

**CSC Holdings Limited and its Subsidiaries**  
**Registration Number: 199707845E**

**Condensed Consolidated Interim Financial Report**  
**Six Months ended 30 September 2015**



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## **CSC Holdings Limited and its Subsidiaries**

### **Independent auditors' report on review of the condensed interim financial information for the six months period ended 30 September 2015**

#### ***Introduction***

We have reviewed the accompanying consolidated statement of financial position of CSC Holdings Limited and its Subsidiaries (the "Group") as at 30 September 2015, and the related consolidated statement of profit or loss, consolidated statements of comprehensive income, changes in equity and cash flows for the six months period then ended, and certain explanatory notes (the "Interim Financial Information"). Management is responsible for the preparation and presentation of this Condensed Interim Financial Information in accordance with Singapore Financial Reporting Standard ("FRS") 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this Condensed Interim Financial Information based on our review.

#### ***Scope of review***

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of Condensed Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Interim Financial Information is not prepared, in all material respects, in accordance with FRS 34 *Interim Financial Reporting*.



***Restriction on use***

Our report is provided in accordance with the terms of our engagement. Our work was undertaken so that we might report to you on the Condensed Interim Financial Information for the purpose of assisting the Company to meet the requirements of paragraph 3 of Appendix 7.2 of the Singapore Exchange Limited Listing Manual and for no other purpose. Our report is included in the Company's announcement of its Condensed Interim Financial Information for the information of its members. We do not assume responsibility to anyone other than the Company for our work, for our report, or for the conclusions we have reached in our report.

**KPMG UP**

**KPMG LLP**

*Public Accountants and  
Chartered Accountants*

**Singapore**

11 November 2015

**Consolidated statement of financial position**  
**As at 30 September 2015**

	Note	30/9/2015 \$'000	31/3/2015 \$'000
<b>Non-current assets</b>			
Property, plant and equipment		175,738	185,617
Intangible assets		1,452	1,452
Investment in a joint venture		1,358	1,613
Other investment		842	828
Trade and other receivables		11,372	12,902
		<u>190,762</u>	<u>202,412</u>
<b>Current assets</b>			
Inventories		26,239	27,001
Derivatives		30	—
Trade and other receivables		183,739	202,879
Cash and cash equivalents		16,489	19,167
		<u>226,497</u>	<u>249,047</u>
<b>Total assets</b>		<u>417,259</u>	<u>451,459</u>
<b>Equity attributable to owners of the Company</b>			
Share capital	3	64,953	64,953
Reserves		84,794	89,366
		<u>149,747</u>	<u>154,319</u>
<b>Non-controlling interests</b>		24,910	24,719
<b>Total equity</b>		<u>174,657</u>	<u>179,038</u>
<b>Non-current liabilities</b>			
Loans and borrowings	4	31,817	31,739
Deferred tax liabilities		639	570
		<u>32,456</u>	<u>32,309</u>
<b>Current liabilities</b>			
Loans and borrowings	4	75,738	86,358
Trade and other payables		117,848	139,035
Excess of progress billings over construction work-in-progress		9,424	7,806
Current tax payable		1,108	1,749
Provision for liquidated damages		6,028	5,164
		<u>210,146</u>	<u>240,112</u>
<b>Total liabilities</b>		<u>242,602</u>	<u>272,421</u>
<b>Total equity and liabilities</b>		<u>417,259</u>	<u>451,459</u>

The accompanying notes form an integral part of these condensed consolidated interim financial report.

**Consolidated statement of profit or loss**  
**For the six months ended 30 September 2015**

		<b>Six months ended</b>	
		<b>30 September</b>	
	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>\$'000</b>	<b>\$'000</b>
Revenue		218,079	196,278
Cost of sales		(203,354)	(186,538)
<b>Gross profit</b>		14,725	9,740
Other income		927	1,723
Distribution expenses		(299)	(286)
Administrative expenses		(13,783)	(14,471)
Recovery of legal and other costs as a result of an arbitration award received	12	906	-
Other operating (expenses)/income		(546)	6,365
<b>Results from operating activities</b>		1,930	3,071
Finance income		814	182
Finance expenses		(1,667)	(2,066)
<b>Net finance expenses</b>		(853)	(1,884)
Share of (loss)/profit of a joint venture		(121)	20
<b>Profit before tax</b>		956	1,207
Tax expense		(30)	(931)
<b>Profit for the period</b>	5	926	276
<b>Attributable to:</b>			
Owners of the Company		454	(1,540)
Non-controlling interests		472	1,816
<b>Profit for the period</b>		926	276
<b>Earnings/(loss) per share</b>			
Basic earnings/(loss) per share (cents)	6	0.04	(0.13)
Diluted earnings/(loss) per share (cents)	6	0.04	(0.13)

The accompanying notes form an integral part of these condensed consolidated interim financial report.

**Consolidated statement of comprehensive income**  
**For the six months ended 30 September 2015**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit for the period	926	276
<b>Other comprehensive income</b>		
<b>Items that are or may be reclassified subsequently to profit or loss:</b>		
Translation differences relating to financial statements of foreign subsidiaries, an associate and a joint venture	(5,307)	420
Other comprehensive income for the period, net of tax	(5,307)	420
Total comprehensive income for the period	(4,381)	696
Attributable to:		
Owners of the Company	(4,572)	(1,154)
Non-controlling interests	191	1,850
Total comprehensive income for the period	(4,381)	696

The accompanying notes form an integral part of these condensed consolidated interim financial report.

**Consolidated statement of changes in equity**  
**For the six months ended 30 September 2015**

Group	Share capital \$'000	Capital reserve \$'000	Reserve for own shares \$'000	Reserve on consolidation \$'000	Other reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1 April 2014	64,953	17,798	(2,336)	116	137	(2,034)	95,581	174,215	24,019	198,234
<b>Total comprehensive income for the period</b>										
Profit for the period	-	-	-	-	-	-	(1,540)	(1,540)	1,816	276
<b>Other comprehensive income</b>										
Translation differences relating to financial statements of foreign subsidiaries, an associate and a joint venture	-	-	-	-	-	386	-	386	34	420
Total other comprehensive income	-	-	-	-	-	386	-	386	34	420
<b>Total comprehensive income for the period</b>										
	-	-	-	-	-	386	(1,540)	(1,154)	1,850	696
<b>Transactions with owners of the Company, recorded directly in equity</b>										
Purchase of treasury shares	-	-	(18)	-	-	-	-	(18)	-	(18)
Final dividends of 0.10 cents per share (tax-exempt one-tier) in respect of financial year 2014	-	-	-	-	-	-	(1,210)	(1,210)	-	(1,210)
<b>Total transactions with owners of the Company</b>										
	-	-	(18)	-	-	-	(1,210)	(1,228)	-	(1,228)
At 30 September 2014	64,953	17,798	(2,354)	116	137	(1,648)	92,831	171,833	25,869	197,702

The accompanying notes form an integral part of these condensed consolidated interim financial report.

**Consolidated statement of changes in equity  
For the six months ended 30 September 2015**

Group	Share capital \$'000	Capital reserve \$'000	Reserve for own shares \$'000	Reserve on consolidation \$'000	Other reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1 April 2015	64,953	17,798	(2,354)	116	(923)	(2,943)	77,672	154,319	24,719	179,038
<b>Total comprehensive income for the period</b>										
Profit for the period	-	-	-	-	-	-	454	454	472	926
<b>Other comprehensive income</b>										
Translation differences relating to financial statements of foreign subsidiaries, an associate and a joint venture	-	-	-	-	-	(5,026)	-	(5,026)	(281)	(5,307)
Total other comprehensive income	-	-	-	-	-	(5,026)	-	(5,026)	(281)	(5,307)
<b>Total comprehensive income for the period</b>										
	-	-	-	-	-	(5,026)	454	(4,572)	191	(4,381)
<b>Transactions with owners of the Company, recorded directly in equity</b>										
Total transactions with owners of the Company	-	-	-	-	-	-	-	-	-	-
At 30 September 2015	64,953	17,798	(2,354)	116	(923)	(7,969)	78,126	149,747	24,910	174,657

The accompanying notes form an integral part of these condensed consolidated interim financial report.



**Consolidated statement of cash flows**  
**For the six months ended 30 September 2015**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Profit for the period	926	276
Adjustments for:		
Allowance for foreseeable losses	234	—
Bad debts written off	1	2
Depreciation of property, plant and equipment	13,454	14,044
Gain on disposal of property, plant and equipment	(358)	(1,007)
Impairment losses made/(reversed) on trade and other receivables	465	(6,417)
Inventories written down	—	35
Net finance expenses	853	1,884
Property, plant and equipment written off	12	—
Provision for liquidated damages	975	450
Share of loss/(profit) of a joint venture	121	(20)
Tax expense	30	931
	<u>16,713</u>	<u>10,178</u>
Changes in working capital:		
Inventories	2,218	6,966
Trade and other receivables	21,172	11,005
Trade and other payables	(22,087)	(3,651)
Cash generated from operations	<u>18,016</u>	<u>24,498</u>
Taxes paid	(548)	(1,057)
Interest received	512	4
<b>Net cash generated from operating activities</b>	<u>17,980</u>	<u>23,445</u>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	448	1,678
Purchase of property, plant and equipment	(3,663)	(1,645)
Consideration paid on acquisition of non-controlling interests in previous year	(727)	—
<b>Net cash (used in)/generated from investing activities</b>	<u>(3,942)</u>	<u>33</u>

The accompanying notes form an integral part of these condensed consolidated interim financial report.

	<b>Six months ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from financing activities</b>		
Interest paid	(1,662)	(2,015)
Dividend paid to:		
- owners of the Company	—	(1,210)
Proceeds from:		
- bank loans	23,199	19,183
- bills payable	27,095	28,338
- hire purchase loans	—	9,336
Purchase of treasury shares	—	(18)
Repayment of:		
- bank loans	(28,477)	(17,666)
- bills payable	(28,172)	(37,119)
- finance lease liabilities	(11,740)	(21,154)
Increase in fixed deposits pledged	—	(225)
<b>Net cash used in financing activities</b>	<b>(19,757)</b>	<b>(22,550)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5,719)</b>	<b>928</b>
Cash and cash equivalents at beginning of period	18,295	7,927
Effect of exchange rate changes on balances held in foreign currencies	(708)	(16)
<b>Cash and cash equivalents at end of period</b>	<b>11,868</b>	<b>8,839</b>
Comprising:		
Cash and cash equivalents	16,489	10,697
Bank overdrafts	(4,621)	(1,633)
	11,868	9,064
Less:		
Fixed deposits pledged as security for bank facilities	—	(225)
Cash and cash equivalents in the consolidated cash flow statement	11,868	8,839

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of \$6,793,000 (30 September 2014: \$7,379,000) of which \$2,304,000 (30 September 2014: \$3,208,000) were acquired by means of finance leases. Cash payments of \$3,663,000 (30 September 2014: \$1,645,000) were made to purchase property, plant and equipment. At the reporting date, the unpaid liabilities from the purchase of property, plant and equipment amounted to \$826,000 (30 September 2014: \$2,526,000).

The accompanying notes form an integral part of these condensed consolidated interim financial report.

## **Notes to the condensed consolidated interim financial report**

These notes form an integral part of the condensed consolidated interim financial report.

The condensed consolidated interim financial report were authorised for issue by the directors on 11 November 2015.

### **1 Reporting entity**

CSC Holdings Limited (“the Company”) is a company domiciled in the Republic of Singapore. The condensed consolidated interim financial report as at and for the six months ended 30 September 2015, comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in piling works, civil engineering works, trading and leasing of heavy foundation equipment, soil investigation and surveying works.

#### **1.1 Basis of preparation**

The condensed consolidated interim financial report of the Group has been prepared on a condensed basis in accordance with the Singapore Financial Reporting Standard FRS 34 *Interim Financial Reporting*. They do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in Group’s financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 March 2015.

The condensed consolidated interim financial report, which do not include the full disclosures of the type normally included in full annual financial statements prepared in accordance with the Singapore Financial Reporting Standards (“FRS”), are to be read in conjunction with the last audited financial statements for the year ended 31 March 2015.

The condensed consolidated interim financial report is presented in Singapore dollars which is the Company’s functional currency.

Accounting policies and methods of computation used in the condensed consolidated interim financial report are consistent with those applied in the financial statements for the year ended 31 March 2015.

#### **1.2 Use of judgements and estimates**

In preparing the condensed consolidated interim financial report, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2015 (see note 13).

## 2 Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

## 3 Share capital

	30 September 2015		31 March 2015	
	No. of shares	\$'000	No. of shares	\$'000
<b>Issued and fully-paid ordinary shares with no par value:</b>				
At 1 April 2015/1 April 2014				
and at 30 September 2015/31 March 2015	1,230,243,725	64,953	1,230,243,725	64,953

There were no share buybacks during the financial period. As at 30 September 2015, the Company held 20,520,000 (31 March 2015: 20,520,000) of its own uncanceled shares.

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

## 4 Group borrowings and debt securities

	30 September 2015	31 March 2015
	\$'000	\$'000
Bank overdrafts	4,621	872
Bills payable	12,537	13,614
Secured bank loans	12,269	6,547
Unsecured bank loans	39,734	50,734
Finance lease liabilities	38,394	46,330
	<u>107,555</u>	<u>118,097</u>
Amount repayable:		
- in one year or less, or on demand	75,738	86,358
- after one year	31,817	31,739
	<u>107,555</u>	<u>118,097</u>

The Group borrowings and debt securities are guaranteed by the Company, out of which \$16,699,000 (31 March 2015: \$19,234,000) are guaranteed by a related corporation.

The secured bank loans and finance lease liabilities are secured by:

- (a) a charge over the Group's leasehold land and properties with an outstanding amount of \$10,850,000 (31 March 2015: \$4,375,000);
- (b) a legal mortgage over the Group's plant and machinery with an outstanding amount of \$1,419,000 (31 March 2015: \$2,172,000); and
- (c) the Group's plant and machinery acquired under finance lease arrangements with an outstanding amount of \$38,394,000 (31 March 2015: \$46,330,000).

## 5 Profit for the period

The following items have been included in arriving at the profit for the period:

	<b>Six months ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Allowance for foreseeable losses	234	—
Operating lease expenses	17,903	11,393
Bad debts written off	1	2
Depreciation of property, plant and equipment	13,454	14,044
Exchange loss	239	385
Gain on disposal of property, plant and equipment	(358)	(1,007)
Impairment losses made/(reversed) on trade and other receivables	465	(6,417)
Provision for liquidated damages	975	450
Inventories written down	—	35
Property, plant and equipment written off	12	—

## 6 Earnings/(loss) per share

### (a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is based on:

Net profit/(loss) attributable to ordinary shareholders

	<b>Six months ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Net profit/(loss) attributable to ordinary shareholders	454	(1,540)

Weighted average number of:

Issued ordinary shares at beginning of the period

Ordinary shares held as treasury shares

Weighted average number of shares used to compute earnings per share

	<b>Six months ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>No. of shares</b>	<b>No. of shares</b>
Issued ordinary shares at beginning of the period	1,230,243,725	1,230,243,725
Ordinary shares held as treasury shares	(20,520,000)	(20,520,000)
Weighted average number of shares used to compute earnings per share	1,209,723,725	1,209,723,725

**(b) Diluted earnings/(loss) per share**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Diluted earnings/(loss) per share is based on:		
Net profit/(loss) attributable to ordinary shareholders	454	(1,540)

For the purpose of calculating the diluted earnings/(loss) per ordinary share, the weighted average number of ordinary shares is adjusted to take into account the dilutive effect arising from the dilutive potential ordinary shares weighted for the period outstanding.

The weighted average number of ordinary shares in issue is as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>No. of shares</b>	<b>No. of shares</b>
Weighted average number of:		
Ordinary shares used in the calculation of basic earnings per share	1,209,723,725	1,209,723,725
Dilutive potential ordinary shares issuable	—	—
Weighted average number of ordinary shares and potential shares assuming full conversion	1,209,723,725	1,209,723,725

**7**

**Segmental information**

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's Executive Committee reviews the internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

<i>Foundation and geotechnical engineering:</i>	Includes civil engineering, piling, foundation and geotechnical engineering, soil investigation, land surveying and other related services.
<i>Sale and lease of equipment:</i>	Sales and rental of foundation engineering equipment, machinery and spare parts

Other operations include the sale and sublet of land, property development and fabrication, repair and maintenance services for heavy machinery. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2016 or 2015.

The bases of measurement of the reportable segments are in accordance with the Group's accounting policies. Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's Executive Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

### Information about reportable segments

	<-----Consolidated Statement of Profit or Loss----->							
	Foundation and geotechnical engineering		Sales and lease of equipment		Others		Total	
	30/9/2015	30/9/2014	30/9/2015	30/9/2014	30/9/2015	30/9/2014	30/9/2015	30/9/2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	198,351	164,456	19,728	31,822	--	--	218,079	196,278
Inter-segment revenue	37,347	26,450	6,913	9,506	--	--	44,260	35,956
Reportable segment (loss)/profit before tax	(302)	(3,378)	1,244	3,958	(58)	(17)	884	563
	<-----Consolidated Statement of Financial Position----->							
	Foundation and geotechnical engineering		Sales and lease of equipment		Others		Total	
	30/9/2015	31/3/2015	30/9/2015	31/3/2015	30/9/2015	31/3/2015	30/9/2015	31/3/2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	314,798	346,791	95,207	97,794	4,639	4,531	414,644	449,116
Reportable segment liabilities	189,915	214,590	49,262	53,559	73	42	239,250	268,191

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities.

	30 September 2015	30 September 2014
	\$'000	\$'000
<b>Revenue</b>		
Total revenue for reportable segments	262,339	232,234
Elimination of inter-segment revenue	(44,260)	(35,956)
Consolidated revenue	218,079	196,278
<b>Profit or loss</b>		
Total profit or loss for reportable segments	942	580
Other profit or loss	(58)	(17)
	884	563
Elimination of inter-segment transactions	3,021	3,489
Unallocated amounts:		
- other corporate expenses	(2,828)	(2,865)
Share of (loss)/profit of a joint venture	(121)	20
Consolidated profit before tax	956	1,207

	<b>30 September 2015 \$'000</b>	<b>31 March 2015 \$'000</b>
<b>Assets</b>		
Total assets for reportable segments	410,005	444,585
Other assets	4,639	4,531
	<u>414,644</u>	<u>449,116</u>
Investment in a joint venture	1,358	1,613
Other unallocated amounts	1,257	730
Consolidated total assets	<u>417,259</u>	<u>451,459</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	239,177	268,149
Other liabilities	73	42
	<u>239,250</u>	<u>268,191</u>
Other unallocated amounts	3,352	4,230
Consolidated total liabilities	<u>242,602</u>	<u>272,421</u>

## 8 Dividends

Since the end of the last financial year, no dividends were paid by the Company in respect of the financial year ended 31 March 2015. The Company had paid a tax-exempt one-tier final dividend of 0.10 cents per ordinary share amounting to \$1,210,000 in respect of the financial year ended 31 March 2014.

## 9 Commitments

Commitments not reflected in the financial statements at the reporting date are as follows:

### (a) Capital commitments

As at reporting date, capital expenditure contracted for but not recognised in the financial statements is as follows:

	<b>30 September 2015 \$'000</b>	<b>31 March 2015 \$'000</b>
Capital commitments in respect of:		
- acquisition of property, plant and equipment	<u>122</u>	<u>600</u>



(b) Operating lease commitments

The Group leases office and equipment under operating leases. The leases typically run for an initial period of 9 months to 30.8 years, with an option to renew the lease after that date. Lease payments are usually revised at each renewal date to reflect market rentals. None of the leases include contingent rental.

As at reporting date, the future minimum lease payments under non-cancellable operating leases are as follows:

	<b>30 September 2015 \$'000</b>	<b>31 March 2015 \$'000</b>
Payable:		
- within 1 year	7,177	7,875
- after 1 year but within 5 years	5,022	3,237
- after 5 years	9,668	9,958
	<u>21,867</u>	<u>21,070</u>

## 10 Related parties

### *Key management personnel compensation*

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors and senior management are considered as key management personnel of the Group.

Key management personnel compensation comprised:

	<b>Six months ended 30 September 2015 \$'000</b>	<b>2014 \$'000</b>
Short-term employee benefits	3,078	3,024
Post employment benefits	127	112
	<u>3,205</u>	<u>3,136</u>

The aggregate value of transactions related to key management personnel over which they have control or significant influence are as follows:

	<b>Six months ended 30 September 2015 \$'000</b>	<b>2014 \$'000</b>
Professional fees	15	15

### **Other related party transactions**

Other than disclosed elsewhere in the condensed consolidated interim financial report, the transactions with related parties are as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Companies in which a director and a substantial shareholder of the Group have substantial financial interests</b>		
Revenue from foundation engineering works	818	887
Revenue from rental and service income	108	651
Sale of plant and equipment	—	90
Rental and operating lease expenses	(2,773)	(687)
Purchase of plant and equipment	(516)	(440)
Upkeep of machinery and equipment expenses	(55)	(92)
<b>Firm in which a director of the Group has substantial financial interests</b>		
Consultancy fee paid	—	(10)
Service fee paid	(49)	—
<b>Joint venture</b>		
Revenue from rental income and service income	27	136
Management fee income	—	75

## **11 Contingent liabilities (unsecured)**

The Company had the following contingent liabilities:

	<b>30 September</b>	<b>31 March</b>
	<b>2015</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Guarantees given as securities for bank facilities granted to subsidiaries	248,335	272,254

## **12 Other significant transactions**

On 24 August 2015, the Group received a favourable arbitration award pursuant to an arbitration proceeding against a third party for the outstanding liquidated damages claims on the project undertaken by the Group. As a result of the arbitration proceedings, a recovery of costs amounted to \$1.6 million (comprising \$906,000 relating to recovery of legal and other costs, \$337,000 relating to interest income on late payment and \$322,000 relating to reversal of provision of rectification cost) was recognised in the consolidated statement of profit or loss for the period ended 30 September 2015.

## 13 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 are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the condensed consolidated interim financial report. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the condensed consolidated interim financial report.

Information about critical judgements that have the most significant effect on the amounts recognised in the financial statements are as follow:

### *Classification of plant and equipment as property, plant and equipment or inventories.*

On initial recognition, assets purchased for own use or rental purposes are classified as property, plant and equipment and assets purchased for trading purposes are classified as inventories. At every period end, the economic use of the assets are reassessed to ensure it follow the correct accounting classification.

During the financial period, a total of \$2,306,000 (30 September 2014: \$21,206,000) inventories were transferred to property, plant and equipment and depreciated over its estimated useful lives after a reassessment of the intended use of the assets. The change in classification is accounted for as a change in estimate and adjusted prospectively in the condensed consolidated interim financial report. Depreciation expense of \$78,000 (30 September 2014: \$1,001,000) was recognised in the consolidated statement of profit or loss.

### *Contingent liabilities*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follow:

### *Estimation of recoverable amounts, useful lives and residual values of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expenses to be recorded at each financial period. Changes in the expected level of use of the assets and the Group's historical experience with similar assets after taking into account anticipated technological changes could impact the economic useful lives and the residual values of the

assets; therefore future depreciation charge could be revised. Any changes in the economic useful lives could impact the depreciation charge and consequently affect the Group's results. The residual value is reviewed at each reporting date, with any change in residual value accounted for as a change in estimate and therefore prospectively.

#### ***Impairment of plant and equipment***

The Group has made substantial investments in plant and equipment for its foundation engineering businesses. Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

The Group considers its asset impairment accounting policy to be a policy that requires extensive applications of judgements and estimates by management.

Management judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations; (4) the smallest identifiable cash generating unit.

#### ***Impairment of trade and progress billing receivables***

The Group evaluates whether there is any objective evidence that trade and progress billing receivables are impaired, and determines the amount of impairment loss as a result of the inability of the customers to make required payments. The Group determines the estimates based on the ageing of the trade and progress billing receivables balance, credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

#### ***Construction contracts***

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

Revenue and profit recognition on an uncompleted foundation engineering project is dependent on estimating the total outcome of the foundation engineering contract, as well as the work done to date. Based on the Group's experience and the nature of the foundation engineering activity undertaken, management makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete, rectification costs and revenue can be reliably estimated. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the reporting date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

***Allowance for foreseeable losses***

The Group makes allowance for foreseeable losses taking into account the contracted revenue, estimated costs to completion, project duration and overruns. It is possible that the management estimates used are not indicative of future losses that it will incur. Any increase or decrease would affect profit or loss in the future years.

To determine the contract costs, the Group monitors and reviews regularly the progress of all projects by taking into consideration the additional costs due to rectification works, liquidated damages. The review includes evaluation of any potential risks and factors which may affect their timely completion.

***Allowance for rectification cost***

The Group makes allowance for rectification cost taking into account the estimated rectification costs to completion. It is possible that the management estimates used are not indicative of future rectification cost that it will incur. Any increase or decrease would affect profit or loss in the future years.

***Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also choose a suitable discount rate in order to calculate the present value of those cash flows.

***Impairment of inventories***

The Group recognises allowance on inventory obsolescence when inventory items are identified as obsolete. Obsolescence is based on the physical and internal condition of inventory items and is established when these inventory items are no longer marketable. Obsolete inventory items when identified are written off to profit or loss. In addition to an allowance for specifically identified obsolete inventory, estimation is made on a group basis based on the age of the inventory items. The Group believes such estimates represent a fair charge of the level of inventory obsolescence in a given year. The Group reviews on a regular basis the condition of its inventories.

***Measurement of fair values***

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

The following methods and assumptions are used to estimate fair values of the following significant classes of financial instruments:

#### *Derivatives*

The fair value of forward exchange contracts is estimated based on brokers' quotes which is determined by discounting the difference between the contractual forward price and the current forward price for the residual period to maturity of the contract using a risk-free interest rate.

#### *Non-current fixed rate bank loans, finance lease liabilities and receivables*

The fair value has been determined by discounting the relevant cash flows with current interest rates for similar instruments at the reporting date.

#### *Floating interest rate bank loans*

The carrying amounts of floating interest bearing loans, which are repriced within 1 to 6 months from the reporting date, reflect the corresponding fair values.

#### *Other financial assets and liabilities*

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, progress billing receivables, cash and cash equivalents, trade and other payables and short term borrowings) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

**Fair values versus carrying amounts**

The fair values of the financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Designated at fair value \$'000	Loans and receivables \$'000	Other financial liabilities within the scope of FRS 39 \$'000	Other financial liabilities outside the scope of FRS 39 \$'000	Total carrying amount \$'000	Fair value \$'000
<b>30 September 2015</b>						
<b>Assets</b>						
Trade and other receivables*	—	194,464	—	—	194,464	194,464
Derivatives	30	—	—	—	30	30
Cash and cash equivalents	—	16,489	—	—	16,489	16,489
	30	210,953	—	—	210,983	210,983
<b>Liabilities</b>						
Bank overdrafts	—	—	(4,621)	—	(4,621)	(4,621)
Bills payable	—	—	(12,537)	—	(12,537)	(12,537)
Secured bank loans	—	—	(12,269)	—	(12,269)	(12,177)
Unsecured bank loans	—	—	(39,734)	—	(39,734)	(39,734)
Finance lease liabilities	—	—	—	(38,394)	(38,394)	(36,579)
Trade and other payables**	—	—	(109,055)	—	(109,055)	(109,055)
	—	—	(178,216)	(38,394)	(216,610)	(214,703)
<b>31 March 2015</b>						
<b>Assets</b>						
Trade and other receivables*	—	215,282	—	—	215,282	215,282
Cash and cash equivalents	—	19,167	—	—	19,167	19,167
	—	234,449	—	—	234,449	234,449
<b>Liabilities</b>						
Bank overdrafts	—	—	(872)	—	(872)	(872)
Bills payable	—	—	(13,614)	—	(13,614)	(13,614)
Secured bank loans	—	—	(6,547)	—	(6,547)	(6,419)
Unsecured bank loans	—	—	(50,734)	—	(50,734)	(50,734)
Finance lease liabilities	—	—	—	(46,330)	(46,330)	(44,324)
Trade and other payables**	—	—	(130,741)	—	(130,741)	(130,741)
	—	—	(202,508)	(46,330)	(248,838)	(246,704)

\* Excludes prepayments.

\*\* Excludes advance payments received for contracts and deferred revenue.

***Interest rates used in determining fair values***

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at reporting date plus an adequate credit spread, and are as follows:

	<b>30 September 2015 %</b>	<b>31 March 2015 \$</b>
Fixed rate bank loans	1.30 – 5.75	1.30 – 5.58
Finance lease liabilities	1.25 – 3.55	1.25 – 3.55

***Fair value hierarchy***

	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>30 September 2015</b>				
<b>Financial assets carried at fair value</b>				
Derivative financial assets	–	30	–	30
<b>Financial liabilities not carried at fair value but for which fair value are disclosed</b>				
Secured bank loans	–	(12,177)	–	(12,177)
Finance lease liabilities	–	(36,579)	–	(36,579)
	–	(48,756)	–	(48,756)
<b>31 March 2015</b>				
<b>Financial liabilities not carried at fair value but for which fair value are disclosed</b>				
Secured bank loans	–	(6,419)	–	(6,419)
Finance lease liabilities	–	(44,324)	–	(44,324)
	–	(50,743)	–	(50,743)

## **14 Subsequent event**

On 17 August 2015, the Company proposed to undertake a rights cum warrants issue to raise additional new ordinary shares up to 403,241,241 (“the Rights Shares”). Each Rights Share subscribed will be granted 5 warrants and each warrant carries the right to subscribe for one new ordinary share.

On 30 October 2015, the Company received the approval in-principle from Singapore Exchange Securities Trading Limited for the listing and quotation of the shares pursuant to the rights cum warrants issue.