



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED

31 DECEMBER 2018

COMPANY REGISTRATION NO: 201011837H

CORPORATE REGISTRY

BOARD OF DIRECTORS

Mr James Finbarr Fitzgerald
(Executive Chairman)

Mr Patrick John Tallon
(Chief Executive Officer)

Mr Kevin James Deery
(Chief Operating Officer)

Mr Chong Teck Sin
(Lead Independent Director)

Mr Wong Fook Choy Sunny
(Independent Director)

Mr Douglas Owen Chester
(Independent Director)

AUDIT COMMITTEE

Mr Chong Teck Sin
(Chairman)

Mr Douglas Owen Chester

Mr Wong Fook Choy Sunny

REMUNERATION COMMITTEE

Mr Wong Fook Choy Sunny
(Chairman)

Mr Douglas Owen Chester

Mr Chong Teck Sin

NOMINATING COMMITTEE

Mr Douglas Owen Chester
(Chairman)

Mr Wong Fook Choy Sunny

Mr Chong Teck Sin

RISKS & CONFLICTS COMMITTEE

Mr Chong Teck Sin
(Chairman)

Mr Douglas Owen Chester

Mr Wong Fook Choy Sunny

COMPANY SECRETARIES

Ms Chan Lai Yin

Ms Lee Pay Lee

REGISTERED OFFICE

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Australia

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SHARE REGISTRAR AND SHARE TRANSFER AGENT

Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte Ltd)

80 Robinson Road, #02-00
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Computershare

Level 11
172 St Georges Terrace
Perth WA 6000
Australia

AUDITORS

Moore Stephens LLP

10 Anson Road, #29-15 International Plaza
Singapore 079903

Partner in Charge: Ms Lao Mei Leng

(Appointed since the financial year ended
30 June 2016)

PRINCIPAL BANKER

National Australia Bank

Level 14
100 St Georges Terrace
Perth WA 6000
Australia

CORPORATE WEBSITE

<http://www.civmec.com.au>

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE MEMBERS OF CIVMEC LIMITED

MOORE STEPHENS LLP
CHARTERED ACCOUNTANTS OF SINGAPORE

INTRODUCTION

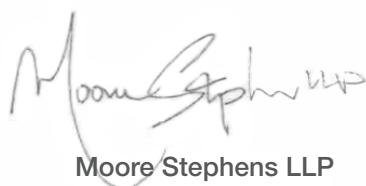
We have reviewed the accompanying interim condensed consolidated financial statements of Civmec Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statement of financial position of the Group as at 31 December 2018 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year period then ended, and a summary of significant accounting policies and certain explanatory information. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial statements in accordance with Singapore Financial Reporting Standard (International) (“SFRS(I)”) 1-34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements 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 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 interim condensed consolidated financial statements do not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance, its changes in equity and its cash flows for the six-month period then ended in accordance with SFRS(I) 1-34, Interim Financial Reporting.



Moore Stephens LLP

*Public Accountants and
Chartered Accountants*

Singapore
13 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	NOTE	Consolidated 6 months ended 31 December 2018	Consolidated 6 months ended 31 December 2017
		A\$'000	A\$'000
Revenue	2	335,030	299,589
Cost of sales		(320,213)	(285,635)
Gross profit		14,817	13,954
Other income	2	3,981	6,386
Administrative expenses		(8,649)	(8,675)
Finance costs		(2,533)	(1,801)
Profit before income tax	3	7,616	9,864
Income tax expense		(854)	(2,482)
Profit for the period		6,762	7,382
Profit attributable to:			
Owners of the Company		5,814	7,654
Non-controlling interest		948	(272)
Profit for the period		6,762	7,382
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on re-translation from functional currency to presentation currency		(185)	(3)
Reclassification of translation reserve to the profit or loss account on deconsolidation		92	-
Total comprehensive income for the period		6,669	7,379
Total comprehensive income attributable to:			
Owners of the Company		5,721	7,651
Non-controlling interest		948	(272)
		6,669	7,379
Earnings per share attributable to equity holders of the Company (cents per share):			
- Basic	4	1.16	1.53
- Diluted	4	1.16	1.53

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	NOTE	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018	Consolidated as at 1 July 2017
		A\$'000	A\$'000	A\$'000
ASSETS				
Current assets				
Cash and cash equivalents	6	69,085	23,369	22,712
Trade and other receivables	5	82,860	132,366	58,335
Contract asset	5(a)	143,245	135,244	79,596
Income tax recoverable		5,964	5,313	7,769
		301,154	296,292	168,412
Non-current assets				
Investment in joint venture	8	-	-	122
Trade and other receivables	5	-	-	153
Property, plant and equipment	7	171,312	143,711	128,524
Intangible assets		10	10	10
Deferred tax assets		1,460	2,520	2,052
		172,782	146,241	130,861
TOTAL ASSETS		473,936	442,533	299,273
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	10	104,614	127,692	71,169
Contract liabilities	5(a)	11,162	23,178	4,064
Borrowings	11	53,737	43,275	4,983
Provisions	12	6,566	9,197	4,831
		176,079	203,342	85,047
Non-current liabilities				
Borrowings	11	119,607	64,434	53,555
Provisions	12	4,391	3,935	2,955
Deferred tax liabilities		-	-	955
		123,998	68,369	57,465
TOTAL LIABILITIES		300,077	271,711	142,512

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018 (continued)

	NOTE	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018	Consolidated as at 1 July 2017
		A\$'000	A\$'000	A\$'000
Capital and Reserves				
Share capital	13	29,807	29,807	29,807
Treasury shares	13	(10)	(10)	(10)
Other reserves	14	7,818	7,911	7,818
Retained earnings		136,329	134,147	119,485
Total equity attributable to the Owners of the Company		173,944	171,855	157,100
Non-controlling interest		(85)	(1,033)	(339)
TOTAL EQUITY		173,859	170,822	156,761
TOTAL LIABILITIES AND EQUITY		473,936	442,533	299,273

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	OTHER RESERVES									
	Share capital	Treasury shares	Merger reserve	Foreign currency translation reserve	Share option reserve	Retained earnings	Total	Non-controlling interest	Total	
GROUP	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Balance as at 1 July 2017 – as previously reported	29,807	(10)	7,578	-	240	127,759	165,374	(339)	165,035	
Adoption of SFRS(I) 15 (Note 1(b))	-	-	-	-	-	(8,274)	(8,274)	-	(8,274)	
Balance as at 1 July 2017, restated	29,807	(10)	7,578	-	240	119,485	157,100	(339)	156,761	
Profit for the year	-	-	-	-	-	18,113	18,113	(694)	17,419	
Other comprehensive income: Items that may be reclassified subsequently to profit or loss										
Exchange differences on re-translation from functional currency to presentation currency	-	-	-	93	-	-	93	-	93	
Total comprehensive income for the year	-	-	-	93	-	18,113	18,206	(694)	17,512	
Dividends paid	-	-	-	-	-	(3,451)	(3,451)	-	(3,451)	
Balance as at 30 June 2018	29,807	(10)	7,578	93	240	134,147	171,855	(1,033)	170,822	

The accompanying notes form an integral part of the unaudited interim condensed consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017 (continued)

	OTHER RESERVES								Total	
	Share capital	Treasury shares	Merger reserve	Foreign currency translation reserve	Share option reserve	Retained earnings	Total	Non-controlling interest		
GROUP	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Balance as at 1 July 2017 – as previously reported	29,807	(10)	7,578	-	240	127,759	165,374	(339)	165,035	
Adoption of SFRS(I) 15 (Note 1(b))	-	-	-	-	-	(8,274)	(8,274)	-	(8,274)	
Balance as at 1 July 2017, restated	29,807	(10)	7,578	-	240	119,485	157,100	(339)	156,761	
Profit for the period	-	-	-	-	-	7,654	7,654	(272)	7,382	
Other comprehensive income: Items that may be reclassified subsequently to profit or loss	-	-	-	(3)	-	-	(3)	-	(3)	
Exchange differences on re-translation from functional currency to presentation currency	-	-	-	(3)	-	-	(3)	-	(3)	
Total comprehensive income for the period	-	-	-	(3)	-	7,654	7,651	(272)	7,379	
Dividends paid	-	-	-	-	-	(3,451)	(3,451)	-	(3,451)	
Balance as at 31 December 2017	29,807	(10)	7,578	(3)	240	123,688	161,300	(611)	160,689	

The accompanying notes form an integral part of the unaudited interim condensed consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (continued)

	OTHER RESERVES							Total	A\$'000
	Share capital	Treasury shares	Merger reserve	Foreign currency translation reserve	Share option reserve	Retained earnings	Non-controlling interest		
GROUP	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Balance as at 1 July 2018 – as previously reported	29,807	(10)	7,578	93	240	149,726	(1,033)	187,434	186,401
Adoption of SFRS(I) 15 (Note 1(b))	-	-	-	-	-	(15,579)	-	(15,579)	(15,579)
Balance as at 1 July 2018, restated	29,807	(10)	7,578	93	240	134,147	(1,033)	171,855	170,822
Profit for the period	-	-	-	-	-	5,814	948	5,814	6,762
Other comprehensive income: <i>Items that may be reclassified subsequently to profit or loss</i>									
Exchange differences on re-translation from functional currency to presentation currency	-	-	-	(185)	-	-	-	(185)	(185)
Elimination of non-controlling interest on deconsolidation	-	-	-	92	-	-	-	92	92
Total comprehensive income for the period	-	-	-	(93)	-	5,814	948	5,721	6,669
Dividends paid	-	-	-	-	-	(3,632)	-	(3,632)	(3,632)
Balance as at 31 December 2018	29,807	(10)	7,578	-	240	136,329	(85)	173,944	173,859

The accompanying notes form an integral part of the unaudited interim condensed consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	NOTE	Consolidated 6 months ended 31 December 2018	Consolidated 6 months ended 31 December 2017
		A\$'000	A\$'000
Cash Flows from Operating Activities			
Profit before income tax		7,616	9,864
Adjustment for:			
Depreciation of property, plant and equipment	7	5,224	5,123
Gain on disposal of property, plant and equipment		(70)	(19)
Share in loss/(profit) of a joint venture		2	(214)
Gain on deconsolidation of a subsidiary		(2,091)	-
Finance cost		2,533	1,801
Interest income		(393)	(175)
Foreign exchange differences		(178)	(24)
Operating cash flow before working capital changes		12,643	16,356
Changes in working capital:			
Decrease/(increase) in trade and other receivables		42,288	(89,687)
(Decrease)/increase in trade and other payables		(34,129)	72,933
(Decrease)/increase in provisions		(2,175)	1,719
Cash generated from operations		18,627	1,321
Interest received		375	175
Finance cost paid		(1,833)	(1,693)
Income tax refund		3,001	-
Income taxes paid		(3,440)	(490)
Net cash generated from/(used in) operating activities		16,730	(687)
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		92	64
Purchase of property, plant and equipment		(32,875)	(14,448)
Proceeds from related party loan		55	-
Investment in a joint venture		-	(250)
Net cash used in investing activities		(32,728)	(14,634)

The accompanying notes form an integral part of the unaudited interim condensed consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2018 (continued)

	NOTE	Consolidated 6 months ended 31 December 2018	Consolidated 6 months ended 31 December 2017
		A\$'000	A\$'000
Cash Flows from Financing Activities			
Proceeds from borrowings		288,246	179,808
Repayment of borrowings		(222,900)	(133,323)
Dividends paid		(3,632)	(3,451)
Net cash generated from financing activities		61,714	43,034
Net increase in cash and cash equivalents		45,716	27,713
Cash and cash equivalents at the beginning of the financial period		23,369	22,712
Cash and cash equivalents at the end of the financial period	6	69,085	50,425

Borrowings	1 July 2018	Cash flow		Non-Cash	31 December 2018
	A\$'000	A\$'000 Proceeds	A\$'000 Repayment	A\$'000 Other	A\$'000
	107,709	288,246	(222,900)	289	173,344

Borrowings	1 July 2017	Cash flow		Non-Cash	31 December 2017
	A\$'000	A\$'000 Proceeds	A\$'000 Repayment	A\$'000 Other	A\$'000
	58,538	179,808	(133,323)	2	105,025

The accompanying notes form an integral part of the unaudited interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

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

1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of Civmec Limited (the “Company”) and its subsidiaries (the “Group”) for the six-month period ended 31 December 2018 have been prepared on a condensed basis in accordance with Singapore Financial Reporting Standard (International) 1-34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 30 June 2018 together with any public announcements made during the six-month period ended 31 December 2018.

These condensed consolidated financial statements are the first to be prepared by the Company in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) as promulgated by the Accounting Standards Council (“ASC”). The Company’s financial statements until 30 June 2018 had been prepared in accordance with financial reporting standards that differ in certain respects from SFRS(I). As a result, first time adoption of SFRS(I) has been applied in preparing these financial statements.

Adoption of Singapore Financial Reporting Standards (International)

Application of SFRS(I) effective for annual period beginning on or after 1 July 2018

In adopting the new framework, the Company is required to apply the specific transition requirements in SFRS(I) 1, *First Time Adoption of Singapore Financial Reporting Standards (International)*. In addition to the adoption of the new framework, the following new SFRS(I)s, amendments to and interpretations of SFRS(I)s are effective from the same date:

- SFRS(I) 15 *Revenue from Contracts with Customers*;
- Amendments to SFRS(I) 15;
- Clarifications to SFRS(I) 15;
- SFRS(I) 9 *Financial Instruments*;
- *Classification and Measurement of Share Based Payment Transactions (Amendments to SFRS(I) 2)*;
- *Transfers of Investment Property (Amendments to SFRS(I) 1-40)*;
- *Deletion of short-term exemptions for first time adopters (Amendments to SFRS(I) 1)*;
- *Measuring an Associate or Joint Venture at Fair Value (Amendments to SFRS(I) 1-28)*;
- Applying SFRS(I) 9 *Financial Instruments with SFRS(I) 4 Insurance Contracts (Amendments to SFRS(I) 4)*; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The comparative figures in respect of the period ended 31 December 2017 and as at year end 30 June 2018 and 1 July 2017 were restated to reflect any adjustments arising from the above.

Reconciliations and descriptions of the effect of the transition from Singapore Financial Reporting Standards to SFRS(I) on the Group’s equity, net income and cashflows are given in Note 1(b).

The Group has adopted accounting policies and methods of computation consistent with those used in the most recent audited financial statements for the year ended 30 June 2018, except for the changes set out in Note 1(b).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018 (continued)

1 BASIS OF PREPARATION (CONTINUED)

Adoption of Singapore Financial Reporting Standards (International) (continued)

SFRS(I) issued but not yet effective

The following are the new or amended SFRS(I) and SFRS(I) Interpretations (“SFRS(I) INT”) which are issued and are relevant to the Group but not yet effective (they are all effective for periods beginning on 1 January 2019):

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

a) Impact of standards issued but not yet applied by the Group

SFRS(I) 16 Leases

SFRS(I) 16 *Leases* will replace the current leasing standard SFRS(I) 1-17 *Leases*, and contains significant changes to the accounting treatment of leases around how to recognise, measure and disclose leases. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, with exception of short term (less than 12 months) and low value leases. SFRS(I) 16 *Leases* applies to annual reporting periods beginning on or after 1 July 2019.

The Group manages its owned and leased assets to ensure there is an appropriate level of equipment to meet its current obligations and to tender for new work. The decision as to whether to lease or purchase an asset is dependent on the finance available at the time and the residual risk of ownership following the anticipated completion of the project.

As at 31 December 2018, management has reviewed the current lease related business processes, controls, governance and the future state requirements. As a result, the Group has not yet quantified the impact of the new standard. However, the following impacts are expected on implementation date:

- Total assets and total liabilities will increase, due to recognition of a “Right of Use Asset” and a “Lease Liability” grossing up the assets and liabilities in the Statement of Financial Position;
- Interest expense will increase due to the effective interest rate implicit in the lease, where the interest expense component is higher in early years on the lease;
- Depreciation charge will increase as the depreciation of the right of use assets is recognised;
- Management will no longer recognise provisions for operating leases assessed to be onerous and will instead, include payments due under the lease in its liability and assess the right of use assets for impairment;
- Operating cash flows will be favourable as repayment of the principal portion of all lease liabilities will be classified as financing activities.

SFRS(I) 16 *Leases* must be implemented retrospectively either, with restatement of comparatives or, under the modified retrospective approach, with the cumulative impact of initial application recognised as an adjustment to opening retained earnings as at 1 July 2019.

Under the modified retrospective approach, on a lease-by-lease basis, the right of use of an asset may be deemed to be equivalent to the lease liability at transition or calculated retrospectively as at inception of the lease.

The Group is in the process of assessing available options for transition.

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The interpretation provides guidance on considering uncertain tax treatments arising from examination by tax authorities and the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018 (continued)

1 BASIS OF PREPARATION (CONTINUED)

Adoption of Singapore Financial Reporting Standards (International) (continued)

b) Change in accounting standards

As required by the listing rules of the Singapore Exchange, the Group has applied SFRS(I) with effect from 1 July 2018. The Group's consolidated financial statements for the year ending 30 June 2019 will be prepared in accordance with SFRS(I), issued by the Accounting Standards Council.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 30 June 2018, except for the change in presentation currency, now presented in Australian dollars and the mandatory adoption of new and revised SFRS(I) and SFRS(I) INT which became effective for the financial period beginning 1 July 2018 as follows:

- SFRS(I) 1 First-time adoption of SFRS(I)
- SFRS(I) 15 Revenue from Contracts with Customers
- SFRS(I) 9 Financial Instruments

The application of the above standards and interpretations has no material effect on the presented consolidated financial statements, except as described below:

Application of SFRS(I) 1

SFRS(I) 1 requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective 1 July 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies.

Accordingly, comparatives for the period ended 31 December 2017 and as at year end 30 June 2018 and 1 July 2017 have been restated to reflect the revised accounting policies.

Change in presentation currency to Australian dollars

The financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to each entity (the "functional currency"). The functional currency of the Company is Australian dollars ("A\$").

The consolidated financial statements are presented in Australian dollars ("AUD" or "A\$"). Prior to 30 June 2018, the consolidated financial statements were presented in Singapore dollars. The Civec group largely operates within Australia where virtually all its income is derived. Following the Group's listing on the Australian Securities Exchange on 22 June 2018, this change will help to provide a clearer understanding of the Group's financial results and improve comparability of the Group's performance. Comparative periods have also been restated in Australian dollars.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018 (continued)

1 BASIS OF PREPARATION (CONTINUED)

Adoption of Singapore Financial Reporting Standards (International) (continued)

b) Change in accounting standards (continued)

SFRS(I) 15 Revenue from Contracts with Customers

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

The Group adopted SFRS(I) 15 using the retrospective approach in accordance with the mandatory requirements of SFRS(I) 1. Accordingly, comparatives have been restated to take into account adjustments relating to SFRS(I) 1 and SFRS(I) 15.

The new standard requires a higher threshold of probability for recognition of contract claims and variations whereby revenue is recognised when it is highly probable that a significant reversal of revenue will not occur in the future. Civmec Limited has operations across different industry sectors and geographical locations which are subject to different legal and contractual frameworks. Significant judgements and estimates are used in determining the impact of SFRS(I) 15, such as the probability of approval of variations and acceptance of claims, estimation of project completion date and assumed levels of project productivity. In making this assessment we have considered, for applicable contracts, the individual status of each contract variation.

The Group's revised accounting policy for revenue is disclosed in Note 1(c).

SFRS(1) 9 Financial Instruments

This standard replaces SFRS 39 *Financial Instruments: Recognition and Measurement*. SFRS(I) 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets and new general hedge accounting requirements. It also carries forward guidance on recognition and de-recognition of financial instruments from SFRS 39.

The new impairment model will apply to financial assets measured at amortised cost or at fair value through other comprehensive income.

To assess for any expected credit losses under SFRS(I) 9, there is consideration around the probability of default upon initial recognition of the asset and subsequent consideration as to whether there have been any significant increases in credit risk on an ongoing basis at each reporting date. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. In making this assessment, as far as available, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group and the Company have the following types of financial assets subject to the SFRS(I) 9 expected credit loss model:

- (i) Trade receivables
- (ii) Other receivables
- (iii) Contract assets

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018 (continued)

1 BASIS OF PREPARATION (CONTINUED)

Adoption of Singapore Financial Reporting Standards (International) (continued)

b) Change in accounting standards (continued)

SFRS(I) 9 Financial Instruments (continued)

The Company and the Group were required to revise its impairment methodology under SFRS(I) 9 for each of the above classes of assets. In respect of trade receivables and contract assets, the Group applies the SFRS(I) 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The adoption of SFRS(I) 9 has not impacted significantly on the financial statements of the Group. The Group's revised accounting policy for financial instruments is disclosed in Note 1(c).

Restatement of comparatives

The Group has considered and applied SFRS(I) 15 and SFRS(I) 9 retrospectively thereby restating the comparative figures from 1 July 2017. The impact on the comparative information presented on adoption of SFRS(I) 1 and SFRS(I) 15 (there were no adjustments arising from SFRS(I) 9) are as follows:

	6 MONTHS ENDED 31 DECEMBER 2017		
	Reported under FRS	SFRS(I) 15 Adjustments	Reported under SFRS(I)
	A\$'000	A\$'000	A\$'000
INCOME STATEMENT			
Revenue	303,219	(3,630)	299,589
Tax expense	(3,571)	1,089	(2,482)
STATEMENT OF COMPREHENSIVE INCOME			
Profit for the period	9,923	(2,541)	7,382
CASH FLOW STATEMENT			
Profit before taxation	13,494	(3,630)	9,864
Changes in working capital	18,665	(3,630)	15,035
AS AT 30 JUNE 2018			
	Reported under FRS	SFRS(I) 15 Adjustments	Reported under SFRS(I)
	A\$'000	A\$'000	A\$'000
STATEMENT OF FINANCIAL POSITION			
Current assets			
Income tax recoverable	-	5,313	5,313
Trade and other receivables	138,513	(6,147)	132,366
Contract assets	151,352	(16,108)	135,244
Current liabilities			
Trade and other payables	127,692	-	127,692
Income tax payable	1,363	(1,363)	-
Contract liabilities	23,178	-	23,178
Capital and reserves			
Retained earnings	149,726	(15,579)	134,147

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018 (continued)

1 BASIS OF PREPARATION (CONTINUED)

Adoption of Singapore Financial Reporting Standards (International) (continued)

b) Change in accounting standards (continued)

Restatement of comparatives (continued)

	As at 1 July 2017		
	Reported under FRS A\$'000	SFRS(I) 15 Adjustments A\$'000	Reported under SFRS(I) A\$'000
STATEMENT OF FINANCIAL POSITION			
Current assets			
Income tax recoverable	4,223	3,546	7,769
Trade and other receivables	63,496	(5,161)	58,335
Contract assets	86,255	(6,659)	79,596
Current liabilities			
Trade and other payables	71,169	-	71,169
Contract liabilities	4,064	-	4,064
Capital and reserves			
Retained earnings	127,759	(8,274)	119,485

SFRS(I) 15 Adjustments

The contracted terms and the way in which the Group operates its construction and services contracts results in revenue predominantly being derived from projects containing one performance obligation. Construction and service revenue will continue to be recognised over time, however, the new standard provides new requirements for variable consideration such as incentives and contract modifications (variations and claims) which all impart a higher threshold of probability for recognition. Revenue was previously recognised when it was probable that work performed will result in revenue, whereas under the new standard, revenue is recognised when it is highly probable that a significant reversal of revenue will not occur. The adjustments made to comparatives, as reflected above, arise from these new requirements applying to variable consideration. The adjustments are subject to tax effect accounting and therefore the net deferred tax position has also been reflected in these adjustments.

c) Accounting policies applied from 1 July 2018

The accounting policies and methods of computation applied by the Group in this interim condensed consolidated financial statements are the same as those applied by the Group in the audited financial statements for the year ended 30 June 2018, except for the following amended policies for the new accounting standards effective 1 July 2018 outlined in Note 1(b).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018 (continued)

1 BASIS OF PREPARATION (CONTINUED)

Adoption of Singapore Financial Reporting Standards (International) (continued)

c) Accounting policies applied from 1 July 2018 (continued)

Revenue Recognition

Under SFRS(I) 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

Construction revenue

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 simultaneously receive and consume the benefits as the Group performs, therefore contracted revenue is recognised over time based on stage of completion of the contract.

The new standard provides a higher threshold for recognition of variations, claims and incentives which only allows revenue from variations and claims to be recognised to the extent they are approved or enforceable under the contract. The amount of revenue is then recognised to the extent it is highly probable that a significant reversal of revenue will not occur.

Services revenue

The Group performs maintenance and other services for a variety of different industries. Typically, under the performance obligations of a service contract, the customer consumes and receive the benefit of the service as it is provided. As such, service revenue is recognised over time as the services are provided.

As with contract revenue the new standard provides higher thresholds 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.

Sale of goods

Revenue is recognised when the customer obtains control of the goods.

Other revenue

Other revenue primarily includes insurance claims, government rebates and interest income of which is recognised on an accruals basis.

Contract Modifications

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, the modification is enforceable and the amount becomes highly probable. Modifications will be recognised when the client instruction has been received in line with customary business practice for the customer.

Revenue in relation to claims and variations, where the Group has an approved enforceable right to payment, is only included in the transaction price when the amount claimable becomes highly probable.

In making this assessment, the Group assessed 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018 (continued)

1 BASIS OF PREPARATION (CONTINUED)

Adoption of Singapore Financial Reporting Standards (International) (continued)

c) Accounting policies applied from 1 July 2018 (continued)

Revenue Recognition (continued)

Contract costs (Tender costs)

Under the new standard, costs incurred during the tender / bid process will be expensed, unless they are incremental to obtaining the contract and the Group expects to recover them or they are explicitly chargeable to the customer, regardless of whether the contract is obtained.

Performance obligations and contract duration

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

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

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

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

Measure of progress

The Group measures 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 obligations.

Variable consideration

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018 (continued)

1 BASIS OF PREPARATION (CONTINUED)

Adoption of Singapore Financial Reporting Standards (International) (continued)

c) Accounting policies applied from 1 July 2018 (continued)

Revenue Recognition (continued)

Others

SFRS(I) 15 uses the terms 'contract assets' and 'contract liabilities' which the Group has adopted to describe such balances which have been included in Note 5(a) respectively.

A contract asset is recognised for the cumulative revenue recognised but not yet invoiced and primarily relates to amount due from customers for contracts in progress.

A contract liability primarily relates to amount due to customers for contracts in progress.

Non-derivative financial liabilities

Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Trade and other payables

Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms in the Group's operation.

Non-derivative financial assets

i. Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and
- Those to be measured at amortised cost

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018 (continued)

1 BASIS OF PREPARATION (CONTINUED)

Adoption of Singapore Financial Reporting Standards (International) (continued)

c) Accounting policies applied from 1 July 2018 (continued)

Non-derivative financial assets (continued)

ii. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of the financial assets carried at fair value through profit or loss are expensed in profit or loss. Measurement of cash and cash equivalents and trade and other receivables, including contract assets, remain at amortised cost consistent with the comparative period.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collecting contractual cash flows and through sale on specified dates. A gain or loss on a debt investment that is subsequently measured at FVOCI is recognised in other comprehensive income.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

Equity Investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other expenses in the statement of profit or loss as applicable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018 (continued)

1 BASIS OF PREPARATION (CONTINUED)

Adoption of Singapore Financial Reporting Standards (International) (continued)

c) Accounting policies applied from 1 July 2018 (continued)

Non-derivative financial assets (continued)

iii. Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, contract assets and lease receivables, the Group applies the simplified approach permitted by SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

d) Accounting estimates and judgements

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumption that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial statements, judgments made in the application of the accounting standards that could have significant effect on the financial statements and estimates with a risk of adjustment in the next year are the same as those disclosed in the 30 June 2018 Cimtec Limited's Annual Report, updated for the following:

- Construction and services projects:
 - Determination of stage of completion;
 - Estimation of total contract costs;
 - Estimation of total revenue, including recognising revenue on contract variations and claim only to the extent it is highly probable that a significant reversal in the amount recognised will not occur in the future;
 - Estimation of project completion date and;
 - Assumed levels of project productivity.
- Estimation of provision for expected credit losses on financial assets

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018 (continued)

2 REVENUE AND OTHER INCOME

	NOTE	Consolidated	Consolidated
		6 months ended 31 December 2018	6 months ended 31 December 2017
		A\$'000	A\$'000
Revenue			
Construction contract revenue		332,399	287,234
Revenue from the rendering of services		2,113	11,966
Revenue from sales of goods		518	389
		<u>335,030</u>	<u>299,589</u>
Other Income			
Interest income on bank balances		393	175
Gain on deconsolidation of a subsidiary	19(c)	2,091	-
Gain on disposal of property, plant and equipment		70	19
Fuel tax rebate		128	258
Share of (loss)/profit of a joint venture		(2)	214
Insurance recovery *		1,218*	5,690*
Sundry revenue		83	30
		<u>3,981</u>	<u>6,386</u>

* The Group recognised other income of A\$1,218,000 (2017; A\$5,690,000) from an insurance claim relating to a fire incident in September 2017. This claim has now been finalised.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018 (continued)

3 PROFIT BEFORE INCOME TAX

	NOTE	Consolidated	Consolidated
		6 months ended 31 December 2018	6 months ended 31 December 2017
		A\$'000	A\$'000
The following items have been included in arriving at profit before income tax:			
Included in cost of sales:			
Direct materials		47,938	51,317
Employee benefits		141,852	122,923
Subcontract works		87,952	68,685
Workshop and other overheads		37,407	37,798
Depreciation of property, plant and equipment		5,064	4,912
		<u>320,213</u>	<u>285,635</u>
Included in administrative expenses:			
Audit fees:			
- Auditors of the Company		29	40
- Other auditors		34	38
Non-audit fees:			
- Auditors of the Company		20	28
- Other auditors		36	30
Business development		413	528
Communications		892	990
Depreciation of property, plant and equipment		160	211
Directors' fees		206	108
Employee benefits costs		4,765	4,714
Occupancy expenses		225	197
Office costs		414	217
Other administrative expenses		352	323
Other professional fees		867	760
Tax fees		236	491
		<u>8,649</u>	<u>8,675</u>
Depreciation:			
Included in cost of sales		5,064	4,912
Included in administrative expenses		160	211
	7	<u>5,224</u>	<u>5,123</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018 (continued)

4 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's net profit attributable to ordinary equity holders for the financial period by the weighted average number of ordinary shares issued.

	Consolidated 6 months ended 31 December 2018	Consolidated 6 months ended 31 December 2017
Profit attributable to the owners of the Company (A\$'000)	5,814	7,654
Weighted average number of ordinary shares issued		
- Basic	500,985,000	500,985,000
- Diluted	500,985,000	500,985,000
Earnings per ordinary share (A\$ cents)		
- Basic	1.16	1.53
- Diluted	1.16	1.53

Basic earnings per share is calculated by dividing the consolidated profit after tax attributable to the equity holders of the Company, by the weighted average number of ordinary shares outstanding during the financial period.

As at 31 December 2018, the diluted earnings per share is the same as the basic earnings per share as it does not include the effect of 4,000,000 (2017: 4,000,000) unissued ordinary shares granted under the Civmec Limited Employee Share Option Scheme ("CESOS"). The effect of the inclusion is anti-dilutive.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018 (continued)

5 TRADE AND OTHER RECEIVABLES

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Trade receivables		
- Third party	78,677	130,402
Loan to a former subsidiary, now a related entity *	1,839	-
Prepaid expenses	997	1,115
Other receivables	1,347	849
	4,183	1,964
Current trade and other receivables	82,860	132,366

* The Group provided working capital funding to a former subsidiary, now a related entity, Civtec Africa Ltd. The loan is unsecured, interest bearing at a market rate of Australian Bank Bill Swap Bid Rate ("BBSY") plus 2% and repayable on demand.

5(a) CONTRACT ASSETS AND LIABILITIES

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Contract assets & liabilities:		
Contract costs incurred	1,260,743	1,213,004
Recognised profits	42,834	29,039
Retention on construction claims	6,213	6,147
	1,309,790	1,248,190
Less: Progress billings	(1,177,707)	(1,136,124)
Net amount	132,083	112,066
Presented as:		
Contract assets	143,245	135,244
Contract liabilities	(11,162)	(23,178)
	132,083	112,066

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018 (continued)

6 CASH AND CASH EQUIVALENTS

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Cash at bank and in hand	69,085	23,369

A floating charge over cash and cash equivalents has been provided for certain debt.

7 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Small tools	Motor vehicles	Office equipment	IT equipment	Assets under construction	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
As at 31 December 2018									
<u>Cost</u>									
At 01 July 2018	16,254	55,576	54,636	16,729	7,137	1,405	2,373	34,083	188,193
Additions	-	-	636	371	-	2	-	32,167	33,176
Transfer	-	-	3,697	-	-	6	(6)	(3,697)	-
Disposals	-	-	(574)	(88)	(79)	(5)	-	-	(746)
At 31 December 2018	16,254	55,576	58,395	17,012	7,058	1,408	2,367	62,553	220,623
<u>Accumulated depreciation</u>									
At 01 July 2018	-	(10,662)	(19,955)	(7,204)	(3,880)	(853)	(1,928)	-	(44,482)
Depreciation for the period	-	(1,208)	(2,336)	(1,124)	(369)	(85)	(102)	-	(5,224)
Disposals	-	-	258	65	68	4	-	-	395
At 31 December 2018	-	(11,870)	(22,033)	(8,263)	(4,181)	(934)	(2,030)	-	(49,311)
<u>Net carrying amount</u>									
At 31 December 2018	16,254	43,706	36,362	8,749	2,877	474	337	62,553	171,312
As at 30 June 2018									
<u>Cost</u>									
At 01 July 2017	16,254	55,522	49,488	13,422	6,599	1,371	2,041	19,664	164,361
Additions	-	-	-	-	-	-	23	26,931	26,954
Transfer	-	54	6,691	4,305	970	146	346	(12,512)	-
Disposals	-	-	(1,543)	(998)	(432)	(112)	(37)	-	(3,122)
At 30 June 2018	16,254	55,576	54,636	16,729	7,137	1,405	2,373	34,083	188,193
<u>Accumulated depreciation</u>									
At 01 July 2017	-	(8,238)	(16,067)	(5,615)	(3,485)	(794)	(1,638)	-	(35,837)
Depreciation for the year	-	(2,424)	(4,401)	(2,297)	(805)	(171)	(327)	-	(10,425)
Disposals	-	-	513	708	410	112	37	-	1,780
At 30 June 2018	-	(10,662)	(19,955)	(7,204)	(3,880)	(853)	(1,928)	-	(44,482)
<u>Net carrying amount</u>									
At 30 June 2018	16,254	44,914	34,681	9,525	3,257	552	445	34,083	143,711

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018

8 INVESTMENT IN JOINT VENTURE

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Cost of investment	122	122
Share of profit	260	260
	392	392
Cash distribution to shareholders	(432)	(432)
Other reconciling items	50	50
Investment	-	-

The joint venture distributed cash dividends of A\$432,000 to the Group during the financial year ended 30 June 2018. Accordingly, the investment in joint venture has been reduced to Nil on the basis that the joint venture reported a net liability position as at 31 December 2018. (30 June 2018: Nil).

Details of the Group's joint venture that is accounted for using the equity method at the end of the reporting period is as follows:

Name of entity	Principal activities	Country of incorporation	% of equity held by the Group	
			31 December 2018	30 June 2018
Held by Cvmec Construction & Engineering Pty Ltd				
Sedgman Cvmec Joint Venture	Engineering and construction services	Australia	50	50

The summarised financial information below represents amounts shown in the joint venture's financial statements.

Summarised statement of financial position

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Cash and cash equivalents	77	77
Trade receivables	77	77
Other assets	2,556	2,556
Total current assets	2,710	2,710
Trade and other payables - current	2,812	2,812
Net liabilities	(102)	(102)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018 (continued)

8 INVESTMENT IN JOINT VENTURE (CONTINUED)

Summarised statement of comprehensive income

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Revenue	-	1,118
Operating expenses	-	(604)
Interest income	-	6
Loss before tax	-	(520)
Other comprehensive income	-	-
Total comprehensive loss	-	(520)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Net liabilities of the joint venture	(102)	(102)
Proportion of the Group's ownership interest in the joint venture	50.0%	50.0%
Carrying amount of the Group's interest in the joint venture	(51)	(51)

9 JOINT OPERATIONS

The Group has interests in the following joint operations which are proportionately consolidated:

Name of Joint Operation	Principal activities	Principal place of business/country of incorporation	Proportion (%) of ownership interest held by the Group	
			2018	2017
Black & Veatch Civmec JV ("BCJV")	Engineering and Construction Services	Australia	50	50
Amec Foster Wheeler Civmec JV ("ACJV")	Engineering and Construction Services	Australia	50	50
Swan River Bridge Alliance ("SRBA")	Engineering and Construction Services	Australia	33.33	-

SRBA project is to deliver the fabrication of the Swan River Pedestrian Bridge, linking the new Optus Stadium with East Perth.

The Group is entitled to a proportionate share of the construction contract revenue earned and bears a proportionate share of the joint operations' expenses.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018 (continued)

10 TRADE AND OTHER PAYABLES

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Trade creditors	29,991	45,742
Accrued expenses	50,973	62,239
Goods and services tax payable	2,652	6,631
Advanced billings	10,484	7,812
Other taxes payable	10,441	5,268
Others	73	-
	104,614	127,692

Trade and other payables are usually paid within 45 days.

The advanced billings pertain to advances from the customer of the joint operation of the Group to assist with its cash flow and shall be repaid through deductions to future progress claims to the customer.

11 BORROWINGS

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Current		
Finance lease liabilities - secured (a)	4,585	4,959
Trade finances - secured	49,152	38,316
	53,737	43,275
Non-current		
Finance lease liabilities - secured	9,287	8,422
Bank bills - secured (b)	110,000	55,694
Loans from related parties - unsecured (c)	320	318
	119,607	64,434
Total borrowings	173,344	107,709

(a) Finance lease liabilities

The Group (the lessee) leases motor vehicles, workshop equipment and office fitout from non-related parties under finance leases. The Group will obtain the ownership of the leased assets from the lessor at no extra cost at the end of the lease term. The average lease term is between 4 and 5 years at interest rates ranging from 2.18% to 6.30% per annum (30 June 2018: 3.52% to 6.30%).

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018 (continued)

11 BORROWINGS (CONTINUED)

(a) Finance lease liabilities (continue)

The finance lease liabilities are secured by the underlying leased assets:

	NOTE	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
		A\$'000	A\$'000
Property, plant and equipment	7	26,233	23,919

The present values of finance lease liabilities are analysed as follows:

	Minimum lease payments	Future finance charges	Net present value of minimum lease payments
	A\$'000	A\$'000	A\$'000
As at 31 December 2018			
Less than one year	4,875	(290)	4,585
Between one and five years	10,185	(898)	9,287
	15,060	(1,188)	13,872
As at 30 June 2018			
Less than one year	5,438	(479)	4,959
Between one and five years	9,032	(610)	8,422
	14,470	(1,089)	13,381

(b) Bank bills

The Group secured A\$60.0 million offering "Senior Secured Note" of 4-year secured notes on 23 November 2018 to restructure existing finance and provide funding for a portion of a world-class shipbuilding and maintenance facility at Henderson Western Australia. The Notes are unconditionally and irrevocably guaranteed by Civmec Limited and are redeemable after two years at Civmec Limited's option. Senior Secured Note is collectively under a security trust deed and hold first ranking over all assets held with the subsidiary, Civmec Holdings Pty Ltd, including interests in land at the Company's Stuart Drive Henderson site in Western Australia and the Tomago site in New South Wales Australia.

(c) Loans from related parties

Loans from related parties are non-trade, unsecured, interest free and repayable on demand.

Banking covenants

The Group is required by the banks to maintain certain financial ratios such as loan value ratio and interest cover ratio. As at 31 December 2018, the Group did meet all financial covenants.

As at 31 December 2018, the Group has a commercial bank facility amounting to A\$190,000,000 (30 June 2018: A\$100,000,000) which was 84.9% utilised (30 June 2018: 94.0%). Interest rates are variable and ranged between 3.01% and 7.00% (30 June 2018: between 2.65% and 4.16%) per annum during the current financial period.

The bank bills and trade finances are secured by certain property, plant and equipment.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018 (continued)

12 PROVISIONS

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Current		
Provisions for employee benefits	6,566	9,197
Non-Current		
Provisions for employee benefits	4,391	3,935
	10,957	13,132

Movements in provisions are as follows:

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Current		
Opening balance at the beginning of the period	9,197	4,831
Provisions made during the period		
- Included in employee benefits	33,218	16,705
Provisions utilised during the period	(35,849)	(12,339)
Closing balance at the end of the period	6,566	9,197
Non-current		
Opening balance at the beginning of the period	3,935	2,955
Provisions made during the period		
- Included in employee benefits	487	1,012
Provisions utilised during the period	(31)	(32)
Closing balance at the end of the period	4,391	3,935

Provisions pertain to employee benefits relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data and the discount rate used range remained unchanged since 30 June 2018 (from 2.51% to 3.94%).

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018 (continued)

13 SHARE CAPITAL

(a) Fully Paid Ordinary Shares

	As at 31 December 2018		As at 30 June 2018	
	No. of shares	A\$'000	No. of shares	A\$'000
Ordinary shares issued and fully paid	501,000,000	29,807	501,000,000	29,807
Shares held as treasury shares	(15,000)	(10)	(15,000)	(10)
	500,985,000	29,797	500,985,000	29,797

The ordinary shares of the Company have no par value. All issued ordinary shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share without restrictions at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The Company approved the payment of First and Final dividend of 0.7 Singapore cents per ordinary share (30 June 2017: 0.7 Singapore cents) amounting to A\$3,632,000 for the financial year ended 30 June 2018. The dividend payment was made on 07 December 2018.

(b) Treasury shares

	As at 31 December 2018		As at 30 June 2018	
	No. of shares	A\$'000	No. of shares	A\$'000
Balance at the beginning and end of the period	15,000	10	15,000	10

Treasury shares relate to ordinary shares of the Company that are held by the Company.

(c) Share options

	As at 31 December 2018		As at 30 June 2018	
	No. of shares	S\$	No. of shares	S\$
Balance at the beginning and end of the period	4,000,000	0.65	4,500,000	0.65
Options cancelled during the period	-	-	(500,000)	-
Balance at the end of the period	4,000,000	0.65	4,000,000	0.65

These options vested but were not exercised during the reporting period. Share options granted under the Cimec Employee Share Option plan carry no rights to dividends and no voting rights. Exercise price is Singapore dollars \$0.65 per share.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018 (continued)

14 OTHER RESERVES

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Foreign currency translation reserve	-	93
Merger reserve	7,578	7,578
Share option reserve	240	240
	7,818	7,911

(a) Foreign currency translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency to the Group's presentation currency (i.e. A\$) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating the net assets of foreign operations) are reclassified to profit or loss on the disposal or partial disposal of the foreign operation. The movement in the foreign currency translation reserve is shown in the consolidated statement of changes in equity.

(b) Merger reserve

Pursuant to the completion of the Restructuring Exercise, the share capital of Civmec Construction & Engineering Pty Ltd and Controlled Entities is adjusted to merger reserve based on the "pooling of interest method".

(c) Share Option Reserve

The share option reserve relates to share options granted to employees under the employee share option plan.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018 (continued)

15 COMMITMENTS

(a) Operating lease

The future minimum lease payable under non-cancellable operating leases contracted for where the Group is a lessee at the reporting date but not capitalised in the financial statements are as follows:

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Not later than 12 months	3,090	3,266
Between 12 months and five years	13,407	13,533
More than five years	52,843	54,182
	69,340	70,981

The Group has below commercial operating leases:

- The Henderson land lease at Lot 804 (16) Nautical Drive, Henderson, Western Australia is for a 35-year period from July 2009 with an option to renew for a further 35 years. Rent increases as per the CPI Index.
- The Broome property lease at 266-268 Port Drive, Minyir is for a 5-year period from August 2014. Rent increases as per CPI index.
- The New South Wales leases at Suite 4.02, level 4, 657 Pacific Highway Street Leonards and 48 Villers Street, Grafton, New South Wales are for a 3-year period and 1-year period respectively
- The Gladstone lease at 5 Dalrympie Drive, Toolooa, Queensland is for a 1-year period.
- The Group entered into two short-term leases in Western Australia: 21/43 Rockingham Beach Road and Unit 8 Stockton Bend, Cockburn Central, for a period of less than 12 months

(b) Capital expenditure commitments

The Group has contracted capital expenditure commitments at the reporting date but not recognised in the financial statement as follows:

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Plant and equipment purchases	1,711	4,764
Capital projects	29,089	19,973
	30,800	24,737
Not later than 12 months	30,799	21,429

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018 (continued)

16 GUARANTEES

The Group is, in the normal course of business, required to provide guarantees in respect of their contractual performance related obligations. These guarantees and indemnities only give rise to a liability where it fails to perform its contractual obligations.

During the course of business, the Company also provides letters of credit for international trading when required.

As at 31 December 2018, the Group has provided the following:

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Bank guarantee	2,564	3,701
Surety bond facility	125,634	126,854
	128,198	130,555

The surety bond facility is provided for the provision of performance bonds to customers of the Group. It has a limit of A\$200 million as at 31 December 2018 (30 June 2018: A\$175 million).

17 RELATED PARTY TRANSACTIONS

The Group's main related parties are as follows:

Entities Exercising Control over the Group

The largest shareholders are James Finbarr Fitzgerald and Olive Theresa Fitzgerald (acting as trustees for the JF & OT Fitzgerald Family Trust) (19.47%) and Goldfirm Pty Ltd (acting as trustee for the Kariong Investment Trust) (19.47%).

Key Management Personnel

Any person having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018 (continued)

17 RELATED PARTY TRANSACTIONS (CONTINUED)

Key Management Personnel (continued)

Any person having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Directors' remuneration		
- Salaries and other related costs	891	1,723
- Directors' fees	111	211
- Benefits including defined contribution plans	31	120
Other key management personnel		
- Salaries and other related costs	1,034	2,096
- Benefits including defined contribution plans	56	299
	2,123	4,449

Other Related Parties

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

Transactions with Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Purchase of goods and services: Other Related Parties:		
- Consultant fee paid to a related party (who is a director of the Company)	(7)	(7)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018 (continued)

18 FINANCIAL INFORMATION BY SEGMENTS

Management has determined the operating segments based on the internal reports which are regularly reviewed by the Operations Management that are used to make strategic decisions.

The Operations Management comprises of the Executive Chairman, Chief Executive Officer, Chief Operations Officer, Chief Financial Officer and the department heads of each operating segment.

The business is managed primarily on the basis of different products and services as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements

Although the Operations Management receives separate reports for each project in the Oil and Gas, Metals and Minerals, and Infrastructure businesses, these have been aggregated into the respective reportable segments as they have similar long-term average gross margins.

The three main reportable segments for the Group are: (1) Oil and Gas (2) Metals and Minerals and (3) Infrastructure. The business activities include civil construction, fabrication, precast concrete, SMP (Structural, Mechanical and Piping Erection), insulation, maintenance and plant hire.

Basis of Accounting for Purpose of Reporting by Operating Segments

(a) Accounting Policies Adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the consolidated financial statements of the Group.

(b) Inter-Segment Transactions

An internally determined transfer price is set for all inter-segment sales. This price is reviewed quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018 (continued)

18 FINANCIAL INFORMATION BY SEGMENTS (CONTINUED)

Basis of Accounting for Purpose of Reporting by Operating Segments (continued)

(c) Segment Assets and Liabilities

The Group does not identify nor segregate its assets and liabilities in operating segments as these are managed on a “group basis”.

Geographical Segments (Secondary Reporting)

The Group currently operates in three geographical areas – Australia (main operations), Papua New Guinea and Uganda.

Major Customers

The Group has a number of customers to whom it provides both products and services. For the period ended 31 December 2018, the Group supplies to a single external customer in Metals and Minerals segment who accounts for 12.1% of external revenue (30 June 2018: Metals and Minerals 18.5%). The next most significant client accounts for 8.8% and 5.7% (30 June 2018: 8.9% and 8.7%) of external revenue.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018 (continued)

18 FINANCIAL INFORMATION BY SEGMENTS (CONTINUED)

	Consolidated 6 months ended 31 December 2018				Consolidated 6 months ended 31 December 2017			
	Oil and Gas	Metals & Minerals	Infrastructure	Total	Oil and Gas	Metals & Minerals	Infrastructure	Total
	AS'000	AS'000	AS'000	AS'000	AS'000	AS'000	AS'000	AS'000
Revenue – external sales	51,954	232,584	50,492	335,030	60,192	167,638	71,759	299,589
Cost of sales (excluding depreciation)	(48,887)	(222,844)	(43,418)	(315,149)	(51,657)	(158,333)	(70,733)	(280,723)
Depreciation expense	(786)	(3,580)	(698)	(5,064)	(502)	(3,408)	(1,002)	(4,912)
Segment results	2,281	6,160	6,376	14,817	8,033	5,897	24	13,954
Other income				3,981				6,386
Administrative expenses*				(8,489)				(8,464)
Depreciation expense*				(160)				(211)
Finance costs				(2,533)				(1,801)
Profit before income tax				7,616				9,864
Income tax expense				(854)				(2,482)
Net profit for the period				6,762				7,382

*Administrative expenses above exclude depreciation which is disclosed separately above.

	As at 31 December 2018		As at 30 June 2018	
Segment assets:				
Intangible assets	-	10	-	10
Unallocated assets:				
Assets		472,466		440,003
Other current assets		-		-
Deferred tax assets		1,460		2,520
Total assets		473,936		442,533
Segment liabilities:				
Unallocated liabilities				
Liabilities		115,776		150,870
Borrowings		173,344		107,709
Provisions		10,957		13,132
Total liabilities		300,077		271,711
Other segment information				
Capital expenditures during the period/year		33,176		26,954

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018 (continued)

19 DECONSOLIDATION A SUBSIDIARY

(a) Description

On 3 September 2018, the Company announced it did not subscribe for additional shares in an equity raising of an indirect subsidiary, Civtec Africa Ltd ("Civtec"). Consequent to the share issue, the interest of the Group in Civtec was diluted from 50% to 39.9%. Civtec remains as an associated company of the subsidiary, Civmec Construction and Engineering Uganda Ltd.

In compliance to the applicable accounting standards, the Group has deconsolidated its 50% interest in Civtec and its interest now is accounted for using the equity method.

(b) Financial performance and cash-flow information

The financial performance and cash flow information presented reflects the operations for the two-month period ended 31 August 2018 and subsequent adjustments to the contingent consideration receivable.

	Consolidated as at 31 December 2018	Consolidated as at 30 June 2018
	A\$'000	A\$'000
Profit & Loss		
Revenue & other income	283	75
Costs of sales	(227)	-
Administration & other expenses	(159)	(1,002)
Loss before income tax	(103)	(927)
Income tax expense	-	-
Loss from deconsolidation	(103)	(927)
Exchange differences on translation of deconsolidation	(188)	-
Total comprehensive loss from deconsolidation	(291)	(927)
Cash Flow		
Net cash (outflow)/inflow from operating activities	(292)	65
Net cash outflow from investing activities	(4)	-
Net cash outflow from financing activities	-	-
Net cash (decrease)/increase generated by the former subsidiary	(296)	65
	Cents	Cents
Basic earnings per share from deconsolidation	(0.06)	(0.18)
Diluted earnings per share from deconsolidation	(0.06)	(0.18)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018 (continued)

19 DECONSOLIDATION A SUBSIDIARY (CONTINUED)

(c) Details of deconsolidation of the subsidiary

	NOTE	Consolidated 6 months ended 31 December 2018
		A\$'000
Consideration received or receivable:		
Cash or shares		-
Fair value of 50% interest held in subsidiary		-
Total consideration		-
Less: carrying amount of assets on deconsolidation		(2,327)
Gain on deconsolidation before income tax and reclassification of foreign currency translation reserve		2,327
Reclassification of foreign currency translation reserve to profit or loss		(91)
Income tax expense on gain on deconsolidation		-
Gain on deconsolidation		2,236
Civmec Limited's share of Civtec's comprehensive loss for the two-month period to 31 August 2018		(145)
Total gain on deconsolidation attributable to the Group	2	2,091



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