via SGXNet on 17 November 2021 and made available publicly on the Company's website.

Dividend policy

The Group does not have a fixed dividend policy. There was no dividend declared to the shareholders of the Group for FY2022 due to the working capital requirements of the Group.

Corporate Governance *CONTINUED*

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Communication with Shareholders

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 Group does not have a dedicated investor relations team, the Group recognises the importance of regular, effective and timely communication with shareholders. Notwithstanding that there is no formal investor relations policy in place, the Board is cognizant of the recommendations as set out under Provisions 12.2 and 12.3 of the Code.

Engagement with stakeholders

Principle 13 : The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to work towards sustainable growth. The Company has identified key stakeholder groups and the Company's efforts on sustainability are focused on creating sustainable value for our key stakeholders, which include employees, lenders, investors, clients and regulators / Government. The Company has undertaken a process to determine the various issues which are important to theses stakeholders, including ESG factors. Details of our stakeholder engagement methods and the resulting areas of focus in relation to the management of stakeholders is disclosed in the Company's Sustainability Reporting, which is set out on pages 28 of this Annual Report.

The Company maintains a current corporate website at www.ausgroupltd.com to communicate and engage with key stakeholders. The Company's corporate website contains various information pertaining to the Group and the Company which serves as an important resource for investors and all key stakeholders. The website is updated from time to time.

Dealings in securities

The Group has adopted an internal code of best practices on securities transactions applicable to the Company, which has been disseminated and distributed to all officers and employees, to provide guidance to the officers, including Directors and officers of both the Company and its subsidiaries, in relation to dealings in the Company's securities. The Directors and officers of the Group 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 announcement of the full-year results on the SGX-ST. For quarterly results, the Directors and officers of the Group 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 announcement of the quarterly results on the SGX-ST. The Directors and officers of the Group are also not allowed to deal in the Company's securities on short-term considerations and while they are in possession of unpublished price-sensitive information of the Group. The Group has complied with the best practices set out in the SGX-ST Listing Manual.

Interested person transactions ("IPT")

The Group has implemented procedures governing all interested person transactions. In particular, the AC 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 AC detailing all interested person transactions. A register is maintained of all interested person transactions.
There were no IPT transactions for the financial year under review.

Material Contracts

Except as disclosed in the financial statements, there were no material contracts (including loans) entered into by the Company or any of its subsidiaries involving the interests of the CEO, any Directors or controlling shareholders subsisted at the end of FY2022 or have been entered into since the end of the previous financial year.

Sustainability Report

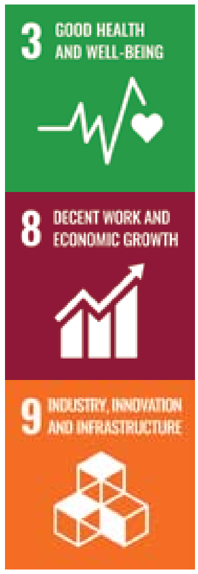
In line with SGX reporting requirements, the Board Statement for Sustainability Reporting which addresses the Group's material environmental, social and governance (ESG) sustainability factors is:

> *AusGroup recognises the importance of sustainability reporting. We always aim to conduct our operations with due care to the highest standard. AusGroup reviews the scope of works for each project and has established environmental, social and governance targets and objectives for each.*

All projects have in place environmental aspects and impacts registers, Health, Safety and Environmental Management Plans and are operated under our certified ISO management systems. This process ensures sustainability risks are reduced to as low as reasonably practicable. AusGroup has defined its material Sustainability risks as: Protect the health and safety of our people, maintain our social licence to operate, attract and retain the best people, provide economic opportunity for Aboriginal and Torres Strait Islander (ATSI) people, ensure our integrated management system effectively manages sustainability risk and meet legislative compliance. AusGroup has determined that the applicable sustainability reporting framework to track performance and improvement against these strategic imperatives (with reference to the Global Reporting Initiative Sustainability Reporting Guidelines G4 framework) for FY 2022 is contained in the following report with an assessment of the performance of AusGroup against these targets.

AusGroup has three key sustainability sectors covering Our People and Community, Our Environment and Our Governance and Ethics. AusGroup's Sustainability Plan includes icons at the beginning of each section to show the alignment between our sustainability actions and the United Nations Sustainable Development Goals which is a collection of 17 interlinked global goals deigned to be a blueprint to achieve a better and more sustainable future for all. For more information about these goals visit www.sustainabledevelopment.un.org.

Our People and Community



Health and safety

The health and safety of our employees, clients, contractors and everyone else who we interact and operate with is at our core. It's a concern that goes far beyond our legal obligations and is encapsulated in our Perfect Day program.

AusGroup - "Perfect Day" Philosophy

"Perfect Day" was created after a Significant Event which occurred in one of our workshops in 2009. "Perfect Day" is an embedded initiative that drives our behaviours and underpins all AusGroup safety systems.

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

Sustainability Report *CONTINUED*

The Initiative

The Perfect Day initiative was developed from the feedback of our employees, who felt the aspiration of perfect safety performance could be achieved one day at a time. The initiative is designed to change behaviour and allow us to explore more effective ways to manage hazards and risks within our working environments. It is about taking things one day at a time, being engaged and realising that what we do at work today can have a direct impact on how we enjoy life tomorrow.

What Does It Look Like?

AusGroup recognises that every person has a different reason for being at work. We are all trying to achieve our "Perfect Day" and we want our people to use this as their incentive for planning work and controlling risk in the workplace.

There was a shift in the safety mindset when we created Perfect Day.

From 2009 to today, 13 years later, we moved from focusing on statistics and data, to thinking about our individual safety and the safety of the people we were working with, each day.

A Perfect Day at AusGroup is one where there are zero injuries or incidents, and our staff and clients go home safely at the end of the day.

AusGroup continues to support the Starlight Children's Foundation including their Annual Gift Giving Drive at Christmas.

Employee Assistance Program (EAP)

AusGroup recognises that employees may from time-to-time experience stress, trauma or other life events that affect both their personal and work lives as well as their overall quality of life. AusGroup's offers free confidential professional counselling services for employees and their immediate families to provide assistance and support in times of challenges and provide resources to promote health and wellbeing.

Mental Health

AusGroup supports a number of initiatives to encompass mental health into the fabric of our work environment, to acknowledge its existence and support employees through difficult times. These include Movember, RUOK and the Push Up challenge.

To support the mental health of our employees AusGroup has trained over 75 nationally accredited Mental Health First Aiders.

Sustainability Report *CONTINUED*

Grievance Resolution Policy

AusGroup acknowledges that our employees may face with grievances in the workplace. AusGroup is committed to ensuring that employees have the opportunity to have their concerns addressed fairly. AusGroup's Grievance Resolution policy was adopted to manage these situations confidentially, with the aim to have employees heard and achieve constructive outcomes.

Workplace Behaviour Standard

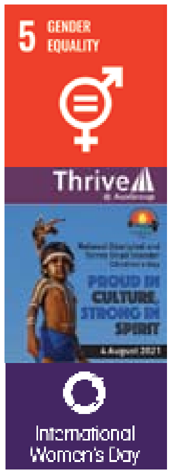
Our Perfect Day initiative extends to all employee's behaviours and work and the standard we require of all employees in course of their employment. Perfect Day and our Workplace Behaviour Standard is underpinned by our corporate value of Safety and Wellbeing. Every employee is responsible for the safety of themselves and those whom they work with.

Performance against objectives

ESG measure	FY22 Target	FY22 Actual	FY22 Performance
Safety performance	Nil fatalities	Nil fatalities	✓

Diversity and inclusion

Gender diversity



Thrive at AusGroup, which is part of our gender parity approach has celebrated its second anniversary this year. Thrive was founded to assist in building deeper connections across the female population in the company and to make change happen so that there is a more inclusive environment to thrive and grow at AusGroup.

In keeping with its ongoing commitment to gender diversity, and inclusion a range of development and relationship strengthening initiatives have been rolled out. In addition, AusGroup employees have participated in a number of events focused on positively challenging perceptions around gender diversity, including Women In Oil Gas & Energy (WIOG), International Women's Day, Energy Club and WA Mining Club Young Professionals.

During the year activities have included: attending the Swan River Sailing Women on Water event to support the discovery of the leadership skills, mindful-ness and team building through sailing. Thrive course clubs looking at financial independence, the importance of having a Will, team building, well-being and self-care, developing effective leadership styles and communication techniques. During NAIDOC week members joined a cultural journey of discovery on Kings Park Yorga's Walk to hear traditional stories of Whadjuk Country, the history of the Nyungar people in Perth and Kings Park and the significance of Yorgos (women). CEO and MD Shane Kimpton along with members of Thrive@AusGroup have also enjoyed a wildflower bike tour in Kings Park. Many new connections were made, and existing connections expanded - all while having some fun and learning about the magnificent Kings Park. An end of year celebration was held in December to celebrate Thrive's achievements to date and to look forward to thriving in 2022/23.

We submitted our 2021/22 Workplace Gender Equality Report to the Workplace Gender Equality Agency and a copy of the report is available on the Agency's website.

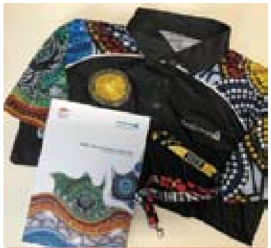
Sustainability Report *CONTINUED*

AusGroup is a proud supporting partner of the Aboriginal Business Directory WA ("ABDWA") to help enable ABDWA carry out activities such as onboarding and helping Aboriginal businesses win work, particularly in the regions. We continue to support many Aboriginal businesses through our procurement strategies which saw an increase of 36% of spend with Aboriginal businesses in 2022.

This directory brings together Aboriginal businesses operating in Western Australia with potential buyers. If you are a buyer in search of goods or services supplied by an Aboriginal business, this is the place to start your search.

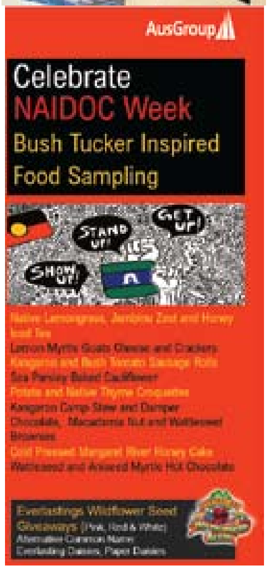
Reconciliation Action Plan

AusGroup operates across multiple project sites in Australia on many different traditional lands. We recognise and respect the traditional owners of the lands upon which we operate, we consider working with Aboriginal and Torres Strait Islander people to be fundamental to our business success.



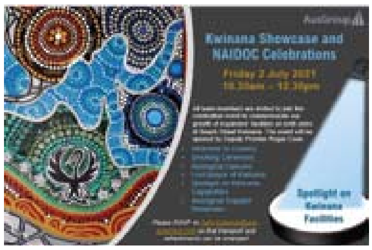
The company has continued to make significant progress on its reconciliation journey and are awaiting endorsement from Reconciliation Australian of our new Innovate phase Reconciliation Action Plan.

AusGroup were proud sponsors of the Larrakia Nation Apprentice Award July 2021. AusGroup took a stand at the community wide Perth Opening Ceremony as part of the postponed / COVID impacted NAIDOC 2021 program. Our PPE shirts and polo tops are increasingly including excerpts of indigenous dot painting artwork which create an authentic basis for story telling and improving cultural awareness. AusGroup donated volunteer time and loaned equipment to Reconciliation WA to support Reconciliation Week 2022 events.



NAIDOC Week 2022 activities included a Bush Tucker Inspired Food Sampling and Connecting to County Event. Team members were also provided with the opportunity to attend Australian Institute of Energy event Power our country by empowering our Country which had one of our suppliers Boodjara Energy as a keynote speaker.

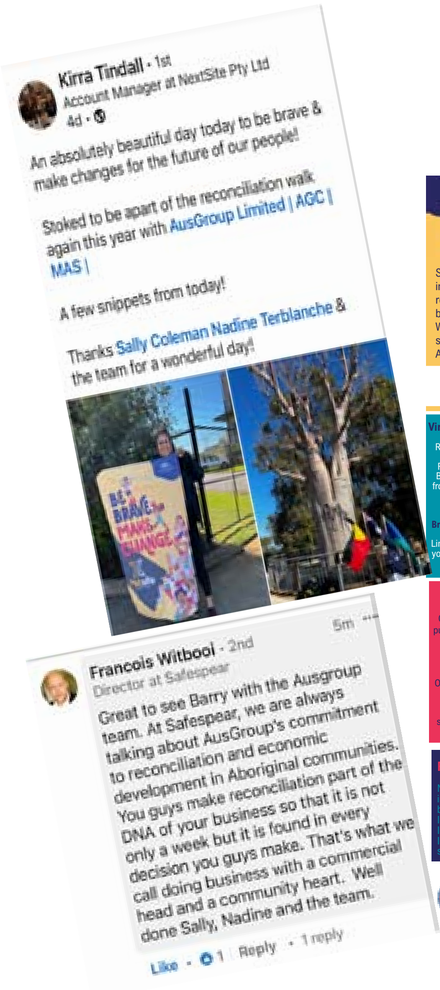
Sustainability Report *CONTINUED*



AusGroup hosted a Spotlight on our Kwinana Facilities which included 200 people attending our celebration to commemorate being in Kwinana for 32 years and expanding to a new facility opposite our existing facility. We wanted to encourage new connections between locations, gain new knowledge about our capabilities and learn more about the land on which we are on. The event commenced with a Welcome to Country and Smoking Ceremony by a Noongar Junior Elder in the presence of the WA Deputy Premier and the Kwinana Mayor.

AusGroup is committed to building strong and lasting relationships with new and existing Aboriginal and Torres Strait Islander businesses in the areas in which we operate. Through these relationships we share knowledge, expertise and experience with each other which enables AusGroup and our suppliers to build a strong foundation upon which to collaborate with the communities in a meaningful, respectful, and engaged way to support sustained positive economic outcomes. In this year, we increased our Indigenous business spend by 36% compared to the previous year. A highlight of the last year has been inviting Indigenous owned AusGroup suppliers to both internally hosted and externally organised events, including AusGroup's Spotlight on Kwinana event which attracted team members, students from a Pinjarra High School, Suppliers, Kwinana's Mayor and the State's Deputy Premier. Stronger connections with our supply chain were also built by spending time together and walking together on the Walk for Reconciliation 2022 in Perth's Kings Park.

> *"At Safespear, we are always talking about AusGroup's commitment to reconciliation and economic development in Aboriginal communities. You guys make reconciliation part of the DNA of your business so that it is not only a week but it is found in every decision you guys make"*



AusGroup

National Reconciliation Week

Friday 27 May - Friday 3 June 2022

Starting next Friday, the National Reconciliation Week 2022 theme, "**Be Brave. Make Change**" is a challenge to all Australians - individuals, families, communities, organisations and government - to *Be Brave* and tackle the unfinished business of reconciliation so we can *Make Change* for the benefit of all Australians by taking action, not just in National Reconciliation Week but every week of the year.
We have arranged a number of events throughout National Reconciliation Week to provide opportunities to learn about our shared histories, cultures, and achievements, and to explore how each of us can contribute to achieving reconciliation in Australia – please read on to find out more!

AusGroup Reconciliation Activities

Virtual Breakfast Event | Friday 27 May

Reconciliation WA are inviting ONE MILLION West Australians to join the National Reconciliation Virtual Breakfast. The Virtual Breakfast will feature a Welcome to Country from Elders across Western Australia, cultural entertainment, a powerful keynote presentation, and a panel discussion with guests from across our regions.
Breakfast packs will be available in the West Perth office from 9.45am
Links to the digital kit will be circulated so that you can engage with the breakfast program at a time that best suits you.

Pop-Up Mini Library has been Expanded

To support learning more about our shared histories, cultures and achievements we have a pop-up mini library of resources which moves between West Perth and Kwinana.

Our mini library will be relocated to kitchen area West Perth offices from Monday 30 May before moving to Kwinana again.

Simply sign the books out to take home – new titles to read with your family have been added to the collection.

Giveaways which include Indigenous Art Work | Monday 30 May

We know that our giveaways which include Indigenous art work are always popular!

On Monday 30 May in the Kwinana and West Perth Offices, RAP (Reconciliation Action Plan) members will be handing out some great giveaways which all include excerpts of Indigenous art work.

Indigenous owned Company Spend $3.275M over last 12 months

Over the last 12 months our company wide purchase order spend with Indigenous owned companies has averaged 4.5% of overall spend which represents:

$3.275M

Our 2022 year to date average spend is 4.8% ($1.3M) with a target is to secure 8% by June 2023
Get involved and support increasing this spend - *More information is included on the next page*

Walk for Reconciliation | Friday 3 June

We absolutely loved walking together with some of our Indigenous owned supplier companies last year and we are offering an opportunity to journey together again! This year the Walk is through Kaarta Koomba (Kings Park). To help ensure COVID-19 safety and to manage capacity and flow throughout the Walk, Reconciliation WA are taking walk bookings.

AusGroup has a reserved timeslot to walk between 12.30pm – 1.30pm

Please email sally.coleman@agc-ausgroup.com if you would like to join the walk

BE BRAVE. MAKE CHANGE

AusGroup Corporate Email Footer

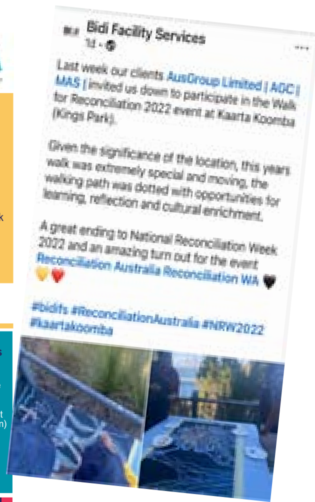
ICT have arranged to add a Reconciliation Week footer to our emails during NRW. The collection of bold, brave characters brought to life by contemporary Torres Strait Islander illustrator, Tori-Jay Mordey shows some of the different faces of Australians working for a just and equal society. They are a visual reminder that reconciliation is everybody's business.

Reconciliation Week - A Brief History

BE BRAVE. MAKE CHANGE

National Reconciliation Week (NRW) started as the Week of Prayer for Reconciliation in 1993 (the International Year of the World's Indigenous Peoples) and was supported by Australia's major faith communities.
In 1996, the Council for Aboriginal Reconciliation launched Australia's first National Reconciliation Week.
In 2001, Reconciliation Australia was established to continue to provide national leadership on reconciliation.
In the same year, approximately 300,000 people walked across Sydney Harbour Bridge as part of National Reconciliation Week -and subsequently across bridges in cities and towns-to show their support for reconciliation.

ReconciliationWA



Sustainability Report *CONTINUED*

Creation of a program of events to Support National Reconciliation Week 2022. Events include COVID safe virtual breakfast event to connect with up to one million Western Australians, expansion of our library to support learning more about our shared histories and cultures and participation in the Walk for Reconciliation with several of our Indigenous owned suppliers. AusGroup have also donated volunteer time and a marquee to Reconciliation WA throughout the week.

AusGroup will:

- Ensure Welcome to Country and Acknowledgment of Traditional Owners protocols are established and followed.
- Establish and comply with Client Project Site Cultural Heritage Management Plans and our own guidelines.
- Build Aboriginal and Torres Strait Islander cultural awareness of our workforce through the delivery of cultural awareness and competency training in consultation with the Aboriginal, Native Title Group and Torres Strait Islander communities in which AusGroup undertakes business operations to build understanding and knowledge of First Nations people culture, history, heritage, values and beliefs.
- Grow our commitment to cultural awareness through our learning pathways.
- Review our approach to cultural leave and review all people related policies and procedures to ensure they are culturally sensitive and anti-discriminatory.

Performance against objectives

ESG measure	FY22 Target	FY22 Actual	FY22 Performance
ATSI spend	10% above FY21 spend	36% above FY21 spend	✓
Reconciliation Action Plan	Progress to "Innovate" stage of the Reconciliation Action Plan	Innovate Plan drafted pending feedback and endorsement from Reconciliation Australia	✓

Community – NT Port and Marine spotlight

NT Port and Marine ("NTPM") is an AusGroup company which is highly committed to giving back to the communities in which we operate. Our facilities and operations are designed to provide tangible economic value and long-term benefits for the Tiwi community, as the Traditional Owners.

Education and Employment

One of our key goals is to provide real and rewarding education and employment opportunities for Tiwi Islanders. We aim to offer them opportunities to build careers on their land, allowing them to enrich their communities for generations to come.

We work closely with the Tiwi community, through the Tiwi Land Council, Tiwi Islands Training and Employment Board (TITEB) and Tiwi College Training Facility to create strong pathways and support for Tiwi Islanders to enter into rewarding careers on their island home. This includes jobs directly associated with Port Melville through marine and contracting services. There are also job opportunities created through the activities from various support services associated with the Port.

On the Tiwi Islands, Australian rules football isn't just a game – it's a way of life. The Tiwis' love of the game is legendary, and the islands of Bathurst and Melville, located 80 kilometres north of Darwin, have produced some of the most gifted football players Australia has ever seen, including Maurice Rioli, Dean Rioli, Austin Wonaeamirri, Cyril Rioli, and Anthony McDonald-Tipungwuti.

The Tiwi Islands Football League (TIFL) comprises eight locally based teams who compete during the wet season months of October to March. The season culminates with an annual grand final and art festival which is arguably the biggest event in the Tiwi Islands calendar.

"It's a huge day for us", explained Dean Rioli, former Essendon Bombers player and current President of the Tiwi Islands Football League. "Pretty much everyone from the Island attends the grand final. The standard of footy is as exciting as you'll see anywhere, and you've never seen a crowd as passionate. It's something very special."

Sustainability Report *CONTINUED*

The importance of football to the Tiwi community isn't just measured by on-field success and the talent of its players. In many ways, winning is secondary to the true impact that the sport has had on the local community. According to Dean Rioli, the impacts have been life-changing in ways that are almost impossible to measure. "Football brings a sense of purpose to Tiwis. It creates structure, community engagement, and community spirit. It's something all Tiwis feel part of. You can't overstate just how important it is for the Islands and our society. It's what brings us together, and its literally saved lives." It's the opportunity to support Tiwi people and their passion for football that has inspired NT Port and Marine (NTPM) to become involved with the Tiwi Islands Football League as its principal sponsor.

NTPM is part of the AusGroup family, and the TIFL sponsorship is an example of AusGroup's wider commitment to Indigenous engagement and opportunity.

Indigenous employment

The NTPM business has played an important role in supporting the local Tiwi community. The business employs approximately 12 people including local Tiwis – this number is expected to grow as local industry itself grows.

AusGroup remains committed to attracting and retaining a workforce where people from a wide variety of backgrounds, skills and cultures work together to grow and contribute to the long-term success of AusGroup. We continue to provide employment and training opportunities for Aboriginal and Torres Strait Islander peoples across our business. As at 30 June 2022, Indigenous participation within Australian Workforce stands at 2.5% which represents 28 team members.

One of our Indigenous Apprentices is progressing through their four year training plan and is on track to progress into a full trade role by the end of 2022.

Performance against objectives

ESG measure	FY22 Target	FY22 Actual	FY22 Performance
Gender diversity	>9%	11%	✓
ATSI employment	>2.0%	2.5%	✓
Maintain compliance	Transition to ISO 45001 from 4801	Transition achieved	✓

Our Environmental

AusGroup's environmental footprint changes on a daily basis as we perform services to our customers mainly in customer's premises. We continue to be diligent in our work practices on a daily basis to protect the environment we work in.

One of the most environmentally sensitive areas we work in is the operation of our NT Port and Marine business in the Tiwi Islands, Northern Territory. NT Port and Marine has an extensive Operations Environmental Management Plan ("EMP") which aims to minimise any impact of Port Melville's operations on the surrounding environment, cultural values and local community. We work on a process of continuous improvement by regularly monitoring potential environmental impacts and considering future environmental impacts/risks. A copy of the plan is available at https://www.ntportandmarine.com.

Sustainability Report *CONTINUED*

Performance against objectives

ESG measure	FY22 Target	FY22 Actual	FY22 Performance
Environmental performance	Nil ‘major’ environmental incidents	Nil ‘major’ environmental incidents	✓
Environmental management systems	Maintain ISO:14001 accreditation	Maintain ISO:14001 accreditation	✓

Our Governance and Ethics

Business ethics

All our employees share a common set of values and objectives. Our Core Values guide everything we do. They influence our behaviours; support the decisions we make and provide a shared and consistent focus to ensure we deliver client value at all times.

Underpinning the AusGroup Core Values there are attributes throughout the AusGroup business further bolstering the sustainability footprint.

One essential aim is to uphold ethical standards and we always strive to do business with customers and suppliers of equally sound business character and reputation.

Code of Conduct

The Company’s Code of Conduct is underpinned by the Company values and provides guidance on the expected behaviour of all employees, so that decisions and actions reflect the highest standards of conduct and is core to everything we do.

AusGroup’s Code of Conduct is provided during an employee’s onboarding process to ensure we maintain a high level of integrity and ethical standards in all business practices.

Whistleblowing Management System

The Company has a whistleblowing hotline service, facilitated by an independent professional services provider, where employees, contractors and members of the public can report instances of actual or suspected unethical or unlawful conduct essentially any behaviour that they feel is wrong or inappropriate. This management system also extends to any behaviours that contravene our Perfect Day initiative or Workplace Behaviour Standard. Any activities raised are reported to the Board and fully investigated with action taken based on factual findings.

Internal controls and risk management

In March 2022 AusGroup undertook a recertification Audit for ISO 45001 Occupational Health and Safety, ISO 14001 Environmental and ISO9001 Quality Management. These were completed and AusGroup maintains its certification and compliance. These internationally recognised standards require AusGroup to have structured operational systems and practices in place and these are a key part of the standards we work to and comply with.

The Group’s independent internal auditor undertakes a number of audits across our operations to provide a further check of the operation of our internal control systems.

Sustainability Report *CONTINUED*

The Group has exposure to a number of material economic, environmental and social sustainability risks which are identified and managed within the Group's Risk Management Framework which management continually monitor and mitigate and is reviewed by the Board on a quarterly basis.

Performance against objectives

ESG measure	FY22 Target	FY22 Actual	FY22 Performance
Sustainability governance	Form Sustainability Committee	Sustainability formed	✓
Ensure training compliance is maintained	Maintain overall training compliance at 95%	Training compliance at June 22 was 96%	✓
Continue internal control audits to monitor compliance and identify gaps	Assessments to be completed by AusGoup's Internal Auditor (Deloitte)	Assessments were completed by AusGoup's internal auditor	✓
Maintain compliance	Maintain ISO 9000 accreditation	ISO 9000 accreditation maintained	✓

Financial Statements

Directors' Statement

For the financial year ended 30 June 2022

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 2022.

In the opinion of the directors,

(a) the financial statements set out on pages 43 to 107 are drawn up so as to give a true and fair view of the consolidated financial position of the Group and of the financial position of the Company as at 30 June 2022 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year then ended on that date in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reposting Standards (International); 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.

The Board of directors has, on the date of this statement, authorised these financial statements for issue.

1 Directors

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

- Wu Yu Liang
- Ooi Chee Kar
- Chew Heng Ching
- Shane Francis Kimpton
- Poh Boon Kher, Melvin
- Eng Chiaw Koon

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

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 01.07.2021 or date of appointment, if later	At 30.06.2022	At 21.07.2022	At 01.07.2021 or date of appointment, if later	At 30.06.2022	At 21.07.2022
The Company						
No. of ordinary shares						
Poh Boon Kher, Melvin	299,799,712	299,799,712	299,799,712	–	–	–
Shane Francis Kimpton	15,000,000	25,000,000	25,000,000	–	–	–

4 Share option and share right schemes

AusGroup Employee Share Option Scheme 2007, AusGroup Share Option Scheme 2010, AusGroup Share Scheme 2010 and options issued to Ezion Holdings Limited and Eng Chiaw Koon have now expired. The Group currently has two schemes in operation (collectively referred to as "the schemes"):

(a) *AusGroup Employee Share Option Scheme 2019 ("ASOS")*

- 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 and 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 reporting date and no director has any options at the reporting date.

(b) *AusGroup Performance Share Plan ("PSP")*

- Except as disclosed in note 21 in the financial statement, 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 22 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.
- 95,500,000 share awards pursuant to PSP were granted subject to certain performance conditions being met. In addition, on 9 December 2021, Shane Francis Kimpton was granted 10,000,000 awards under the PSP.

Participant information at the end of the financial year

Name of participant	Awards granted as at 30 June 2021	Awards granted during financial year under review (including terms)	Aggregate awards granted since commencement of scheme to end of financial year under review	Aggregate shares issued since commencement of scheme to end of financial year under review	Aggregate awards outstanding as at 30 June 2022 under review
Director					
Shane Francis Kimpton	15,000,000	10,000,000	25,000,000	10,000,000	15,000,000

Additional information on these schemes and options are provided in note 22 to the financial statements.
All two schemes are administered by the Remuneration and Human Capital Committee of which the members at the end of the financial year were as follows:

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

5 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.

Directors' Statement *CONTINUED*

5 Audit Committee (continued)

The Audit Committee performed the functions specified in Section 201B(5) of the Act, the Singapore Exchange Securities Trading Limited (SGX-ST) Listing Manual and Code of Corporate Governance.

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

6 Independent Auditors

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

On behalf of the Board of Directors

Wu Yu Liang
Non-Executive Chairman
Singapore

Shane Francis Kimpton
Managing Director
Singapore

3 October 2022

Independent Auditor's Report

To the Members of AusGroup Limited

Report on the audit of the consolidated 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 statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2022, 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 consolidated financial statements, including a summary of significant accounting policies, as set out on pages pages 43 to 107.

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

Notes 2 and Note 19(a) to the financial statements state that the outstanding multi-currency notes (the "Notes") of AU$41.7 million are callable on demand caused by a covenant breach. The Group has put forth a draft debt restructuring plan to multi-currency noteholders ("Noteholders"), which includes a waiver of breached covenant, an extension of the Notes' current maturity date, i.e., 3 December 2022 by another 60 months, and a debt-to-equity conversion arrangement in the event the proceeds from sale of the secured asset is insufficient to fully extinguish the outstanding obligation of the Notes. As at the date of this report, there is no agreement reached with the Noteholders in respect of this debt restructuring plan. The Group also has a shareholder loan amounting to AU$27.5 million, maturing on 31 October 2023. The Group has not extended its shareholders' loan as at the date of this report. As such, we are unable to conclude whether the use of going concern assumption in the preparation of financial statements is appropriate. The financial statements do not include any adjustments or any reclassification of assets and liabilities that would result if the going concern assumption is not appropriate.

Responsibilities of management and director for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act 1967 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)"), 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 used 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 (SSAs) and to issue an auditors' report. However, because of the matter 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.

Independent Auditor's Report *CONTINUED*

To the Members of AusGroup Limited

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 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 Loo Kwok Chiang, Adrian.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
3 October 2022

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Notes	Group 2022 AU$'000	Group 2021 AU$'000
Revenue	23	**245,052**	195,060
Cost of sales		**(240,124)**	(175,987)
Gross profit		**4,928**	19,073
Other operating income	24	**685**	985
Other operating costs		**(10,432)**	(9,049)
Impairment of property, plant and equipment	12	**(5,264)**	–
Impairment of other intangible assets	15	**(4,036)**	–
Impairment of right-of-use assets	13	**(1,513)**	–
Impairment of trade receivables and contract assets	6	**(891)**	(217)
Administrative expenses		**(6,883)**	(4,117)
Marketing and distribution expenses		**(1,876)**	(1,019)
(Loss)/profit from operations		**(25,282)**	5,656
Finance costs	27	**(6,063)**	(4,124)
(Loss)/profit before income tax		**(31,345)**	1,532
Income tax expense	28	**(338)**	(330)
Net (loss)/profit for the year		**(31,683)**	1,202
Other comprehensive (loss)/income			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences - current year		**(3,630)**	3,486
Total comprehensive (loss)/income for the year		**(35,313)**	4,688
(Loss)/earnings per share (AU$ cents per share)			
- Basic (loss)/earnings per share	29	**(1.03)**	0.04
- Diluted (loss)/earnings per share	29	**(1.03)**	0.04

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

Statements of Financial Position

As at 30 June 2022

		Group		Company	
	Notes	**2022 AU$'000**	2021 AU$'000	**2022 AU$'000**	2021 AU$'000
ASSETS					
Current assets					
Cash and cash equivalents	5	**6,259**	8,669	**24**	52
Trade receivables and contract assets	6	**55,977**	56,564	**–**	–
Other receivables and prepayments	7	**6,152**	3,796	**1,016**	928
Inventories	8	**1,491**	2,576	**–**	–
Assets held for sale	9	**6,261**	–	**–**	–
Total current assets		**76,140**	71,605	**1,040**	980
Non-current assets					
Property, plant and equipment	12	**32,513**	46,676	**–**	–
Right-of-use assets	13	**9,625**	13,472	**–**	–
Goodwill	14	**10,994**	10,994	**–**	–
Other intangible assets	15	**9,239**	14,067	**–**	–
Due from subsidiaries	10	**–**	–	**2**	155
Investments in subsidiaries	11	**–**	–	**83,015**	90,604
Total non-current assets		**62,371**	85,209	**83,017**	90,759
Total assets		**138,511**	156,814	**84,057**	91,739
LIABILITIES					
Current liabilities					
Trade payables and provision for foreseeable contract losses	17	**19,651**	7,578	**–**	–
Other payables	18	**23,007**	23,841	**1,068**	756
Due to subsidiaries	10	**–**	–	**8,451**	19,034
Borrowings	19	**46,308**	4,842	**41,677**	–
Accruals for other liabilities and charges	20	**5,147**	4,188	**–**	–
Total current liabilities		**94,113**	40,449	**51,196**	19,790
Non-current liabilities					
Deferred income tax liabilities	16	**523**	496	**–**	–
Borrowings	19	**37,049**	75,404	**27,509**	63,951
Accruals for other liabilities and charges	20	**579**	532	**–**	–
Total non-current liabilities		**38,151**	76,432	**27,509**	63,951
Total liabilities		**132,264**	116,881	**78,705**	83,741
Net assets		**6,247**	39,933	**5,352**	7,998
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	**217,005**	216,759	**217,005**	216,759
Capital reserve	22	**(163)**	(163)	**(163)**	(163)
Share based payment reserve	22	**7,044**	5,663	**7,044**	5,663
Foreign currency translation reserve	22	**14,962**	18,592	**27,226**	26,531
Accumulated losses		**(232,601)**	(200,918)	**(245,760)**	(240,792)
Total equity		**6,247**	39,933	**5,352**	7,998

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

Group	Notes	Share capital AU$'000	Capital reserve AU$'000	Share based payment reserve AU$'000	Foreign currency translation reserve AU$'000	Accumulated losses AU$'000	Total equity AU$'000
Balance as at 1 July 2021		216,759	(163)	5,663	18,592	(200,918)	**39,933**
Loss for the year		–	–	–	–	(31,683)	**(31,683)**
Other comprehensive loss		–	–	–	(3,630)	–	**(3,630)**
Total comprehensive loss for the year		–	–	–	(3,630)	(31,683)	**(35,313)**
Transactions with owners in their capacity as owners:							
Employee share and option scheme expense	22	–	–	1,627	–	–	**1,627**
Shares issued through employee share schemes		246	–	(246)	–	–	**–**
		246	–	1,381	–	–	**1,627**
Balance at 30 June 2022		**217,005**	**(163)**	**7,044**	**14,962**	**(232,601)**	**6,247**
Group							
Balance as at 1 July 2020		216,349	(163)	5,848	15,106	(202,120)	35,020
Profit for the year		–	–	–	–	1,202	1,202
Other comprehensive income		–	–	–	3,486	–	3,486
Total comprehensive income for the year		–	–	–	3,486	1,202	4,688
Transactions with owners in their capacity as owners:							
Employee share and option scheme expense	22	–	–	225	–	–	225
Shares issued pursuant to contract of employment		410	–	(410)	–	–	–
		410	–	(185)	–	–	225
Balance at 30 June 2021		216,759	(163)	5,663	18,592	(200,918)	39,933

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Notes	Group 2022 AU$'000	2021 AU$'000
Cash flows from operating activities			
Net (loss) / profit for the year		**(31,683)**	1,202
Adjustments for:			
Income tax expense	28	**338**	330
Depreciation of property, plant and equipment	12	**3,679**	4,057
Depreciation of right-of-use assets	13	**2,860**	2,736
Amortisation of other intangible assets	15	**1,107**	844
Employee share and share option scheme expense	30	**1,627**	225
Impairment loss on trade receivables and contract assets	6	**891**	217
Impairment loss on property, plant and equipment	12	**5,264**	–
Impairment loss on intangible assets	15	**4,036**	–
Impairment loss on right-of-use assets	13	**1,513**	–
Net unrealised foreign exchange differences		**716**	(821)
Profit on sale of property, plant and equipment	24	**(398)**	(33)
Interest income	24	**(13)**	(66)
Finance costs	27	**6,063**	4,124
Operating cash flows before working capital changes		**(4,000)**	12,815
Changes in operating assets and liabilities			
Trade receivables and contract assets		**(304)**	(22,083)
Other receivables and prepayments		**(2,441)**	915
Trade payables and contract liabilities		**12,073**	1,470
Accruals and other payables		**172**	4,195
Inventories		**1,085**	1,304
Cash generated from / (used in) operations		**6,585**	(1,384)
Interest paid		**(4,164)**	(2,312)
Interest received		**13**	66
Income tax paid		**(225)**	(117)
Net cash generated from / (used in) operating activities		**2,209**	(3,747)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**1,147**	674
Purchase of property, plant and equipment	12	**(1,640)**	(1,752)
Purchase of other intangible assets	15	**(315)**	(1,097)
Net cash used in investing activities		**(808)**	(2,175)
Cash flows from financing activities			
Proceeds from insurance funding	19	**3,781**	5,378
Repayment of borrowings	19	**–**	(5,000)
Repayment of insurance funding	19	**(3,921)**	(5,065)
Payment for lease liabilities	19	**(3,676)**	(3,503)
(Withhold) / release of restricted cash*		**(2,543)**	850
Net cash outflow from financing activities		**(6,359)**	(7,340)
Net decrease in cash and cash equivalents		**(4,958)**	(13,262)
Effects of exchange rate changes on cash and cash equivalents		**4**	(20)
Cash and cash equivalents at the beginning of the financial year		**7,806**	21,088
Cash and cash equivalents at end of year	5	**2,852**	7,806

** 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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 3 Shenton Way, #21-04 Shenton House, Singapore 068805 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 2022 and the statement of financial position of the Company as at 30 June 2022 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 3 October 2022.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in note 11.

2 Summary of significant accounting policies

(a) *Basis of preparation*

Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). The changes to significant accounting policies are described in note 2 (b)(i).

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

Critical accounting estimates and judgement

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

Preparation of the financial statements on a going concern basis

The Group incurred a net loss of AU$31.7 million for the financial year ended 30 June 2022. As of that date, the Group and Company were in net current liability positions of AU$18 million and AU$50.2 million, respectively. In the assessment of the appropriateness of going concern assumption used in the preparation of the financial statements, the directors of the Company are reviewing a debt restructuring plan to be negotiated with multi-currency noteholders ("Noteholders") and subsequently with a shareholder. and cash flows forecast to be generated from the Group's businesses.

As at 30 June 2022, the Group has outstanding multi-currency notes ("Notes") totalling AU$41.7 million which matures on 3 December 2022 and is capable of being called for repayment on demand by the Noteholders as a result of a covenant breach (refer to Note 19(a)). As of the date of this report, there is no notice of demand served by the Noteholders as the Group is in active discussions with the Noteholders to reach a debt restructuring plan. The Group has submitted a draft Consent Solicitation Statement to the Noteholders with a proposed debt restructuring plan which includes an extension of the maturity date ("Revised Maturity Date") by 60 months after 3 December 2022, a debt-to-equity conversion feature in the event that the sale of the Noteholders' secured assets does not fully extinguish the outstanding debt and a waiver of the breached covenant. The Group has previously extended the Notes on two occasions with the Noteholders and will work with the Noteholders to reach mutually acceptable terms for the restructuring. The Group continues to be in exploratory talks with interested parties to divest the secured assets (comprising the assets of NT Port and Marine) to repay the Noteholders debt.

In addition, the Group plans to engage in a similar proposed restructuring of the loan from a substantial shareholder ("Shareholder Loan") of AU$27.5 million which is not due until 31 October 2023.

2 Summary of significant accounting policies (continued)

(a) *Basis of preparation (continued)*

Preparation of the financial statements on a going concern basis (continued)

Management has prepared the Group's cash flow forecasts from 1 July 2022 to 31 December 2023, 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 new work will be secured to generate positive operating cash flows to meet its working capital needs and settle other short term debt obligations at least in the next 12 months from the reporting date. The sufficiency of the management cash flow forecasts is additionally supported by recent completion of a property sale and leaseback transaction for AU$16.2 million concluded on 26 August 2022.

The directors believe the Group can agree a debt restructuring plan with Noteholders and consider that the Group's use of the going concern assumption in preparation of the financial statements remains appropriate.

In summary, the directors' assessment is premised on the following:

- the realisation of forecasted cash flows from the Group from 1 July 2022 to 31 December 2023, including revenue from secured and unsecured contracts and the ongoing pipeline of work which the Group has in hand beyond this forecast period;
- there is no notice of statutory demand issued for immediate repayment of the Notes and the current maturity date of the Notes can be extended beyond 3 December 2022;
- the ability of the Group to negotiate for an extension of the Shareholder Loan beyond October 2023;
- the additional funding raised from recent completion of the Sale & Leaseback of the facility at 15 Beach Street, Kwinana Beach WA for A$16.2 million concluded on 26 August 2022 (see Note 9); and
- the ability of the Group to divest assets or businesses to raise proceeds to extinguish the Group's debt obligations.

In view of the above, the directors believe that the Group will be able to meet its obligations as and when they fall due, at least in the next 12 months from the reporting date. The directors are of the opinion that the preparation of the financial statements on a going concern basis remains appropriate These financial statements do not include any adjustments or any reclassification of assets and liabilities that might result if the going concern basis for preparation is inappropriate.

(b) *New accounting standards and interpretations*

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

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 July 2021:

- COVID-19 Related Rent Concessions (Amendments to SFRS(I) 16)
- Interest Rate Benchmark Reform - Phase 2 (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16)

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

2 Summary of significant accounting policies (continued)

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

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

Certain amendments to accounting standards have been published that are not mandatory for the financial year ended 30 June 2022 and have not been early adopted by the Group. These amendments have been assessed by the Group and the Company. The additional disclosures are not expected to have a significant impact on the accounting policies of the Group or the Company on adoption:

- SFRS(I) 17 Insurance Contracts and amendments to SFRS(I) 17 Insurance Contracts
- Reference to the Conceptual Framework (Amendments to SFRS(I) 3)
- Property, plant and equipment - Proceeds before Intended Used (Amendments to SFRS(I) 1-16)
- Onerous Contracts - Cost of Fulling a Contract (Amendments to SFRS(I) 1-37)
- Classification of Liabilities as Current or Non-current (Amendments to SFRS(I) 1-1)
- Annual Improvements to SFRS(I)s 2018-2020
- Disclosure of Accounting Policies (Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2)
- Definition of Accounting Estimates (Amendments to SFRS(I) 1-8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to SFRS(I) 1-12)

(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.

Please refer to note 2(i) 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.

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

2 Summary of significant accounting policies (continued)

(c) *Principles of consolidation (continued)*

(ii) *Joint operations (continued)*

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 Group 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.

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 Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see note 2(c)(i)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. 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.

2 Summary of significant accounting policies (continued)

(d) *Business combinations (continued)*

Acquisition related costs are expensed as incurred. The excess of the fair value of the consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any pre-existing 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 immediately in profit or loss as a bargain purchase. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition-date and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is measured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(e) *Goodwill on acquisitions*

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

Goodwill on acquisition of subsidiaries and businesses prior to 1July 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 and liabilities assumed.

Goodwill on subsidiaries is recognised separately as a goodwill and is carried at cost less accumulated impairment losses.

(f) *Government grants*

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. The grant is presented on a net basis, offset against salary expenses.

(g) *Property, plant and equipment*

Measurement

(i) *Land and buildings*

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

(ii) *Other property, plant and equipment*

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

2 Summary of significant accounting policies (continued)

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

(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.

Depreciation

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

– Freehold buildings 2.5% per annum
– Leasehold land, buildings & infrastructure 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 reporting date. The effects of any revision of the residual values and useful lives are recognised prospectively in profit or loss when the changes arise.

Subsequent costs

Subsequent costs 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. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Disposal

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

(h) *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 reporting date, the assets were fully amortised.

(iii) *Acquired exclusive right to operate port facility*

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

2 Summary of significant accounting policies (continued)

(h) *Other intangible assets (continued)*

(iii) *Acquired exclusive right to operate port facility (continued)*

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 (39 years), and is carried at cost less accumulated amortisation and accumulated impairment losses.

(iv) *Internally developed software and software licences*

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.

(i) *Investments in subsidiaries in the separate financial statements*

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

(j) *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)

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

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

(k) *Financial instruments*

(a) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

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

(b) Classification and subsequent measurement

Non-derivative financial assets

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

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

Financial assets at amortised cost

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

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

Financial assets: Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;

2 Summary of significant accounting policies (continued)

(k) *Financial instruments (continued)*

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

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

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

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

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

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

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

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

2 Summary of significant accounting policies (continued)

(k) *Financial instruments (continued)*

(c) Derecognition

Financial assets

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

Transferred assets are not derecognised when the Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

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

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

(d) Offsetting

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

(e) Cash and cash equivalents

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

(f) Trade and other payables

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

(g) Borrowings

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

Borrowings which are due to be settled within 12 months after the reporting date are included in current borrowings in the statement of financial position 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 reporting date and before the financial statements are authorised for issue. Other borrowings to be settled more than 12 months after the reporting date are included in non-current borrowings in the statement of financial position.

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

2 Summary of significant accounting policies (continued)

(k) *Financial instruments (continued)*

Impairment of financial assets

Non-derivative financial assets and contract assets

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

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

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

Simplified approach

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

General approach

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

2 Summary of significant accounting policies (continued)

(k) *Financial instruments (continued)*

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECLs in the statement of financial position

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

Write-off

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

(l) *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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. 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 profit or loss as a finance costs.

(m) *Contributed equity*

Ordinary shares are classified as equity.

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

2 Summary of significant accounting policies (continued)

(n) *Leases*

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in Right-of-use assets and lease liabilities in 'borrowings' in the statement of financial position.

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

2 Summary of significant accounting policies (continued)

(n) *Leases (continued)*

(i) As a lessee (continued)

From 1 July 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group did not expect a material effect on the financial statements.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received from its port area facility and staging area for wood chips pending shipment under operating leases as income on a straight-line basis over the lease term as part of revenue.

(o) *Revenue recognition*

Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

(i) *Short-term contracts*

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

(ii) *Construction contracts*

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

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

2 Summary of significant accounting policies (continued)

(o) *Revenue recognition (continued)*

(ii) *Construction contracts (continued)*

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

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

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

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

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

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

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

Loss-making contracts are recognised under SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets as onerous contracts.

2 Summary of significant accounting policies (continued)

(o) *Revenue recognition (continued)*

(iii) *Sale of goods*

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

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

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

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

(iv) *Hire revenue*

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

(v) *Interest income*

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

(p) *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 in the periods during which related services are rendered by employees. The Group has no further payment obligations to these schemes once these contributions have been paid.

2 Summary of significant accounting policies (continued)

(p) *Employee benefits (continued)*

(ii) *Share-based payments*

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

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

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

(iii) *Termination benefits*

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

(iv) *Short-term obligations*

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

(v) *Other long-term employee benefit obligations*

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

Remeasurements as a result of experience adjustments are recognised in profit or loss. The obligations are presented as current liabilities in the statement of financial position 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.

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

2 Summary of significant accounting policies (continued)

(q) *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.

(r) *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 ("AU$"). The Company's functional currency is the Singapore Dollar and the financial statements are presented in AU$ 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 reporting 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each 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.

(s) *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 reporting date.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

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.

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

2 Summary of significant accounting policies (continued)

(s) *Income tax (continued)*

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.

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 reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting 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 profit or loss.

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 profit or loss. The remaining amount, being the benefit based on the normal tax rate, is allocated to income tax expense.

(t) *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.

(u) *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.

(v) *Inventories*

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

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

2 Summary of significant accounting policies (continued)

(w) *Earnings per share*

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

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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

(x) *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 statement of financial position.

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

(y) *Discontinued operations*

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

(z) *Non-current assets held for sale*

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are measured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss in a disposal group is first allocated to goodwill, and then to remaining assets and liabilities in pro rate basis, except that no loss is allocated to financial assets, deferred tax assets and employee benefit asset, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

(aa) *Rounding of amounts*

Amounts in the financial statements have been rounded off to the nearest thousand dollars (AU$'000), unless otherwise stated.

3 Critical accounting estimates and judgements

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

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

Impairment of cash generating units ("CGUs")

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

As described in the accounting policy stated in note 2(j), 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 2022, the Group recognised AU$10.8 million impairment (2021: nil impairment). Changes in the assumptions adopted by management could significantly affect the Group's impairment evaluation and hence results. Further details are provided in note 25 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.

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.

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 16.

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

3 Critical accounting estimates and judgements (continued)

Construction contracts

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

Amounts due from contract customers in the statement of financial position include uncertified revenue that has been recognised through the statement of comprehensive income in current and prior periods in respect of claims and variation orders on projects. In estimating the amount of uncertified revenue recognised, the Group has relied on past experience and the work of specialists namely project managers and, as required, external consultants. If the uncertified revenue increases/decreases by 5% from management's estimates, the Group's profit before income tax will increase/decrease by approximately AU$1.2 million (2021: AU$1.3 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(o)(ii).

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.

As at 30 June 2022, a provision for loss on construction contracts of AU$5.0 million has been recognised (2021: Nil provision). This estimation has been based upon management's judgement which has been based upon the most up-to-date available information as at the date of these financial statements.

Impact of COVID-19

The Group has considered and estimated the impact of the COVID-19 pandemic in the Group's financial position and performance by carrying out the following assessments:

- further impairment assessment of its property, plant and equipment, inventories, intangible assets, trade receivables and contract assets; and
- further assessment of constraints on variable consideration in relation to revenue recognition.

In developing the assumptions relating to the possible future uncertainties in the global economic conditions, the Group has, as at the date of these financial statements, used internal and external sources, including economic forecasts and estimates from market sources. However, the impact assessment of the COVID-19 pandemic is a continuing process and the Group will continue to monitor any material changes to future economic conditions.

Details on the areas that involve critical judgement and significant estimation uncertainties and disclosures on assumptions and sensitivity disclosures are also highlighted in the notes indicated above.

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

Impairment of trade receivables

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

3 Critical accounting estimates and judgements (continued)

Construction contracts

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

Impairment of amounts due from subsidiaries and investments in subsidiaries

The Company assesses the recoverability of loans due from subsidiary 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 25, which describes the impairment of non-current assets in the consolidated Group and which are also considered indicators of impairment at Company level.

4 Financial risk management

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

(a) *Currency risk*

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

The Group's and Company's currency exposures are as follows:

	2022	2021
Group	**United States Dollar AU$'000**	United States Dollar AU$'000
Financial liabilities		
Trade payables	**95**	53
Other payables	**198**	168
Borrowings	**27,509**	24,669
	27,802	24,890
Currency exposure on net financial liabilities	**(27,802)**	(24,890)

Company	**United States Dollar AU$'000**	United States Dollar AU$'000
Financial liabilities		
Other payables	**198**	168
Borrowings	**27,509**	24,669
	27,707	24,837
Currency exposure on net financial liabilities	**(27,707)**	(24,837)

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

4 Financial risk management (continued)

(a) *Currency risk (continued)*

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

	Group		Company	
	2022 AU$'000	2021 AU$'000	**2022 AU$'000**	2021 AU$'000
Net foreign exchange (loss) / income	**(1,016)**	774	**(919)**	780

Sensitivity analysis

A change of 10% (2021: 10%), taking into consideration both strengthening and weakening aspect of USD$ against AU$ at the reporting date would increase/(decrease) the Group's profit before income tax by the amounts as shown below. This analysis assumes that all other variables, in particular interest and tax rates, remain constant.

	Group		Company	
	2022 AU$'000	2021 AU$'000	**2022 AU$'000**	2021 AU$'000
USD against AU$				
- strengthened	**(2,780)**	(2,489)	**(2,771)**	(2,484)
- weakened	**2,780**	2,489	**2,771**	2,484

(b) *Interest rate risk*

The Group's exposure to interest rate risk is related mainly to its borrowing facilities, which are on fixed rate terms. The cash balances of the Group, and the interest rate and terms of repayment of borrowings are disclosed in notes 5 and 19 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.

The Group does not have any exposures to IBORs on its financial instruments because the Group's borrowings as at 30 June 2022 are on fixed rate financial instruments.

(c) *Credit risk*

Credit risk is the risk of financial loss to the Group or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group and the Company's receivables from customers and the Company's non-trade amounts due from subsidiaries.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk. Details of concentration of revenue are included in note 32.

4 Financial risk management (continued)

(c) *Credit risk (continued)*

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information, and in some cases bank references. Sale limits are established for each customer, which represents the maximum open amount without requiring approval from the Management; these limits are reviewed quarterly. Customers failing to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group limits its exposure to credit risk from trade receivables by establishing maximum payment periods of one and three months for customers.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including their geographic location, industry, trading history with the Group, ageing profile, maturity and existence of previous financial difficulties.

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 statement of financial position.

The COVID-19 pandemic has not materially affected the credit policy as set out above as the terms and conditions of Group's contracts have not been altered. The volume of work has reduced as a result of the effects of the pandemic, however this has not significantly affected clients ability to pay.

The trade receivables of the Group comprise 3 debtors (2021: 3 debtors) that individually represented 11%, 13% and 49% (2021: 2%, 5% and 62%) of trade receivables and in aggregate 73% (2021: 69%) of the trade receivables, with one customer accounting for AU$26.8 million (30 June 2021: AU$34.1 million), representing 49% (2021: 62%) of the trade receivables carrying amount.

The Group's maximum exposure to credit risk arose mainly from trade receivables and contract assets (excluding capitalised tender costs), which had a balance at 30 June 2022 of AU$54.8 million (2021: AU$55.1 million). This exposure is further analysed below:

	Group	
	2022 AU$'000	2021 AU$'000
By currency denomination:		
Australian dollar	**52,825**	53,073
Singapore dollar	**148**	109
Malaysia ringgit	**–**	1,202
Thai baht	**1,820**	700
	54,793	55,084
By segment:		
Projects	**12,214**	1,404
Access Services	**7,376**	10,113
Fabrication & Manufacturing	**5,521**	9,764
Maintenance Services	**27,723**	32,576
Port & Marine Services	**1,959**	1,227
	54,793	55,084

The Company's maximum exposure to credit risk arose mainly from amounts due from subsidiaries, which had a balance at 30 June 2022 of AU$2,000 (2021: AU$155,000) (refer to note 10).

4 Financial risk management (continued)

(c) *Credit risk (continued)*

Financial assets that are neither past due nor impaired

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

There were no terms renegotiated during the year for trade receivables that were past due (2021: None).

Financial assets that are past due and/or impaired

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

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

	Group 2022		Group 2021	
	Not credit-impaired AU$'000	**Credit Impaired AU$'000**	Not credit-impaired AU$'000	Credit Impaired AU$'000
Receivables measured at lifetime ECL				
Trade receivables and contract assets	**54,879**	**1,089**	55,517	1,073
Loss allowance	**(86)**	**(1,089)**	(433)	(1,073)
Total	**54,793**	**–**	55,084	–

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

	Group 2022		Group 2021	
	Gross AU$'000	**Impairment AU$'000**	Gross AU$'000	Impairment AU$'000
Not past due	**46,932**	**3**	45,856	6
Past due less than 3 months	**6,341**	**2**	7,325	183
Past due 3 to 6 months	**88**	**–**	297	–
Past due greater than 6 months	**2,607**	**1,170**	3,112	1,317
	55,968	**1,175**	56,590	1,506

As at 30 June 2022, there was an allowance for impairment of AU$1.2 million against trade receivables (2021: AU$1.5 million) in the Group. Except for the impaired trade receivables, 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 2022, the Company had nil allowance for impairment (2021: nil allowance) against amounts due from subsidiaries (refer to note 10).

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

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

4 Financial risk management (continued)

(c) *Credit risk (continued)*

	Group Lifetime ECL AU$'000
At 1 July 2021	(2,433)
Reversal of allowance for impairment of receivables	659
Additional impairment loss recognised	(217)
Amounts written off	485
At 30 June 2021	(1,506)
Reversal of allowance for impairment of receivables	347
Additional impairment loss recognised	(1,238)
Amounts written off	1,222
At 30 June 2022	(1,175)

(d) *Liquidity risk*

The tables below analyses 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						
2022						
Trade and other payables	**27,423**	**–**	**–**	**–**	**27,423**	**27,423**
Borrowings	**43,373**	**2**	**28,253**	**–**	**71,628**	**71,271**
Lease liabilities	**3,636**	**1,949**	**1,911**	**21,175**	**28,671**	**12,086**
	74,432	**1,951**	**30,164**	**21,175**	**127,722**	**110,780**
2021						
Trade and other payables	20,391	–	–	–	20,391	20,391
Borrowings	4,953	41,265	28,320	–	74,538	66,049
Lease liabilities	3,705	3,516	2,974	20,577	30,772	14,197
	29,049	44,781	31,294	20,577	125,701	100,637

	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					
2022					
Other payables	**1,068**	**–**	**–**	**1,068**	**1,068**
Borrowings	**41,238**	**–**	**28,253**	**69,491**	**69,186**
Due to subsidiaries	**8,451**	**–**	**–**	**8,451**	**8,451**
	50,757	**–**	**28,253**	**79,010**	**78,705**
2021					
Other payables	756	–	–	756	756
Borrowings	2,803	41,238	28,320	72,361	63,951
Due to subsidiaries	19,034	–	–	19,034	19,034
	22,593	41,238	28,320	92,151	83,741

4 Financial risk management (continued)

(d) *Liquidity risk (continued)*

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	
	2022	2021	**2022**	2021
	AU$'000	AU$'000	**AU$'000**	AU$'000
Surety bond facility	**21,583**	27,715	**21,583**	27,715

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.

Reference is made to Note 2(a), which describes the Group's proposed debt restructuring plan with noteholders and forecast cash flows from operations so as to meet its debt obligations as and when they fall due or through at least another 12 months from the reporting date.

(e) *Capital risk*

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

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

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

	Group		Company	
	2022	2021	**2022**	2021
	AU$'000	AU$'000	**AU$'000**	AU$'000
Net debt	**77,098**	71,577	**69,162**	63,899
Total equity	**6,247**	39,933	**5,352**	7,998
Total capital	**83,345**	111,510	**74,514**	71,897
Gearing ratio	**92.5%**	64.2%	**92.8%**	88.9%

(f) *Financial instruments by category*

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

	Group		Company	
	2022	2021	**2022**	2021
	AU$'000	AU$'000	**AU$'000**	AU$'000
Financial assets at amortised cost (1)	**62,302**	64,890	**668**	815
Financial liabilities measured at amortised cost (2)	**110,780**	100,637	**78,705**	83,741

Fair value of financial instruments

The carrying amount of current assets, current liabilities and non-current liabilities are assumed to approximate to their fair value because the effects of discounting are not material, due to the short period to maturity or that they were discounted at the market rate of interest at the reporting date.

¹ *Refer to notes 5, 6, 7 and 10* (the amount excludes capitalised tender cost in note 6 and prepayments and current income tax receivables in note 7)

² *Refer to notes 10, 17, 18 and 19* (the amount excludes provision for foreseeable contract losses in note 17 and employee benefit accruals and payroll tax and other statutory liabilities in note 18)

5 Cash and cash equivalents

	Group		Company	
	2022 **AU$'000**	2021 AU$'000	**2022** **AU$'000**	2021 AU$'000
Cash and cash equivalents represented by:				
Cash at bank	**2,852**	7,806	**24**	52
Restricted cash	**3,407**	863	**–**	–
	6,259	8,669	**24**	52

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	
	2022 **AU$'000**	2021 AU$'000
Balance as above	**6,259**	8,669
*Restricted cash	**(3,407)**	(863)
Balance per consolidated statement of cash flows	**2,852**	7,806

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

6 Trade receivables and contract assets

	Group	
	2022 **AU$'000**	2021 AU$'000
Trade receivables		
- Third party debtors	**32,711**	31,067
- Less: Allowance for impairment of receivables (note 6(a))	**(1,175)**	(1,506)
	31,536	29,561
- Contract assets	**25,257**	25,523
- Contract costs	**1,184**	1,480
	55,977	56,564

At 30 June 2022, all amounts included in trade receivables and contract assets arising from construction contracts are due for settlement within 12 months (2021: 12 months).

At 30 June 2022, the Group's most significant customer accounted for AU$26.8 million (30 June 2021: AU$34.1 million) of the trade receivables carrying amount.

6 Trade receivables and contract assets (continued)

(a) Allowance for impairment of receivables

	Group	
	2022	2021
	AU$'000	AU$'000
Beginning of financial year	**(1,506)**	(2,433)
Additional allowance for impairment of receivables	**(1,238)**	(217)
Reversal of allowance for impairment of receivables	**347**	659
Written off during the year	**1,222**	485
End of financial year	**(1,175)**	(1,506)

(b) Contract balances

The following table provides information about receivable and contract assets from contracts with customers.

	2022	2021
	AU$'000	AU$'000
Trade receivables	**31,536**	29,561
Contract assets	**23,257**	25,523
Contract costs	**1,184**	1,480

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

Contract costs refers to cost incurred to obtain and/or fulfil a contract and are expected to be recovered in accordance with the pattern of revenue for the related contract.

A net impairment loss on trade receivables amounting to AU$0.9 million was recognised for the period ended 30 June 2022 (30 June 2021: net income of AU$0.4 million).

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

7 Other receivables and prepayments

	Group		Company	
	2022	2021	**2022**	2021
	AU$'000	AU$'000	**AU$'000**	AU$'000
Current				
Prepayments	**4,651**	2,487	**143**	169
Deposits	**169**	175	**–**	–
Sundry receivables	**1,081**	962	**642**	608
Current income tax receivables	**251**	172	**231**	151
	6,152	3,796	**1,016**	928

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

8 Inventories

	Group	
	2022	2021
	AU$'000	AU$'000
Spares and consumables	**1,491**	2,576

Included in the inventories is an amount of approximately AU$0.7 million (2021: AU$1.3 million) fuel sold that is under a bill and hold arrangement.

9 Assets held for sale

	Group	
	2022	2021
	AU$'000	AU$'000
Property, plant and equipment	**6,261**	–

On 17 June 2022, the Group's wholly-owned subsidiary, AusGroup Companies Pty Ltd, entered into a contract for sale and leaseback of the property located at 15 Beach Street, Kwinana Beach WA. The Property sits on freehold land, with a site area of 31,258 sqm and a gross lettable area of 14,299 sqm and has been used solely as a fabrication and assembly facility by other Group subsidiaries. The Group intends to deploy the net sale proceeds from the proposed sale to facilitate other corporate funding requirements and for general working capital requirements.

The proposed sale has been approved and passed by the shareholders of the Group by way of poll at the Extraordinary General Meeting held on 12 August 2022 for a consideration of AU$16.2m. The Proposed Sale & Leaseback has completed on 26 August 2022.

10 Due from / (to) subsidiaries

Company	**Total due AU$'000**	**Impairment losses AU$'000**	**Total AU$'000**
2022			
Due from subsidiaries	**2**	**–**	**2**
Due to subsidiaries	**(8,451)**	**–**	**(8,451)**
2021			
Due from subsidiaries	155	–	155
Due to subsidiaries	(19,034)	–	(19,034)

Both the receivables and payables bear interest at 5.0% (2021: 5.0%) per annum. There are no amounts due from subsidiaries that are due for repayment within the next 12 months (2021: Nil). There are AU$8.5 million amounts due to subsidiaries for which the Company does not have an unconditional right to defer settlement beyond 12 months from the reporting date (2021: AU$19.0 million).

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

11 Investments in subsidiaries

	Company 2022 AU$'000	Company 2021 AU$'000
Investments in subsidiaries	**83,015**	90,604

	Company 2022 AU$'000	Company 2021 AU$'000
Equity investment at cost		
Beginning of financial year	**90,604**	71,276
Increase in investment	**–**	31,148
Impairment loss	**(12,353)**	(7,787)
Currency translation movement	**4,764**	(4,033)
End of financial year	**83,015**	90,604

Following the impairment recognised at Group level in relation to its Port and Marine assets (refer to note 25), the Company has performed a review of the carrying value of its investments in relevant subsidiaries. The Company has estimated the recoverable amount of the investment in subsidiary based on recoverable amount of the Group's Port and Marine CGU. As a result, an additional impairment of AU$12.4 million (2021: AU$7.8 million) has been recognised against investments for the year ended 30 June 2022. At 30 June 2022, the carrying amount (net of impairment allowance) of the relevant subsidiaries amounted to AU$27.7 million.

Name of entity	Principal activity	Country of incorporation / Principal place of business	Equity holding 2022 %	Equity holding 2021 %
AusGroup Singapore Pte Ltd [(1)]	Engineering and service	Singapore	**–**	100
Modern Access Services Singapore Pte Ltd	Engineering and service	Singapore	**100**	100
AusGroup Companies Pty Ltd	Investment holding / property	Australia	**100**	100
AGC Industries Pty Ltd [(2)]	Engineering and service	Australia	**100**	100
Seagate Structural Engineering Pty Ltd	Property	Australia	**100**	100
MAS Australasia Pty Ltd [(2)]	Engineering and service	Australia	**100**	100
AusGroup Corporation Co., Ltd	Engineering and service	Thailand	**100**	100
Specialist People Pty Ltd	Labour supply	Australia	**100**	100
Resource People Pty Ltd	Labour supply	Australia	**100**	100
Ezion Offshore Logistics Hub Pte Ltd	Investment holding	Singapore	**100**	100
NT Port and Marine Pty Ltd [(2)]	Marine supply base and provision of ship chartering services	Australia	**100**	100
Mechanical Access Services Australasia Sdn Bhd	Engineering and service	Malaysia	**100**	100
AusGroup People Pty Ltd	Labour supply	Australia	**100**	100
Access Australasia Sdn Bhd	Engineering and service	Malaysia	**100**	100
REC Maintenance and Construction Pty Ltd	Labour supply	Australia	**100**	100

(1) Company dissolved during the year.
(2) Significant foreign-incorporated subsidiaries.

KPMG LLP is the auditor of all Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Securities Trading Limited (SGX-ST) Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

11 Investments in subsidiaries (continued)

Joint operations

The Group holds 67% of the voting rights of its unincorporated operation co-invested with other venturer, Meisei Co Ltd, which operates in Australia. This operation is of strategic importance to the Group as it acts as a key contractor in one of the Group's customer contracts.

The joint venture agreements requires unanimous consent from all parties for all relevant activities. The two venturers 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). The joint operations have been substantially completed in FY2019 and dissolved during the year.

12 Property, plant and equipment

Group	Freehold land AU$'000	Freehold buildings AU$'000	Leasehold land, buildings & infrastructure AU$'000	Plant & equipment AU$'000	Total AU$'000
Cost					
At 1 July 2020	2,593	7,462	151,888	69,753	231,696
Additions	–	–	628	1,124	1,752
Disposals	–	–	(90)	(3,390)	(3,480)
Effect of movements in exchange rates	–	–	–	(791)	(791)
At 30 June 2021	2,593	7,462	152,426	66,696	229,177
Additions	–	38	346	1,256	1,640
Disposals	–	–	–	(2,174)	(2,174)
Reclassification to assets held for sale	(2,593)	(7,500)	(908)	(111)	(11,112)
Effect of movements in exchange rates	–	–	–	648	648
At 30 June 2022	–	–	151,864	66,315	218,179
Accumulated depreciation and impairment losses					
At 1 July 2020	(1,213)	(2,676)	(125,282)	(52,706)	(181,877)
Depreciation	–	(177)	(1,253)	(2,627)	(4,057)
Disposals	–	–	77	2,762	2,839
Effect of movements in exchange rates	–	–	–	594	594
At 30 June 2021	(1,213)	(2,853)	(126,458)	(51,977)	(182,501)
Depreciation	–	(177)	(1,346)	(2,156)	(3,679)
Disposals	–	–	–	1,425	1,425
Impairment loss	–	–	(5,264)	–	(5,264)
Reclassification to assets held for sale	1,213	3,030	518	90	4,851
Effect of movements in exchange rates	–	–	–	(498)	(498)
At 30 June 2022	–	–	(132,550)	(53,116)	(185,666)
Carrying amounts					
At 1 July 2020	1,380	4,786	26,606	17,047	49,819
At 30 June 2021	1,380	4,609	25,968	14,719	46,676
At 30 June 2022	–	–	19,314	13,199	32,513

(i) *Impairment loss*

During the year ended 30 June 2022, the Group recognised an additional AU$5.3 million impairment loss (2021: nil impairment) with respect to property, plant and equipment. Refer to note 25 for further details.

At 30 June 2022, the carrying amount (net of impairment) of property, plant and equipment relating to the Port and Marine CGU amounted to AU$18.9 million (2021: AU$25.1 million).

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

13 Leases

Leases as lessee (SFRS(I) 16)

The Group leases office premises, warehouse and factory facilities. The leases typically run for a period of 3 to 10 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals.

The office premises, warehouse and factory leases were entered into many years ago as combined leases of land and buildings.

Information about leases for which the Group is a lessee is presented below.

Amount recognised in statement of financial position

	Land and buildings	
	2022	2021
	AU$'000	AU$'000
Balance at 1 July	**13,472**	13,795
Depreciation charge for the year	**(2,860)**	(2,736)
Additions to right-of-use assets	**681**	2,425
Derecognisation to right-of-use assets	**(167)**	–
Impairment loss	**(1,513)**	–
Effect of movements in exchange rates	**12**	(12)
Balance at 30 June	**9,625**	13,472

In the current year, an additional impairment loss of AU$1.5 million (2021: Nil) for the right-of-use asset attributable to the Port and Marine CGU was recorded. Refer to Note 25 for further information on triggering event and basis of impairment for the Port and Marine CGU.

Amounts recognised in profit or loss

	2022	2021
	AU$'000	AU$'000
Interest on lease liabilities	**1,021**	1,086
Expenses relating to short-term leases	**32**	320
Impairment loss	**1,513**	–

Amounts recognised in statement of cash flows

	2022	2021
	AU$'000	AU$'000
Total cash outflow for leases	**3,676**	3,503

Extension options

Some property leases contain extension options exercisable by the Group up to four years before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of AU$7.7 million.

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

13 Leases (continued)

Leases as lessor

The Group leases out its port area facility and staging area for wood chips pending shipment. All leases are classified as operating leases from a lessor perspective because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The Group received fixed monthly fee for the leasing out of the port area facility and staging area for wood chips pending shipment. Rental income recognised by the Group during 2022 was AU$0.5 million (2021: AU$0.1 million).

14 Goodwill

	Group	
	2022 AU$'000	2021 AU$'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	
	2022 AU$'000	2021 AU$'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 25 for details of impairment assessments undertaken including details of key assumptions in those assessments.

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

15 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
2021					
Cost					
Beginning of financial year	93,523	14,420	5,437	1,232	114,612
Additions	–	1,097	–	–	1,097
End of financial year	93,523	15,517	5,437	1,232	115,709
Accumulated amortisation and impairment					
Beginning of financial year	(81,050)	(13,147)	(5,369)	(1,232)	(100,798)
Amortisation charge (note 26)	(309)	(535)	–	–	(844)
End of financial year	(81,359)	(13,682)	(5,369)	(1,232)	(101,642)
Carrying value at 30 June 2021	12,164	1,835	68	–	14,067
2022					
Cost					
Beginning of financial year	**93,523**	**15,517**	**5,437**	**1,232**	**115,709**
Additions	**–**	**315**	**–**	**–**	**315**
End of financial year	**93,523**	**15,832**	**5,437**	**1,232**	**116,024**
Accumulated amortisation and impairment					
Beginning of financial year	**(81,359)**	**(13,682)**	**(5,369)**	**(1,232)**	**(101,642)**
Amortisation charge (note 26)	**(309)**	**(798)**	**–**	**–**	**(1,107)**
Impairment loss	**(4,036)**	**–**	**–**	**–**	**(4,036)**
End of financial year	**(85,704)**	**(14,480)**	**(5,369)**	**(1,232)**	**(106,785)**
Carrying value at 30 June 2022	**7,819**	**1,352**	**68**	**–**	**9,239**

(i) *Impairment loss*

During the year ended 30 June 2022, the Group recognised an additional impairment loss of AU$4.0 million (2021 : nil impairment). Refer to note 25 for further details. At 30 June 2022, the carrying amount (net of impairment) of intangible assets relating to the Port and Marine CGU amounted to AU$7.8 million (2021: AU$12.5 million).

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

The exclusive right to operate port facility asset is pledged as security as part of the broader renegotiation of the Group's financing arrangement, as described in note 19.

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

16 Deferred income tax assets / (liabilities)

(i) *Deferred tax assets*

	Group	
	2022 AU$'000	2021 AU$'000
The balance comprises temporary differences attributable to:		
Research and development tax credits	**6,189**	13,774
Provisions and payables	**3,832**	1,750
Others	**514**	515
	10,535	16,039
Set-off of deferred tax liabilities pursuant to set-off provisions	**(10,535)**	(16,039)
Net deferred tax assets	**–**	–

Movement in deferred tax assets	**Research and development tax credits AU$'000**	**Property, plant and equipment** AU$'000	**Provisions and payables** AU$'000	**Others** AU$'000	**Total AU$'000**
At 1 July 2020	–	1,396	1,664	1,584	4,644
Credited / (charged):					
- to profit or loss in income tax benefit (note 28)	13,774	(1,396)	86	(1,069)	11,395
At 30 June 2021	13,774	–	1,750	515	16,039
(Charged) / credited:					
- to profit or loss in income tax benefit (note 28)	(7,585)	–	2,082	(1)	(5,504)
At 30 June 2022	**6,189**	**–**	**3,832**	**514**	**10,535**

See note 16(iii) for disclosure of unrecognised deferred tax assets in these financial statements.

(ii) *Deferred tax liabilities*

	Group	
	2022 AU$'000	2021 AU$'000
Property, plant and equipment	**(8,682)**	(12,846)
Intangibles	**(2,345)**	(3,649)
Other	**(30)**	(40)
	(11,057)	(16,535)
Set-off of deferred tax assets pursuant to set-off provisions	**10,534**	16,039
Net deferred tax liabilities	**(523)**	(496)

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

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

(ii) *Deferred tax liabilities (continued)*

Group	Property, plant and equipment AU$'000	Intangibles AU$'000	Other AU$'000	Total AU$'000
At 1 July 2020	–	(5,120)	(150)	(5,270)
(Charged)/credited				
- to profit or loss in income tax expense (note 28)	(12,846)	1,472	110	(11,264)
At 30 June 2021	(12,846)	(3,648)	(40)	(16,534)
Credited				
- to profit or loss in income tax expense (note 28)	4,164	1,303	10	5,477
At 30 June 2022	**(8,682)**	**(2,345)**	**(30)**	**(11,057)**

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.

(iii) *Deferred tax assets not recognised*

	Group 2022 AU$'000	Group 2021 AU$'000
Unrecognised tax benefits from:		
Tax credits		
Unused tax credits mainly derived from the research and development tax credits for which no deferred tax asset has been recognised	**22,824**	16,056
Tax losses		
Tax losses for which no deferred tax asset has been recognised	**711**	228

17 Trade payables and provision for foreseeable contract losses

	Group 2022 AU$'000	Group 2021 AU$'000
Trade payables	**14,632**	7,578
- Non-related parties		
Construction contracts		
- Provision for foreseeable contract losses	**5,019**	–
	19,651	7,578

(i) *Provision for foreseeable contract losses*

	Group 2022 AU$'000	Group 2021 AU$'000
Beginning of financial year	**–**	–
Increase in provision	**5,019**	–
End of financial year	**5,019**	–

In the current year, a losses due to outstanding claim positions from one client on one challenging construction contract, resulted in provision for foreseeable losses of AU$5.0m that has impacted the Group's gross profit margin in the year.

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

18 Other payables

	Group		Company	
	2022 **AU$'000**	2021 AU$'000	**2022** **AU$'000**	2021 AU$'000
Current				
Accrued expenses	**11,045**	7,367	**670**	501
Employee benefit accruals	**688**	1,549	**–**	–
Payroll tax and other statutory liabilities	**9,528**	9,479	**–**	–
Other payables	**1,746**	5,446	**398**	255
	23,007	23,841	**1,068**	756

19 Borrowings

	Group		Company	
	2022 **AU$'000**	2021 AU$'000	**2022** **AU$'000**	2021 AU$'000
Current				
Multi currency notes	**41,677**	–	**41,677**	–
Insurance premium funding	**2,083**	2,071	**–**	–
Lease liabilities	**2,548**	2,771	**–**	–
	46,308	4,842	**41,677**	–
Non-current				
Multi currency notes	**–**	39,282	**–**	39,282
Loan from substantial shareholder (note 31(e))	**27,509**	24,669	**27,509**	24,669
Insurance premium funding	**2**	27	**–**	–
Lease liabilities	**9,538**	11,426	**–**	–
	37,049	75,404	**27,509**	63,951
Total borrowings (interest-bearing)	**83,357**	80,246	**69,186**	63,951

	Group	
	2022 **AU$'000**	2021 AU$'000
Secured borrowings:		
Multi currency notes	**41,677**	39,282
Unsecured borrowings:		
Loan from substantial shareholder	**27,509**	24,669
Insurance premium funding	**2,085**	2,098
Lease liabilities	**12,086**	14,197
Total unsecured borrowings	**41,680**	40,964
Total borrowings	**83,357**	80,246

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

19 Borrowings (continued)

(a) *Loan and overdraft facilities*

Multi currency notes ("Notes")

The maturity date of the Notes is 3 December 2022 but owing to a covenant breach (refer to section on "Facility Covenants"), the outstanding notes are callable on demand although no notice of demand has been served against the Company as at the date of this report. Interest is paid monthly at a rate of 7% per annum from 3 December 2020. On 2 August 2022, the first informal meeting of the Noteholders in respect to the maturity of the Notes was held on 10 August 2022 in Singapore; and a second informal meeting of the Noteholders was held in Singapore on 25 August 2022 with further meetings both informal and formal to be scheduled as required prior to the maturity date in order to agree on the terms and conditions of the Consent Solicitation Statement relating to the extension of the Notes.

DBS Bank Ltd facilities and loans

DBS provides bank guarantee facilities to the Group to support performance bonds and financial guarantees provided to the Group's clients. As at 30 June 2022, AU$0.8m was drawn under this facility.

Loan from substantial shareholder

The repayment date of the Loan from Ezion Holdings Limited ("Ezion") is not due until 31 October 2023 hence the Loan is classified as a non-current liability. At 30 June 2022, the amount owing on the Loan was AU$27.5m (30 June 2021: AU$24.7m) and is unsecured. The interest rate applicable to the Loan is 2% per annum. The Group plans to engage in a proposed restructuring of the Shareholder Loan with Ezion on extension / repayment options for the Shareholder Loan.

(i) *Security pledged and financial covenants*

Security pledged

Multi currency notes

Notes are secured, on a shared first ranking basis, against all property and assets of NT Port and Marine 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.

Facility covenants

Multi currency notes

In accordance with the Noteholder vote in favour of the Consent Solicitation Exercise ("CSE") on 19 October 2018, the Group renegotiated the terms of the Notes and added two financial covenants being:

(i) the ratio of its Consolidated Secured Debt to its Consolidated Total Assets shall not at any time exceed 0.75:1; and
(ii) The ratio of its Consolidated earnings before interest, tax, depreciation, amortisation and impairment ("EBITDA") to its Consolidated Interest Expense in respect of any Test Period shall not be less than 1.75:1 for that Test Period (the Debt Service Ratio).

The Group has complied with the first financial covenant being the Consolidated Secured Debt to its Consolidated Total Assets however, due to the underlying operational losses after adjusting for impairments, the Group is in breach of the Debt Service Ratio. The outstanding Notes totalling AU$41.7 million which matures on 3 December 2022 is capable of being called for repayment on demand by the Noteholders as a result of the covenant breach. There is no notice of demand served by Noteholders as the Group is in active discussions with the Noteholders to reach a debt restructuring plan. The Group has submitted a draft Consent Solicitation Statement to the Noteholders with a proposed debt restructuring plan which includes the Revised Maturity Date by 60 months after 3 December 2022, a debt to equity conversion feature in the event that the sale of the Noteholders' secured assets does not fully extinguish the outstanding debt and a waiver of the breached covenant. The Group has previously extended the Notes on two occasions with the Noteholders and will work with the Noteholders to reach mutually acceptable terms for the restructuring.

19 Borrowings (continued)

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

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

DBS Bank Ltd facilities

The Group has not complied with the financial covenants on its DBS Bank Ltd facilities with the exception of the Secured debts to Total Assets financial covenant. However, waivers for these breaches for FY2022 have been obtained from DBS Bank Ltd subsequent to the reporting date. The total amount utilised through the DBS facility is $0.8m, however the bank guarantees issued under the facility are secured by DBS Bank Ltd through a cash-backed term deposit held in restricted status by the bank.

(ii) *Loan and overdraft interest*

2022

Facilities	Approved Amount	Effective interest rate
Multi-currency Debt Issuance	SGD$40 million (AUD$41.7 million)	7% per annum from 3 December 2020
Insurance premium funding	AUD$3.5 million	flat interest rate of 2.5%

2021

Facilities	Approved Amount	Effective interest rate
Multi-currency Debt Issuance	SGD$40 million (AUD$39.6 million)	7% per annum from 3 December 2020
Insurance premium funding	AUD$3.5 million	flat interest rate of 3.85%

(iii) *Lease liabilities*

Terms and debt repayment schedule

Terms and conditions of outstanding lease liabilities are as follows:

				2022
Group	Nominal interest rate	Year of maturity	Face value AU$'000	Carrying amount AU$'000
Non-port related lease assets	6.25%	2023 - 2024	2,509	2,396
Port related lease assets	7.5%	2024 - 2060	26,162	9,690

				2021
Group	Nominal interest rate	Year of maturity	Face value AU$'000	Carrying amount AU$'000
Non-port related lease assets	6.25%	2022 - 2023	4,357	4,059
Port related lease assets	7.5%	2024 - 2060	26,415	10,138

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

19 Borrowings (continued)

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

	Borrowings AU$"000	Insurance Funding AU$'000	Lease liabilities AU$'000	Total AU$'000
Balance at 1 July 2020	72,747	2,649	14,202	89,598
Repayment of borrowings / insurance funding	(5,000)	(5,065)	–	(10,065)
Proceeds from insurance funding	–	5,378	–	5,378
Repayment of lease liabilities	–	–	(3,503)	(3,503)
Total changes from financing cash flows	**67,747**	**2,962**	**10,699**	**81,408**
Other changes				
Early termination of software funding	–	(864)	–	(864)
The effect of changes in foreign exchange rates	(4,520)	–	–	(4,520)
New leases	–	–	2,412	2,412
Interest expense	491	–	1,086	1,577
Borrowing costs	233	–	–	233
Balance at 30 June 2021	**63,951**	**2,098**	**14,197**	**80,246**
Balance at 1 July 2021	63,951	2,098	14,197	80,246
Repayment of borrowings / insurance funding	–	(3,921)	–	(3,921)
Proceeds from insurance funding	–	3,781	–	3,781
Repayment of lease liabilities	–	–	(3,676)	(3,676)
Total changes from financing cash flows	**63,951**	**1,958**	**10,521**	**76,430**
Other changes				
The effect of changes in foreign exchange rates	4,485	–	–	4,485
New leases	–	–	544	544
Interest expense	516	127	1,021	1,664
Borrowing costs	234	–	–	234
Balance at 30 June 2022	**69,186**	**2,085**	**12,086**	**83,357**

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

20 Accruals for other liabilities and charges

	Group	
	2022	2021
	AU$'000	AU$'000
Current		
Annual leave	**4,095**	3,205
Redundancy allowance/rostered day off/sick leave	**689**	718
Long service leave	**320**	234
Fringe benefit tax payable	**43**	31
	5,147	4,188
Non-current		
Long service leave	**579**	532

21 Share capital

	Group and Company	
	2022	2021
	AU$'000	AU$'000
Ordinary shares issued and fully paid:		
Beginning of financial year	**216,759**	216,349
Shares issued through employee share schemes	**246**	–
Shares issued pursuant to contract of employment	**–**	410
End of financial year	**217,005**	216,759

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	
	2022	2021
Number of issued shares:		
Opening balance	**3,063,230,431**	3,048,230,431
Shares issued through employee share schemes	**10,000,000**	–
Share issued pursuant to contract of employment	**–**	15,000,000
Closing balance	**3,073,230,431**	3,063,230,431

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

22 Other reserves

	Group		Company	
	2022 AU$'000	2021 AU$'000	**2022 AU$'000**	2021 AU$'000
Other reserves:				
Capital reserve	**(163)**	(163)	**(163)**	(163)
Share based payment reserve	**7,044**	5,663	**7,044**	5,663
Foreign currency translation reserve	**14,962**	18,592	**27,226**	26,531
	21,843	24,092	**34,107**	32,031
Movements:				
Capital reserve:				
Beginning and end of financial year	**(163)**	(163)	**(163)**	(163)
Share based payment reserve:				
Beginning of financial year	**5,663**	5,848	**5,663**	5,848
Share based payment expense (note 30)	**1,627**	225	**1,627**	225
Shares issued through employee share schemes	**(246)**	–	**(246)**	–
Shares issued pursuant to contract of employment	**–**	(410)	**–**	(410)
At end of financial year	**7,044**	5,663	**7,044**	5,663
Foreign currency translation reserve:				
Beginning of financial year	**18,592**	15,106	**26,531**	27,564
Net currency translation difference of financial statements of foreign subsidiaries and the Company	**(3,630)**	3,486	**695**	(1,033)
At end of financial year	**14,962**	18,592	**27,226**	26,531

Share based payment reserve

AusGroup Employee Share Option Scheme 2007, AusGroup Share Option Scheme 2010, AusGroup Share Scheme 2010 and options issued to Ezion Holdings Limited and Eng Chiaw Koon have now expired. The Group currently has two schemes in operation (collectively referred to as "the schemes"):

(a) *Share options*

Share options were granted to non-executive directors, key management and employees under the AusGroup Employee Share Option Scheme ("ASOS") which became operative since 9 October 2019.

Since the commencement of the ASOS, no options were granted at a discount to the market price. Any granted options 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 10 years from the date at which the ASOS become 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.

As at 30 June 2022, no share options are to be issued under the option scheme.

22 Other reserves (continued)

(b) *Share Plan*

The AusGroup Performance Share Plan ("PSP") for employees of the Group (including any executive and non-executive director) and/or a subsidiary was approved by shareholders and adopted on 9 October 2019. The PSP is an integral and important component of the Group's new compensation scheme and is designed to reward and retain the Group's employees whose services and contributions are vital to the well-being and success of the Group.

The selection of a Participant and the number of Shares which are the subject of each Award granted to a Participant in accordance with the PSP shall be determined at the absolute discretion of the Remuneration and Human Capital Committee ("R&HCC"). The R&HCC plans to exercise this discretion judiciously, taking into account criteria such as his/her rank, job performance, years of service and potential for further development, his/her contribution to the success and development of the Company and the extent of effort required to achieve the performance target within the performance period.

The PSP shall continue to be in force at the discretion of the R&HCC, subject to a maximum period of 10 years from the date which the PSP became operative.

On 9 December 2021, the Company allotted and issued 10,000,000 ordinary shares in the capital of the Company to Shane Francis Kimpton, the Managing Director and Chief Executive Officer of the Company, under PSP.

Performance shares granted under the PSP are set out below:

	Performance Shares			
Vesting date	1 July 2022	1 July 2023	1 July 2024	Total number
Service period	3 years	3 years	3 years	
Total number of performance rights	31,000,000	48,000,000	16,500,000	95,500,000
Remaining number of rights at 30 June 2022	31,000,000	48,000,000	16,500,000	95,500,000

23 Revenue

	Group	
	2022 AU$'000	2021 AU$'000
Contract revenue	**233,468**	185,036
Sale of goods	**11**	66
Hire revenue	**8,336**	6,883
Port & Marine services	**3,237**	3,075
	245,052	195,060

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

Contract revenue

Nature of services	The Group provides construction services relating to structural, mechanical and piping installation works. The Group also provides maintenance services ranging from breakdown maintenance to shutdowns and sustaining capital works.
When revenue is recognised	Construction contracts (including labour hiring) qualify for over time revenue recognition as these contracts have no alternative use for the Group due to contractual restrictions, and the Group generally has enforceable rights to payment for performance completed to date. The stage of completion is assessed by reference to the contract costs incurred to date in proportion to the total estimated contract costs of each contract.
Significant payment terms	Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified construction milestones. Once billed, the invoices are payable within credit terms ranging from 30 to 60 days. If the value of the construction services rendered exceeds payments received from the customer, a contract asset is recognised.

23 Revenue (continued)

Hire revenue

Nature of services	The Group provides hiring and installation of scaffolding equipment.
When revenue is recognised	Revenue is recognised over time after the equipment is delivered to the customers and the scaffolding assets are being utilised by the customers.
Significant payment terms	Invoices are issued on a monthly basis and are payable within 30 business days. No element of financing is deemed present as the credit terms are consistent with market practice. Hence, no interest is charged to customers.

Port & Marine services

Nature of goods or services	The Group sells fuel and provides rental accommodation services.
When revenue is recognised	Revenue for sale of goods is recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied. Revenue for rental services is recognised over the rental period of the accommodation.
Significant payment terms	Invoices are issued on a monthly basis and are payable within 30 business days. No element of financing is deemed present as the credit terms are consistent with market practice. Hence, no interest is charged to customers.

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

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

(a) *Disaggregation of revenue from contracts with customers*

In the following table, revenue is disaggregated by timing of revenue recognition.

	2022	2021
	AU$'000	AU$'000
Timing of revenue recognition		
Products transferred at a point in time	**2,744**	2,895
Products and services transferred over time	**242,308**	192,165
	245,052	195,060

(b) *Contract balance*

Significant changes in the contract assets balances during the year are as follows:

	2022	2021
	AU$'000	AU$'000
Contract asset reclassified to trade receivables	**(25,523)**	(13,377)
Cumulative catch-up as a result of contract modification	**23,257**	25,523

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

24 Other operating income

	Group	
	2022 AU$'000	2021 AU$'000
Interest income	**13**	66
Profit on sale of property, plant and equipment	**398**	33
Net foreign exchange loss	**–**	(8)
Reversal of allowance for impairment of receivables	**–**	659
Other income	**274**	235
	685	985

25 Impairment of non-current assets

The Group performs its impairment testing for goodwill annually on 30 June. In addition, market conditions and operating performance 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 as at 30 June 2022 which has led the Group to assess the recoverable value for CGUs:

- Port Melville - The decision to impair the right to operate asset and port and marine services assets resulted from reduced activity at the port and as a result operating cashflows were unable to provide sufficient support for the pre-impaired carrying value of the asset.
- In addition, the East Arm right to use asset has been fully impaired as this asset is no longer used by the Port & Marine Services business and generates no operating cash flow for the CGU.
- Fuel sales during the year have been impacted by the general lack of activity in the oil and gas sector due to the COVID-19 pandemic and other international factors, delaying the penetration across the market. As in the prior year, the CGU will require working capital injection until the business can operate freely on its cashflow.

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

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

Impairment of CGUs based on year end assessment	**Method**	**2022 Impairment charge AU$'000**	2021 Impairment charge AU$'000
Port and Marine - Property, plant and equipment	VIU	**5,264**	–
Port and Marine – Right-of-use Assets	VIU	**1,513**	
Port and Marine – Right to operate port facility	VIU	**4,036**	–
Total		**10,813**	–
Impairment based on assessment of individual asset values	**Method**		
Fabrication and Manufacturing – Australia	VIU	**–**	–
Projects	VIU	**–**	–
Access Services	VIU	**–**	–
Maintenance Services	VIU	**–**	–
Corporate	VIU	**–**	–
Total		**10,813**	–

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

25 Impairment of non-current assets (continued)

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

(i) *Port and Marine:*

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. In determining the valuation for the CGU for FY2022, an independent valuer has been engaged by AusGroup Limited to provide a valuation report on the Port and Marine CGU. The report was prepared for use in the Group's financial reporting and audit purposes under Singapore Financial Reporting Standards (International) Impairment of Assets ('SFRS(I) 36' or 'the Standard'). The Valuation Engagement was conducted in accordance with SFRS(I) 36 Impairment of Assets.

The recoverable amount of the Port and Marine CGU is estimated to be in the range $26.8 million to $31.1 million with a preferred value of $28.9 million (2021: $31.5 million to $52.0 million with a preferred value of $41.7 million) with the impairment loss determined to be $10.8 million after considering the impact of the issues referred to above, which results in a reduction in the carrying value of the CGU to $26.6 million.

(ii) *Other Australian based CGUs*

It has been determined there were no impairment triggers for the Australian Based CGUs for 2022. However, Access Services CGU was tested for impairment as it included goodwill which is tested annually. The recoverable amount of the Access Services CGU based on a VIU is estimated to be $33.2 million (2021: $32.2 million). The carrying amount of the CGU as at 30 June 2022 was $24.6 million (2021: $31.1 million). No impairment has been recognised in the year (2021: $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.

(i) *Key assumptions in VIU models*

The key assumptions used to determine the value in use for the relevant Australian based CGUs mentioned above where that CGU has either material goodwill or impairments recognised are based on a 12.01% pre-tax discount rate applied to cash flow projections (2021: 12.14%) and a growth rate of 2.25% (2021: 2.25%) (weighted average growth rate used to extrapolate cash flow beyond the initial forecast period based on management budgets of five years and terminal value).

(ii) *Key assumptions in Port and Marine CGU*

In 2022 the recoverable amount has been determined on a VIU 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 VIU model.

The operations included in the valuation model of the Port and Marine CGU are based on the activity of Port Melville related assets. The business model used for the valuation of the CGU is based on marine fuel sales and woodchip sales, providing options for bulk fuel purchases (e.g. Defence Force and oil and gas operators - see Fuel Supply and Sales section) and also the use of the Port Melville industrial precinct and storage laydown facilities. The department of Defence has increased interest in the security of the Northern Territory creating growth opportunities for Port Melville.

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

25 Impairment of non-current assets (continued)

(b) *Key assumptions (continued)*

(ii) *Key assumptions in Port and Marine CGU (continued)*

Forecast revenue assumptions

Fuel Supply & Sales

During FY2022, The Port & Marine CGU has continued to service a diverse range of clients including Australian Commonwealth Government departments, commercial maritime transport industry, domestic market consumption and various NT Government departments and it has also provided services to the Tiwi Islands and vessels servicing NT waters such as port services and accommodation. These services will continue to expand and will provide an alternative fuel supply and port service offering to Darwin Port, with the continuing focus to increase the CGU's footprint across the fuel supply market, targeting a market penetration of both the domestic fuel market on the Tiwi Islands and securing supply contracts with bulk fuel customers.

Marine Fuel storage (referred to as ullage) has remained the key focus of the CGU with further negotiations on options to secure storage (ullage) of up to 6 million litres of fuel per annum. The assumption used in arriving at the valuation starts with 2 million litres of fuel in the first year (FY2023) and then increasing to 6 million litres of fuel per annum by FY2024. This will allow for the ease of purchase and sale activities and service fees with the diverse range of clients. In addition, the negotiation of fuel storage agreements with a number of customers is on-going and a key focus to provide an annuity type of revenue over multi-year contracts which would provide a significant financial benefit to the Port & Marine CGU.

Woodchips and Pine log sales

The other key source of revenue included in the Port & Marine CGU valuation is the revenue earned on the forestry product sales. The industry has been impacted by the COVID-19 pandemic with virtually all production and sales ceasing over the last two years. Activity has re-started in the last quarter of the year and plans are already in place for further export shipments in FY2023 as the industry returns to its stated business model. There is sufficient resource on the Tiwi Islands to fulfil these orders that will complement the development plans of the Port & Marine CGU which includes opportunities for downstream products to be produced and exported from the Tiwi Islands.

Other sales revenues (Oil and Gas exploration)

The impact from the global fuel crisis has affected the availability of key opportunities for the Port and Marine CGU with minimal sales revenue in the year. The underlying revenue streams still exist and will offer opportunities as the key oil and gas development in the Bonaparte basin progresses. The level of revenue expected from the sector is based on expected/foreseeable contracts based on the current operations of Port Melville, ongoing discussions with potential customers as advised by management from Port Melville, associated with the oil and gas exploration sector. 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.

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 customers with operators in the defence, energy and forestry industries.

Discount rate

The discount rate applied to the valuation model was in the range of 10.02% to 11.54% (2021: 8.7%) post tax nominal (pre-tax equivalent: in a range of 12.56% to 14.57% 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 adjustments.

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

25 Impairment of non-current assets (continued)

(b) *Key assumptions (continued)*

(ii) *Key assumptions in Port and Marine CGU (continued)*

Other assumptions

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

Area	Basis of assumption
Port tariff	The rates used in the valuation are based on the Group's current published tariff table. Historic data concerning annual increases in port tariff applied by other ports has been used in order to determine the inflation rate used in the calculation of model revenue in future years. The forecast tariff rates were benchmarked against other 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 after 2023 (base year for the model).
Fuel Sales	Prices have been based on an expected market margin to the cost of fuel purchased and allowing for the impact in the volatility in global fuel prices
Fuel Prices (cost of purchase)	The cost of fuel assumed in the valuation is based on current pricing discussions with fuel traders on the basis of servicing the purchase of marine fuel administered under the fuel storage agreement for 10 million litres per annum.
Costs	The costs used in the valuation model are consistent with the current operating costs required to operate the facilities at Port Melville and are deemed appropriate to operate the facilities in future years.
Capital expenditure ("Capex")	The level of Capex in the valuation model has been determined based on what is required to maintain a full service offering to support the business operations foreseen in the model.
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).
Cost inflation	Costs have been assumed to increase based on the consumer price index issued by the RBA.

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

- Estimates of revenue are partially dependent on securing contracts in relation to specific customer projects in all chosen market sectors including the oil and gas industries and in the newly developed target markets of potential marine fuel sales over the remaining 37-year asset life.
- Market penetration and market share criteria data is based on five years' of sales history and fuel purchases.
- Estimates of fuel volumes available in the market are determined by management's best estimates based on available market information.
- 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.

25 Impairment of non-current assets (continued)

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

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

	Potential increase/(decrease) in VIU	
	2022	**2022**
	$'million	**$'million**
Port and Marine	**Base**	**Upside**
Discount rate increased by 1.0%	*	*
Discount rate decreased by 1.0%	**4.9**	**4.7**
Fuel purchase volume increased by 10%	**5.3**	**4.4**
Fuel purchase volume decreased by 10%	*	**(4.5)**
Fuel purchase margin increases by 5%	**7.1**	**5.9**
Fuel purchase margin decreases by 5%	*	**(5.3)**

**No downside sensitivity analysis was undertaken on the Base case as the Base Case represents the floor value of the CGU.*

In addition, the recoverable amount of the Access Services CGU exceeds the carrying value at 30 June 2022 by AU$8.6 million (2021: AU$1.1 million). The Group has not identified any further reasonably possible changes for other key assumptions that could cause the carrying amount of the CGU to exceed its recoverable amount. The key sensitivities for the CGU are shown below:

	2022
Access Services	**$'million**
Discount rate increased by 1.0%	**(4.1)**
Discount rate decreased by 1.0%	**5.5**
Revenue and terminal growth decreased by 2%	**(8.4)**
Revenue and terminal growth increased by 2%	**15.9**

26 (Loss)/profit from operations

	Group	
	2022	2021
	AU$'000	AU$'000
(Loss) / profit has been determined after charging:		
Materials (included in cost of sales)	**12,895**	8,466
Federal Government subsidy for COVID-19 relief		
Subsidy in cost of sales	**–**	4,309
Subsidy included in administrative expenses	**–**	1,692
Total Federal Government subsidy for COVID-19 relief	**–**	6,001
Depreciation of property, plant and equipment		
- included in cost of sales	**2,931**	3,089
- included in administrative expenses	**748**	968
Total depreciation charge (note 12)	**3,679**	4,057
Depreciation of right-to-use asset		
- included in cost of sales	**1,238**	1,131
- included in administrative expenses	**1,622**	1,605
Total depreciation charges (note 13)	**2,860**	2,736
Amortisation of other intangible assets		
- included in cost of sales	**309**	309
- included in administrative expenses	**798**	535
Total amortisation charge (note 15)	**1,107**	844
Employee compensation		
- included in cost of sales	**156,544**	122,443
- included in operating and administrative expenses	**19,374**	16,829
Total employee compensation (note 30)	**175,918**	139,272
Audit fees:		
Auditor of the Company (KPMG)	**135**	124
Other auditors (KPMG)	**368**	347
Non-audit fees:		
Auditor of the Company (KPMG)*	**–**	94

*Fees of AU$94,000 were payable to KPMG relating to advisory work performed by KPMG undertook in 2016 which was only billed by KPMG in the prior financial year.

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

27 Finance costs

	Group	
	2022	2021
	AU$'000	AU$'000
Note interest	**3,082**	2,854
Bank and other interest	**349**	370
Shareholder loan interest	**516**	491
Bank fees	**61**	42
Bank guarantee fees	**117**	62
Lease liabilities	**1,021**	1,086
Foreign exchange loss / (gain) on shareholder loan	**917**	(781)
	6,063	4,124

28 Income tax expense

	Group	
	2022	2021
	AU$'000	AU$'000
Income tax expense on continuing operations:		
Current tax expense	**311**	211
Deferred tax expense	**27**	(131)
Under provision of current tax in prior periods	**–**	250
	338	330
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets (note 16)	**5,504**	(11,395)
(Decrease)/increase in deferred tax liabilities (note 16)	**(5,477)**	11,264
	27	(131)

	Group	
	2022	2021
	AU$'000	AU$'000
Numerical reconciliation of income tax expense to prima facie tax payable:		
(Loss) / profit before income tax	**(31,345)**	1,532
Reconciliation		
Tax calculated at Australian tax rate of 30% (2021 : 30%)	**(9,404)**	460
Effect of tax rates in foreign jurisdictions	**386**	505
Tax effect of non-deductible expenses	**148**	146
Deferred tax asset not recognised :		
- current year tax losses	**483**	–
- previously recognised deferred tax assets now unrecognised	**8,725**	(1,031)
Under provision in prior years	**–**	250
	338	330

29 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:

	2022 Number of shares	2021 Number of shares
Issued and paid-up ordinary shares as at 30 June	**3,073,230,431**	3,063,230,431

	2022 AU$'000	2021 AU$'000
(Loss) / profit attributable to owners of the Company	**(31,683)**	1,202

(a) *Basic earnings per share*

	2022 Number of shares	2021 Number of shares
Weighted average number of ordinary shares on issue	**3,068,792,075**	3,062,613,993

	2022 Cents	2021 Cents
Basic (loss) / earnings per share (AU$ cents per share)	**(1.03)**	0.04

(b) *Diluted earnings per share*

	Number of shares	Number of shares
Weighted average number of ordinary shares on issue	**3,068,792,075**	3,062,613,993
Adjustments for calculation of diluted earnings per share:		
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**3,068,792,075**	3,062,613,993

	2022 Cents	2021 Cents
Basic (loss) / earnings per share (AU$ cents per share)	**(1.03)**	0.04

Nil options (2021: Nil option) were included in the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive. All options expired at 30 June 2019.

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

30 Employee compensation

	Group	
	2022 **AU$'000**	2021 AU$'000
Salaries and other short-term employee benefits	**160,133**	127,988
Employer's contribution to defined contribution plans including superannuation and Central Provident Fund	**12,045**	9,672
Employee share option scheme expense (refer to note 22)	**1,627**	225
Termination benefits	**2,113**	1,387
Total employee compensation (note 26)	**175,918**	139,272

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) *Purchases of goods and services*

	Group	
	30 June 2022 AU$'000	30 June 2021 AU$'000
Interest accrued on loan from Ezion Holdings Limited [1]	**516**	491
Management fee and reimbursement of expenses paid on behalf by Ezion Holdings Limited	**13**	17

[1] The transactions are done under commercial terms.

31 Related party transactions (continued)

(b) *Key management personnel*

	Group	
	2022 AU$'000	2021 AU$'000
Salaries and other short-term employee benefits	**2,716**	2,178
Termination benefits	**–**	210
Employer's contribution to defined contribution plans including superannuation and Central Provident Fund	**132**	110
Employee share option scheme expense	**246**	225
	3,094	2,723

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

	Group	
	2022 AU$'000	2021 AU$'000
Current payable relating to service received from entities controlled by Ezion	**(301)**	(269)
Current payable relating to purchase of accommodation village from Aus Am Pte Ltd, a subsidiary of Charisma Energy Services Limited, whereby Ezion Holdings Limited has 40% interest	**–**	(3,079)

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

Company	**Total due**	**Provision for doubtful debts**	**Total**
2022	**AU$'000**	**AU$'000**	**AU$'000**
Due from subsidiaries	**2**	**–**	**2**
Due to subsidiaries	**(8,451)**	**–**	**(8,451)**
2021			
Due from subsidiaries	155	–	155
Due to subsidiaries	(19,034)	–	(19,034)

(e) *Loan from substantial shareholder*

	Group and Company	
	2022 AU$'000	2021 AU$'000
Beginning of the year	**24,669**	26,481
Interest charged	**516**	491
Currency translation differences	**2,324**	(2,303)
End of the year (note 19)	**27,509**	24,669

The Group has an unsecured loan with Ezion, a substantial shareholder of the Company which is denominated in USD. The amount outstanding as at 30 June 2022 was US$18.9 million, equivalent to AU$27.5 million (2021: US$18.5 million, equivalent to AU$24.7 million). This loan accrues interest at 2.0% (2021: 2.0%) per annum capitalised to the loan balance. Repayment of the loan is due on 30 October 2023.

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

32 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 General Manager - Maintenance, the General Manager - Resources and the General Manager - Operations.

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 including structural, mechanical, piping (SMP), painting, insulation and fireproofing (PIF) and engineering procurement and construction (EPC). Revenue from Projects segment is recognised in contract revenue.
Access Services	Provides access services including scaffolding, engineering and design, labour supply and stock control, logistics, transportation and rope services. Revenue from Access Services segment is recognised in contract revenue, sales of goods and hire revenue.
Fabrication and manufacturing	Provides turnkey solutions to the oil and gas sector through all phases of the asset life-cycle from exploration, construction, commissioning and operation through to maintenance and repair and decommissioning. Revenue from Fabrication and manufacturing segment is recognised in contract revenue. The Singapore segment is now discontinued (refer Note 29).
Maintenance Services	Provides preventative and breakdown maintenance services as well as shut down services and sustaining capital works. Revenue from the Maintenance Services segment is recognised in contract revenue.
Port & Marine Services	Provides a full range of support services to the local wood chipping business and the offshore oil and gas industry through the provision of diesel fuel, port laydown, logistics and transportation of high, wide and heavy cargoes to remote and environmentally sensitive locations. Revenue from Port & Marine Services segment is recognised in Port & Marine revenue.

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

32 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 2022	Projects	Access Services	Fabrication & Manufacturing - Australia	Maintenance Services	Port & Marine Services	Corporate/ Unallocated	Total
	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000
TOTAL REVENUE							
Revenue from external customers	34,958	28,545	27,987	150,325	3,237	–	**245,052**
RESULTS							
Adjusted EBITDA	(8,149)	3,188	1,479	10,001	(1,501)	(10,963)	**(5,945)**
Depreciation and amortisation	(5)	(2,334)	(1,170)	–	(2,672)	(1,465)	**(7,646)**
Interest income	–	–	–	–	–	13	**13**
Interest expense	–	(57)	(83)	–	(5,362)	(561)	**(6,063)**
Impairment losses	–	(891)	–	–	(10,813)	–	**(11,704)**
(Loss) / profit before tax	(8,154)	(94)	226	10,001	(20,348)	(12,976)	**(31,345)**
ASSETS							
Total segment assets	**13,190**	**32,125**	**12,703**	**28,411**	**36,968**	**15,114**	**138,511**
Additions to non-current assets (other than financial assets and deferred tax)	**–**	**1,117**	**529**	**–**	**650**	**340**	**2,636**
LIABILITIES							
Total segment liabilities	**10,510**	**4,222**	**7,326**	**11,153**	**13,087**	**85,966**	**132,264**

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

32 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 2021	Projects	Access Services	Fabrication & Manufacturing - Australia	Maintenance Services	Port & Marine Services (including discontinued entities)	Corporate/ Unallocated	Total
	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000
TOTAL REVENUE							
Revenue from external customers	22,945	25,185	31,365	112,490	3,075	–	195,060
RESULTS							
Adjusted EBITDA	3,281	2,528	1,323	8,891	(277)	(2,302)	13,444
Depreciation and amortisation	(5)	(2,494)	(1,245)	–	(2,638)	(1,255)	(7,637)
Interest income	–	1	–	–	–	65	66
Interest expense	(1)	(67)	(117)	–	(3,503)	(436)	(4,124)
Impairment losses	(8)	(202)	–	–	–	(7)	(217)
Profit / (loss) before tax	3,267	(234)	(39)	8,891	(6,418)	(3,935)	1,532
ASSETS							
Total segment assets	2,966	37,271	17,074	32,990	50,134	16,379	156,814
Additions to non-current assets (other than financial assets and deferred tax)	–	2,702	136	–	385	2,051	5,274
LIABILITIES							
Total segment liabilities	650	4,605	3,703	9,262	17,014	81,647	116,881

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.

32 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	
	2022 AU$'000	2021 AU$'000
Segment assets for reportable segments	**123,397**	140,435
Cash and cash equivalents	**5,848**	7,616
Other receivables and prepayments	**6,171**	4,069
Property, plant and equipment	**1,706**	2,754
Intangible assets	**1,389**	1,940
	138,511	156,814

(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	
	2022 AU$'000	2021 AU$'000
Segment liabilities for reportable segments	**46,298**	35,234
Trade payables	**3,289**	2,250
Other payables	**5,198**	6,725
Borrowings	**71,271**	66,049
Accruals for other liabilities and charges	**4,112**	3,311
Deferred tax liabilities (including set off of deferred tax pursuant to set-off provisions)	**523**	496
Lease liabilities	**1,573**	2,816
	132,264	116,881

Notes to the Consolidated Financial Statements *CONTINUED*

For the year ended 30 June 2022

32 Segment information (continued)

(d) *Other segment information*

	Revenue AU$'000	%	Segment assets AU$'000	%	Non-current assets AU$'000	%
2022						
Australia	**240,577**	**98.2%**	**132,415**	**95.6%**	**59,579**	**95.5%**
Singapore	**1,582**	**0.7%**	**3,547**	**2.6%**	**2,616**	**4.2%**
Thailand	**2,893**	**1.1%**	**2,398**	**1.7%**	**176**	**0.3%**
Malaysia	**–**	**–%**	**151**	**0.1%**	**–**	**–%**
Total	**245,052**	**100.0%**	**138,511**	**100.0%**	**62,371**	**100.0%**
2021						
Australia	192,845	98.9%	149,975	95.6%	82,049	96.3%
Singapore	905	0.5%	3,738	2.4%	2,916	3.4%
Thailand	1,310	0.7%	1,741	1.1%	244	0.3%
Malaysia	–	–%	1,360	0.9%	–	–%
Total	195,060	100.0%	156,814	100.0%	85,209	100.0%

Major customer

Revenue from one customer of the Group's Maintenance Services segment represents approximate AU$147.6 million (2021: AU$127.2 million) of the Group's total revenues.

33 Events occurring after the reporting period

Assets held for sale

As stated in note 9, the Group's wholly-owned subsidiary, on 26 August 2022, AusGroup Companies Pty Ltd, completed a contract for sale and leaseback of the property located at 15 Beach Street, Kwinana Beach WA.

The sale was approved and passed by the shareholders of the Group by way of poll at the Extraordinary General Meeting held on 12 August 2022 for a consideration of AU$16.2m.

34 Litigation and claims

The Group has the normal contractor's liability in relation to its current and completed contracts (for example, liability related to design, workmanship and damage), as well as liability for personal injury and property damage during a project. Potential liability may arise from claims, dispute and/or litigation against Group companies and/or joint venture arrangements in which the Group has an interest. The Group is currently managing a claim in relation to its contract.

Shareholdings Statistics

As at 19 September 2022

Class of equity securities	:	Ordinary share
No. of equity securities	:	3,073,230,431
No. of treasury shares	:	Nil
No. of subsidiary holdings	:	Nil
Voting rights	:	One vote per share

Analysis of Shareholdings

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	12	0.16	397	0.00
100 – 1,000	136	1.83	116,447	0.01
1,001 - 10,000	2,332	31.40	16,802,912	0.54
10,001 - 1,000,000	4,766	64.16	627,199,163	20.41
1,000,001 and above	182	2.45	2,429,111,512	79.04
	7,428	100.00	3,073,230,431	100.00

Top 20 Shareholders

No.	Name of Shareholders	No. of Shares	%
1	DBS Nominees Pte Ltd	705,875,432	22.97
2	Raffles Nominees (Pte) Limited	589,224,712	19.17
3	Ezion Holdings Limited	409,232,604	13.32
4	Poh Boon Kher Melvin (Fu Wenke Melvin)	100,000,000	3.25
5	Phillip Securities Pte Ltd	31,882,500	1.04
6	Shane Francis Kimpton	25,000,000	0.81
7	Citibank Nominees Singapore Pte Ltd	22,594,159	0.73
8	IFast Financial Pte Ltd	22,316,150	0.73
9	Barry Alfred Carson and Jennifer Margaret Carson	20,651,518	0.67
10	OCBC Securities Private Ltd	19,083,500	0.62
11	United Overseas Bank Nominees Pte Ltd	18,737,902	0.61
12	Gea Ban Guan	18,300,000	0.59
13	Ang Ah Lek @ An Ah Lek	15,000,000	0.49
14	UOB Kay Hian Pte Ltd	14,630,300	0.48
15	Ip Yuen Kwong	14,000,000	0.46
16	Maybank Securities Pte. Ltd.	11,685,610	0.38
17	OCBC Nominees Singapore Pte Ltd	9,152,900	0.30
18	Suharni Binte Ahmad	9,000,000	0.29
19	Tan Eng Chua Edwin	8,842,900	0.29
20	Tiger Brokers (Singapore) Pte. Ltd.	8,718,900	0.28
		2,073,929,087	67.48

Shareholdings Statistics *CONTINUED*

As at 19 September 2022

Shareholdings Held in Hands of Public

Based on information available to the Company and to the best knowledge of the Company as at 19 September 2022, approximately 47.4% 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.

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders as at 19 September 2022)

Names of Substantial Shareholders	No. of shares in which shareholders have a direct interest	%	No. of shares in which shareholders are deemed to have an interest	%
Ezion Holdings Limited	409,232,604	13.36	–	–
Bernard Toh Bee Yong [(1)]	356,093,525	11.68	–	–
Poh Boon Kher Melvin [(2)]	299,799,712	9.76	–	–
Asdew Acquisitions Pte. Ltd.	522,076,974	16.99	–	–

Notes:

(1) 156,093,525 shares of the total number of shares held by Bernard Toh Bee Yong are registered in the name of DBS Nominees Pte Ltd.

(2) 199,799,712 shares of the total number of shares held by Poh Boon Kher Melvin are registered in the name of DBS Nominees Pte Ltd.

Company Information

Board of Directors
Mr Wu Yu Liang
Independent Director and Non-Executive Chairman

Mr Chew Heng Ching
Independent Non-Executive Director

Ms Ooi Chee Kar
Independent Non-Executive Director

Mr Eng Chiaw Koon
Non-Independent and Non-Executive Director

Mr Shane Francis Kimpton
Managing Director and Chief Executive Officer

Mr Melvin Poh Boon Kher
Non-Independent and Non-Executive Director

Audit Committee
Ms Ooi Chee Kar (Chair)
Mr Wu Yu Liang
Mr Chew Heng Ching

Nominating Committee
Mr Chew Heng Ching (Chair)
Ms Ooi Chee Kar
Mr Wu Yu Liang

Remuneration and Human Capital Committee
Mr Chew Heng Ching (Chair)
Mr Wu Yu Liang
Ms Ooi Chee Kar

Company Secretary
Mr Leong Chang Hong

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

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