CSC Holdings Limited and its Subsidiaries
Registration Number: 199707845E

Condensed Consolidated Interim Financial Statements
Six Months ended 30 September 2017

KPMG

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

Independent auditors' report on review of the condensed interim financial information for the six months period ended 30 September 2017

The Board of Directors of
CSC Holdings Limited

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of CSC Holdings Limited and its Subsidiaries (the "Group") as at 30 September 2017 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, changes in equity and cash flows for the six months period then ended, and certain explanatory notes (the "Condensed Interim Financial Information"). Management is responsible for the preparation and fair 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 does not present fairly, in all material respects, the financial position of the Group as at 30 September 2017, and of its financial performance and its cash flows for the six months period then ended in accordance with FRS 34 *Interim Financial Reporting.*

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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 LLP
KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
9 November 2017

Condensed consolidated statement of financial position
As at 30 September 2017

	Note	30/9/2017 $'000	31/3/2017 $'000
Non-current assets			
Property, plant and equipment	3	159,315	164,929
Goodwill		1,452	1,452
Investments in:			
- associates		1,630	904
- a joint venture	4	–	704
Other investments		752	879
Trade and other receivables		13,378	10,544
Deferred tax assets		279	252
		176,806	179,664
Current assets			
Inventories		23,278	25,257
Trade and other receivables		147,295	137,287
Cash and cash equivalents		18,639	18,532
		189,212	181,076
Assets held for sale		274	–
		189,486	181,076
Total assets		366,292	360,740
Equity attributable to owners of the Company			
Share capital	5	80,300	80,292
Reserves		59,200	64,652
		139,500	144,944
Non-controlling interests		26,198	25,900
Total equity		165,698	170,844
Non-current liabilities			
Loans and borrowings	6	20,774	21,632
Deferred tax liabilities		1,468	1,726
		22,242	23,358
Current liabilities			
Loans and borrowings	6	67,058	64,050
Trade and other payables		101,367	84,960
Excess of progress billings over construction work-in-progress		186	186
Provisions		8,790	15,917
Current tax payable		951	1,425
		178,352	166,538
Total liabilities		200,594	189,896
Total equity and liabilities		366,292	360,740

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

Condensed consolidated statement of profit or loss
For the six months ended 30 September 2017

	Note	Six months ended 30 September 2017 $'000	2016 $'000
Revenue		169,922	131,614
Cost of sales		(162,047)	(129,407)
Gross profit		7,875	2,207
Other income		1,391	1,793
Distribution expenses		(319)	(356)
Administrative expenses		(12,844)	(12,762)
Other operating income/(expenses)		324	(44)
Results from operating activities		(3,573)	(9,162)
Finance income		112	112
Finance expenses		(2,082)	(1,780)
Net finance expenses		(1,970)	(1,668)
Share of profit/(loss) of a joint venture (net of tax)		1	(31)
Loss before tax		(5,542)	(10,861)
Tax expense		(82)	(1,429)
Loss for the period	7	(5,624)	(12,290)
Attributable to:			
Owners of the Company		(5,912)	(12,800)
Non-controlling interests		288	510
Loss for the period		(5,624)	(12,290)
Loss per share			
Basic loss per share (cents)	8	(0.27)	(0.59)
Diluted loss per share (cents)	8	(0.27)	(0.59)

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

Condensed consolidated statement of comprehensive income
For the six months ended 30 September 2017

	Six months ended 30 September 2017 $'000	Six months ended 30 September 2016 $'000
Loss for the period	(5,624)	(12,290)
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences		
- foreign operations	495	(737)
Other comprehensive income for the period, net of tax	495	(737)
Total comprehensive income for the period	(5,129)	(13,027)
Total comprehensive income attributable to:		
Owners of the Company	(5,452)	(13,525)
Non-controlling interests	323	498
Total comprehensive income for the period	(5,129)	(13,027)

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

Condensed consolidated statement of changes in equity
For the six months ended 30 September 2017

	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
Group										
At 1 April 2016	80,289	17,798	(2,354)	116	(881)	(5,885)	70,801	159,884	25,454	185,338
Total comprehensive income for the period										
Profit or loss for the period	–	–	–	–	–	–	(12,800)	(12,800)	510	(12,290)
Other comprehensive income										
Foreign currency translation differences	–	–	–	–	–	(725)	–	(725)	(12)	(737)
Total other comprehensive income	–	–	–	–	–	(725)	–	(725)	(12)	(737)
Total comprehensive income for the period	–	–	–	–	–	(725)	(12,800)	(13,525)	498	(13,027)
At 30 September 2016	80,289	17,798	(2,354)	116	(881)	(6,610)	58,001	146,359	25,952	172,311

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

Condensed consolidated statement of changes in equity
For the six months ended 30 September 2017

	Share capital $'000	Capital reserve $'000	Reserve for own shares $'000	Reserve on consolidation $'000	Other reserve $'000	Foreign currency translation reserve $'000	Revaluation reserve $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Group											
At 1 April 2017	80,292	17,798	(2,354)	116	(881)	(7,374)	11,828	45,519	144,944	25,900	170,844
Total comprehensive income for the period											
Profit or loss for the period	–	–	–	–	–	–	–	(5,912)	(5,912)	288	(5,624)
Other comprehensive income											
Foreign currency translation differences	–	–	–	–	–	460	–	–	460	35	495
Transfer of revaluation surplus	–	–	–	–	–	–	(326)	326	–	–	–
Total other comprehensive income	–	–	–	–	–	460	(326)	326	460	35	495
Total comprehensive income for the period	–	–	–	–	–	460	(326)	(5,586)	(5,452)	323	(5,129)
Transactions with owners of the Company, recorded directly in equity											
Contributions by and distributions to owners											
Issue of shares from exercise of warrants	8	–	–	–	–	–	–	–	8	–	8
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(90)	(90)
Total contributions by and distributions to owners	8	–	–	–	–	–	–	–	8	(90)	(82)
Changes in ownership interests in a subsidiary											
Capital contribution by non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	65	65
Total changes in ownership interests in a subsidiary	–	–	–	–	–	–	–	–	–	65	65
Total transactions with owners of the Company	8	–	–	–	–	–	–	–	8	(25)	(17)
At 30 September 2017	80,300	17,798	(2,354)	116	(881)	(6,914)	11,502	39,933	139,500	26,198	165,698

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

Condensed consolidated statement of cash flows
For the six months ended 30 September 2017

	Six months ended 30 September 2017 $'000	Six months ended 30 September 2016 $'000
Cash flows from operating activities		
Loss for the period	(5,624)	(12,290)
Adjustments for:		
Allowance for foreseeable losses	142	–
Bad debts written off	1	9
Depreciation of property, plant and equipment	13,012	13,577
Gain on disposal of property, plant and equipment	(854)	(1,182)
Impairment losses reversed on trade and other receivables	(468)	(38)
Inventories written down	49	–
Net finance expenses	1,970	1,668
Provision for liquidated damages	36	869
Provision made/(reversed) for rectification costs	558	(8)
Share of (profit)/loss of a joint venture (net of tax)	(1)	31
Tax expense	82	1,429
	8,903	4,065
Changes in working capital:		
Inventories	(318)	(2,955)
Trade and other receivables	(13,662)	10,303
Trade and other payables	11,774	(5,373)
Cash generated from operations	6,697	6,040
Taxes paid	(724)	(562)
Interest received	112	112
Net cash generated from operating activities	6,085	5,590
Cash flows from investing activities		
Proceeds from disposal of:		
- property, plant and equipment	3,566	3,148
- a joint venture in prior year	419	–
Purchase of property, plant and equipment	(6,771)	(5,964)
Investments in:		
- an associate	–	(904)
- a joint venture	–	(749)
Net cash used in investing activities	(2,786)	(4,469)

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

Condensed consolidated statement of cash flows (cont'd)
For the six months ended 30 September 2017

	Six months ended 30 September 2017 $'000	Six months ended 30 September 2016 $'000
Cash flows from financing activities		
Interest paid	(1,551)	(1,545)
Dividends paid to non-controlling interests of a subsidiary	(90)	–
Proceeds from:		
- bank loans	4,325	17,445
- bills payable	25,923	17,847
- issue of shares from exercise of warrants	8	–
Repayment of:		
- bank loans	(10,811)	(11,893)
- bills payable	(16,513)	(20,929)
- finance lease liabilities	(6,456)	(8,768)
Decrease/(increase) in fixed deposits pledged	1,000	(1,000)
Net cash used in financing activities	(4,165)	(8,843)
Net decrease in cash and cash equivalents	(866)	(7,722)
Cash and cash equivalents at beginning of period	13,090	25,935
Effect of exchange rate changes on balances held in foreign currencies	126	(303)
Cash and cash equivalents at end of period	12,350	17,910
Comprising:		
Cash and cash equivalents	18,639	23,587
Bank overdrafts	(6,289)	(4,677)
	12,350	18,910
Less:		
Fixed deposits pledged as security for bank facilities	–	(1,000)
Cash and cash equivalents in the consolidated cash flow statement	12,350	17,910

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of $6,319,000 (30 September 2016: $9,127,000) of which $970,000 (30 September 2016: $2,544,000) were acquired by means of finance leases. Cash payments of $6,771,000 (30 September 2016: $5,964,000) were made to purchase property, plant and equipment, out of which $2,179,000 (30 September 2016: $1,500,000) was for the unpaid liabilities for prior year's acquisition of property, plant and equipment. At the reporting date, the unpaid liabilities from the purchase of property, plant and equipment amounted to $757,000 (30 September 2016: $2,119,000).

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

Notes to the condensed consolidated interim financial statements

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

The condensed consolidated interim financial statements were authorised for issue by the directors on 9 November 2017.

1 Domicile and activities

CSC Holdings Limited ("the Company") is a company domiciled in the Republic of Singapore. The condensed consolidated interim financial statements as at and for the six months ended 30 September 2017, 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 statements 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 the 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 2017.

The condensed consolidated interim financial statements, 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 2017.

The condensed consolidated interim financial statements 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 statements are consistent with those applied in the financial statements for the year ended 31 March 2017.

1.2 Use of judgements and estimates

In preparing the condensed consolidated interim financial statements, 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 2017 (see note 14).

2 Seasonal operations

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

3 Property, plant and equipment

During the six months ended 30 September 2017, the Group acquired assets amounting to $6,319,000 (31 March 2017: $16,924,000).

4 Investment in a joint venture

On 14 September 2017, the Group entered into a new shareholders' agreement ("Revised Shareholder Agreement") with several parties in relation to the investment in a joint venture of the Group, TOP3 Development Sdn. Bhd. ("TOP3").

Pursuant to the Revised Shareholder Agreement, TOP3 will increase its share capital from RM5,000,000 to RM10,526,320 by way of issuance of 5,526,320 new ordinary shares to a new party. As a result, the Group's equity interest in TOP3 will be diluted from 40% to 19%. Following the dilution in shareholdings and terms and conditions of the Revised Shareholder Agreement, the Group reclassified the investment in a joint venture to an investment in an associate.

5 Share capital

	30 September 2017		31 March 2017	
	No. of shares	**$'000**	**No. of shares**	**$'000**
Issued and fully-paid ordinary shares with no par value:				
At 1 April	2,208,589,581	80,292	2,208,294,581	80,289
Exercise of warrants	800,000	8	295,000	3
At 30 September/31 March	2,209,389,581	80,300	2,208,589,581	80,292

There were no share buybacks during the financial period. As at 30 September 2017, the Company held 20,520,000 (31 March 2017: 20,520,000) of its own uncancelled shares.

During the six months ended 30 September 2017, 800,000 shares were issued upon exercise of 800,000 warrants at $0.01 each, pursuant to the Rights cum Warrants Issue dated 30 December 2015.

As at 30 September 2017, there were outstanding warrants of 1,440,301,590 (31 March 2017: 1,441,101,590) for conversion into ordinary 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.

6 Loans and borrowings

	30 September 2017 $'000	31 March 2017 $'000
Bank overdrafts	6,289	4,442
Bills payable	14,751	5,340
Secured bank loans	14,154	14,042
Unsecured bank loans	34,481	41,079
Finance lease liabilities	18,157	20,779
	87,832	85,682
Amount repayable:		
- in one year or less, or on demand	67,058	64,050
- after one year	20,774	21,632
	87,832	85,682

The loans and borrowings are guaranteed by the Company, out of which $10,389,000 (31 March 2017: $9,828,000) are guaranteed by the Company and 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 a carrying amount of $25,643,000 (31 March 2017: $26,300,000);

(b) a legal mortgage over the Group's plant and machinery with a carrying amount of $996,000 (31 March 2017: $1,803,000);

(c) the Group's plant and machinery acquired under finance lease arrangements with a carrying amount of $45,392,000 (31 March 2017: $47,596,000);

(d) the Group's inventories acquired under finance lease arrangements with a carrying amount of $349,000 (31 March 2017: $168,000); and

(e) a charge over the Group's fixed deposit amounting to $Nil (31 March 2017: $1,000,000).

7 Loss for the period

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

	Six months ended 30 September 2017 $'000	2016 $'000
Allowance for foreseeable losses	142	–
Bad debts written off	1	9
Depreciation of property, plant and equipment	13,012	13,577
Foreign exchange (gain)/loss	(221)	156
Gain on disposal of property, plant and equipment	(854)	(1,182)
Impairment losses reversed on trade and other receivables	(468)	(38)
Inventories written down	49	–
Operating lease expenses	12,317	9,458
Provision for liquidated damages	36	869
Provision made/(reversed) for rectification costs	558	(8)

8 Loss per share

(a) Basic loss per share

	Six months ended 30 September 2017 $'000	2016 $'000
Basic loss per share is based on:		
Net loss attributable to ordinary shareholders	(5,912)	(12,800)

	Six months ended 30 September 2017 No. of shares	2016 No. of shares
Weighted average number of shares	2,188,191,985	2,187,774,581

(b) Diluted loss per share

	Six months ended 30 September 2017 $'000	2016 $'000
Diluted loss per share is based on:		
Net loss attributable to ordinary shareholders	(5,912)	(12,800)

For the purpose of calculating the diluted loss per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive warrants with the potential ordinary shares weighted for the period outstanding.

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

	Six months ended 30 September	
	2017	**2016**
	No. of shares	**No. of shares**
Weighted average number of shares	2,188,191,985*	2,187,774,581*

* As the Group was in a loss position, the warrants were not included in the computation of diluted loss per share because these potential ordinary shares were anti-dilutive.

9 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:

Foundation and geotechnical engineering:	Includes civil engineering, piling, foundation and geotechnical engineering, soil investigation, land surveying and other related services.
Sale and lease of equipment:	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 both financial periods.

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. Inter-segment pricing is determined on an arm's length basis.

Information about reportable segments

	Foundation and geotechnical engineering		Sales and lease of equipment		Total	
	30/9/2017	**30/9/2016**	**30/9/2017**	**30/9/2016**	**30/9/2017**	**30/9/2016**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
External revenue	154,992	110,530	14,930	21,084	169,922	131,614
Inter-segment revenue	26,693	8,316	7,275	2,481	33,968	10,797
Reportable segment (loss)/profit before tax	(5,791)	(12,340)	24	590	(5,767)	(11,750)

	Foundation and geotechnical engineering		Sales and lease of equipment		Total	
	30/9/2017	**31/3/2017**	**30/9/2017**	**31/3/2017**	**30/9/2017**	**31/3/2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Reportable segment assets	265,624	255,308	83,150	87,777	348,774	343,085
Reportable segment liabilities	157,757	144,349	32,824	34,222	190,581	178,571

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

	30 September 2017 $'000	30 September 2016 $'000
Revenue		
Total revenue for reportable segments	203,890	142,411
Elimination of inter-segment revenue	(33,968)	(10,797)
Consolidated revenue	169,922	131,614
Profit or loss		
Total loss before tax for reportable segments	(5,767)	(11,750)
Total loss before tax for other segments	(24)	(48)
	(5,791)	(11,798)
Elimination of inter-segment transactions	2,767	3,475
Unallocated amounts:		
- other corporate expenses	(2,519)	(2,507)
Share of profit/(loss) of a joint venture	1	(31)
Consolidated loss before tax	(5,542)	(10,861)

	30 September 2017 $'000	31 March 2017 $'000
Assets		
Total assets for reportable segments	348,774	343,085
Total assets for other segments	13,654	14,010
	362,428	357,095
Investments in:		
- associates	1,630	904
- a joint venture	–	704
Deferred tax assets	279	252
Tax recoverable (under trade and other receivables)	240	266
Other unallocated amounts	1,715	1,519
Consolidated total assets	366,292	360,740
Liabilities		
Total liabilities for reportable segments	190,581	178,571
Total liabilities for other segments	6,233	6,813
	196,814	185,384
Deferred tax liabilities	1,468	1,726
Current tax payable	951	1,425
Other unallocated amounts	1,361	1,361
Consolidated total liabilities	200,594	189,896

10 Dividends

No interim dividends were paid by the Company in respect of the six months ended 30 September 2017 and 2016.

11 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:

	30 September 2017 $'000	31 March 2017 $'000
Capital commitment in respect of:		
- acquisition of property, plant and equipment	–	943

(b) Operating lease commitments (as lessee)

The Group leases office and equipment under operating leases. The leases typically run for an initial period of 6 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 payable under non-cancellable operating leases are as follows:

	30 September 2017 $'000	31 March 2017 $'000
Payable:		
- within 1 year	3,917	5,945
- after 1 year but within 5 years	3,077	4,248
- after 5 years	9,050	9,337
	16,044	19,530

12 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:

	Six months ended 30 September	
	2017 $'000	2016 $'000
Short-term employee benefits	2,633	2,775
Post-employment benefits	113	132
	2,746	2,907

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

	Six months ended 30 September	
	2017 $'000	2016 $'000
Professional fees	15	15

Other related party transactions

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

	Six months ended 30 September	
	2017	**2016**
	$'000	**$'000**
Companies in which a substantial shareholder of the Group has substantial financial interests		
Revenue from foundation engineering works	11	32
Revenue from rental and service income	49	71
Sale of plant and equipment	11	90
Rental and operating lease expenses	(2,144)	(1,222)
Purchase of plant and equipment	(153)	(400)
Upkeep of machinery and equipment expenses	(121)	(40)
Shareholder's loan to other investments	(643)	–

13 Contingent liabilities

a) The Company had the following contingent liabilities:

	30 September 2017	**31 March 2017**
	$'000	**$'000**
Guarantees given as securities for bank facilities granted to:		
- subsidiaries	202,740	225,621
- joint operation	5,832	4,957
	208,572	230,578

b) On 10 August 2016, the Group has received a writ of summons filed by a main contractor relating to $4.7 million damages arising from and/or due to an alleged wrongful repudiation of a piling subcontract by the Group. Based on legal advice obtained, the Group is of the opinion that they have a valid defence against the claim and have filed a counter claim against the main contractor for loss of profits. The Group has determined that the possibility of any outflow in settlement is remote. Provision of legal fees amounting to $0.5 million has been recorded as at 30 September 2017. The Group does not expect the outcome to have material effect on the Group's financial position.

c) In May 2017, a legal judgement of $0.7 million damages was awarded in favour to a main contractor in relation to a piling subcontract by the Group. Settlement of $0.6 million has been made as at 30 September 2017. Based on legal advice obtained, the Group has determined that the possibility of outflow of the remaining $0.1 million in settlement is remote and hence, does not expect the outcome to have material effect on the Group's financial position.

14 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 statements. 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 statements.

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

Classification of plant and equipment as property, plant and equipment or inventories

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year, include the following:

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

Assumptions relating to and estimation of recoverable amounts of goodwill

Measurement of net realisable value on inventories

Measurement of impairment losses on trade and other receivables and amount due from customers for contract works

Measurement of allowance for foreseeable losses on construction work-in-progress

Measurement of provisions for liquidated damages and rectification costs

Estimation of revenue and profit recognised on foundation engineering contracts

The details of the estimates and judgements can be found in the last audited financial statements for the year ended 31 March 2017.

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 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.

Fixed rate non-current bank loans, finance lease liabilities and receivables

The fair values have 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, current amount due from customers for contract works, 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.

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:

	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**
30 September 2017					
Assets					
Trade and other receivables*	160,171	–	–	160,171	160,171
Cash and cash equivalents	18,639	–	–	18,639	18,639
	178,810	–	–	178,810	178,810
Liabilities					
Bank overdrafts	–	(6,289)	–	(6,289)	(6,289)
Bills payable	–	(14,751)	–	(14,751)	(14,751)
Secured bank loans	–	(14,154)	–	(14,154)	(14,154)
Unsecured bank loans	–	(34,481)	–	(34,481)	(34,481)
Finance lease liabilities	–	–	(18,157)	(18,157)	(16,408)
Trade and other payables**	–	(99,975)	–	(99,975)	(99,975)
	–	(169,650)	(18,157)	(187,807)	(186,058)
31 March 2017					
Assets					
Trade and other receivables*	147,480	–	–	147,480	147,480
Cash and cash equivalents	18,532	–	–	18,532	18,532
	166,012	–	–	166,012	166,012
Liabilities					
Bank overdrafts	–	(4,442)	–	(4,442)	(4,442)
Bills payable	–	(5,340)	–	(5,340)	(5,340)
Secured bank loans	–	(14,042)	–	(14,042)	(14,043)
Unsecured bank loans	–	(41,079)	–	(41,079)	(41,079)
Finance lease liabilities	–	–	(20,779)	(20,779)	(19,055)
Trade and other payables**	–	(82,657)	–	(82,657)	(82,657)
	–	(147,560)	(20,779)	(168,339)	(166,616)

* *Excludes prepayments.*
** *Excludes deposits received, 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:

	30 September 2017 %	**31 March 2017 %**
Fixed rate bank loans	2.69 – 5.65	1.60 – 7.25
Finance lease liabilities	1.50 – 3.90	1.50 – 3.50

Fair value hierarchy

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 September 2017				
Financial assets not measured at fair value but for which fair values are disclosed				
Trade and other receivables	–	13,378	–	13,378
Financial liabilities not measured at fair value but for which fair values are disclosed				
Secured bank loans	–	(11,835)	–	(11,835)
Unsecured bank loans	–	(152)	–	(152)
Finance lease liabilities	–	(8,787)	–	(8,787)
	–	(20,774)	–	(20,774)
31 March 2017				
Financial assets not measured at fair value but for which fair values are disclosed				
Trade and other receivables	–	10,544	–	10,544
Financial liabilities not measured at fair value but for which fair values are disclosed				
Secured bank loans	–	(11,851)	–	(11,851)
Unsecured bank loans	–	(508)	–	(508)
Finance lease liabilities	–	(9,273)	–	(9,273)
	–	(21,632)	–	(21,632)

15 Subsequent events

The Group's 100% owned subsidiary, L&M Foundation Specialist Pte Ltd ("LMFS"), entered into sub-contracts with a main contractor, SEF Construction Pte Ltd ("SEF"), for the proposed erection of a 4-storey commercial building with 4 basement at Marine Parade Central where LMFS carried out the construction of diaphragm wall, soil improvement, bore piling works and extraction of existing piles.

Arising from under-certification of payment claims issued by LMFS to SEF and repeated delays in honouring certified payments by SEF, LMFS initiated two adjudications under the Building and Construction Industry Security of Payment Act (Cap 30B) of Singapore ("SOP") in June 2017 and July 2017.

On 24 August 2017, LMFS received a notice of pre-trial conference from Registrar of Supreme Court in relation to a writ of summons (the "Writ"), filed by SEF in the High Court of the Republic of Singapore.

On 13 September 2017 and 28 September 2017, LMFS initiated another two adjudications under SOP against SEF.

On 2 October 2017, SEF served the Writ on LMFS. Pursuant to the Writ, SEF is claiming, inter alia, damages in the sum of approximately $4.1 million, without statement and particulars of claim.

On 16 October 2017, LMFS received the statement and particulars of claim from SEF for inter alia, backcharges and damages totalling approximately $7.7 million. The Group is of the opinion that there are no merits to the claims and is in the process of seeking legal advice on this matter.

On 3 November 2017 and 6 November 2017, LMFS received the adjudication awards (the "Award") from the two adjudications under SOP which were initiated in September 2017. Pursuant to the Award, the adjudicator has determined that LMFS is entitled to be paid approximately $2.4 million, which has been withheld by SEF for the work done. The Group is of the view that the probability of inflow of economic benefits on settlement is uncertain at this juncture and hence, no income has been recognised in profit or loss for the six months ended 30 September 2017.