



2017

ANNUAL REPORT



AUSGROUP LIMITED



Contents

About Us	2
Chairman and Managing Director's Report	4
Board of Directors	8
Senior Management	10
Financial Reports	12





About Us

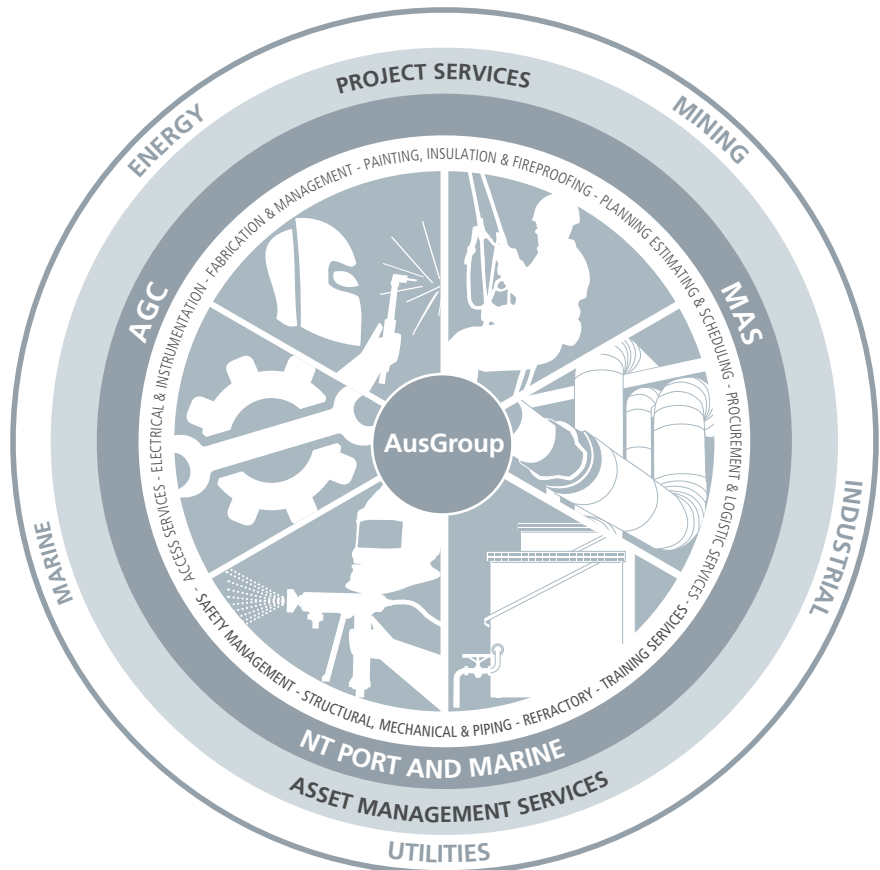
AusGroup offers a range of integrated service solutions to the energy, resources, industrial, utilities and marine sectors across Australia and South East Asia. Our diversified service offering supports clients at all stages of their asset development and operational schedule.

Through subsidiaries AGC, MAS and NT Port and Marine, we provide project and asset management services across all phases of the project lifecycle. With over 29 years of experience, we are committed to helping our clients build, maintain and upgrade some of the region's most challenging projects.

Our Core Capabilities

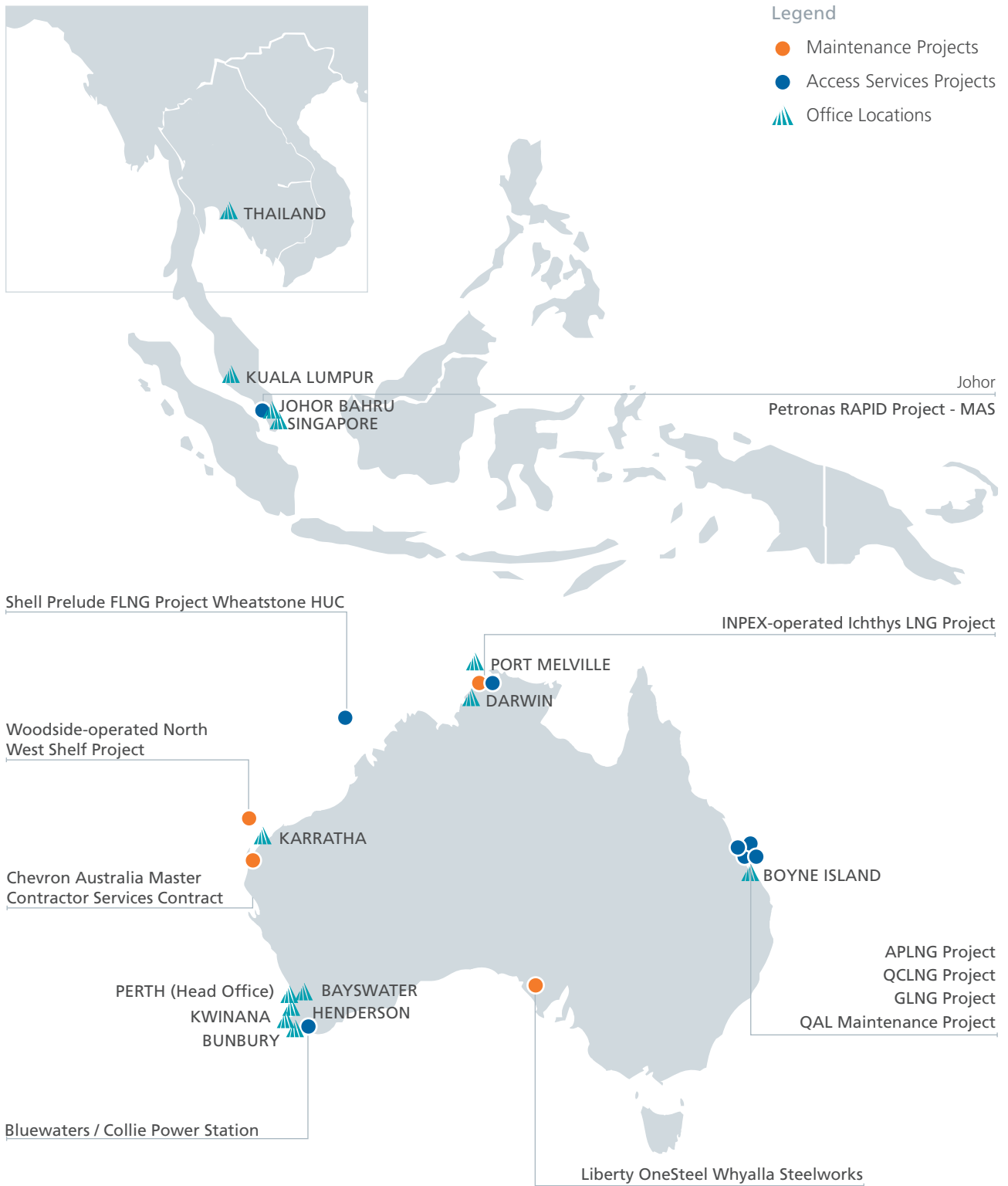
- Access Services
- Electrical and Instrumentation
- Fabrication and Management
- Inspection Services
- Painting, Insulation and Fireproofing
- Planning, Estimating and Scheduling
- Procurement and Logistic Services
- Refractory
- Rope Access
- Safety Management
- Scaffolding
- Structural, Mechanical and Piping
- Training Services

Supporting our clients at all stages of their asset development and operational schedule.



AusGroup Operational Model

Current Major Projects





Stuart Maxwell Kenny,
Non-Executive Chairman and
Eng Chiaw Koon, Managing Director



Chairman and Managing Director's Report

Dear Shareholders,

This year has been a transformational period for AusGroup and we have emerged from a tough operating environment as a lean and agile organisation positioned for sustainable growth. It is pleasing to report that this turnaround has seen AusGroup return to profitability with full year net profit after tax of AU\$4.6m on a revenue of AU\$435.0m. There has been a return to a strong, commercially focused business, supported by a new management team and significant projects, providing confidence in the near and long-term.

As we work toward strengthening our service capability, we are committed to a consistent and daily focus on safety and performance, which is critical for us and our clients. The key to securing sustainable work is the provision of safe and efficient delivery of services, which is ultimately cost competitive.

Financial Performance

The revenue for FY2017 was AU\$435.0m which was a decrease of 7.6% on the prior year, however the gross margin for FY2017 was AU\$44.7m which was an increase of 30% on the prior year, again demonstrating a focus on delivering profitability. These results were driven by the strong performance of our contract work undertaken by our access services business (MAS), our maintenance contract on Gorgon in Western Australia (WA) and the Ichthys plant in the Northern Territory (NT).

EBIT for the year was AU\$18.3m, signifying a return to a more normalised operating profit position, following the losses incurred in the previous year due

As we work toward strengthening our service capability, we are committed to a consistent and daily focus on safety and performance.



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

to the recognition of asset impairments. There has also been a significant decrease in our support cost base of approximately AU\$19.8m when compared to the previous reporting period, providing a solid base for future profitable growth.

The cash balance at the end of the year for AusGroup was AU\$33.9m and cash flow generated from operations was AU\$22.1m, an increase of 53% and 42% respectively. During the year, the balance sheet of AusGroup was restructured and strengthened through a debt to equity swap conversion, reducing debt by AU\$34.1m. AusGroup will see an overall reduction in the debt servicing costs following this conversion process however as this conversion was completed on 30 June 2017, the benefit has not impacted the current year results but will be realised in FY2018.

In a significant achievement for the Group, our initial debt to equity conversion was completed on 30 June 2017. AusGroup was the first company in Singapore to successfully implement a high yield bond to equity conversion which, together with a conversion by our major shareholders loan, resulted in a debt reduction of AU\$34.1m, which improved our balance sheet position to AU\$23.3m. We thank our

noteholders and shareholders for their support in this conversion as it has significantly strengthened the Group's balance sheet position. We welcome our new shareholders onto AusGroup's share register and look forward to stronger performance going forward.

There has been a strong contribution from the energy and process contracts within the maintenance and access business units, with continued good results from our core projects. We have experienced solid growth during the year with the award of several contracts in the NT and WA for the hook-up work on the INPEX-operated Ichthys LNG Project offshore works and the Shell-operated Prelude FLNG project. The MAS business continues its strong performance and has as established an operating base in Malaysia, enabling the business to provide services in this developing market.

The business in Singapore where we provided fabrication and manufacturing services was closed at the end of FY2016, with all financial obligations being finalised during the year in conjunction with the sale of precision equipment, resulting in a profit from discontinued operations of AU\$1.4m.



Over the past 12 months, we have created a lean and efficient business with a flexible business model.

Operational Review

We would like to take this opportunity to thank AusGroup's outgoing CEO Mr Simon High who was appointed in January 2016 to lead the company during a very necessary turnaround phase. During this time, the Company returned key parts of our operations to steady and profitable growth, reduced operating costs, improved cash flow and reduced overall debt.

We welcomed our new CEO and Executive Director Mr Shane Kimpton in July 2017, who was appointed after an extensive search, to find a leader who would build on the Company's turnaround. Mr Kimpton has over 30 years of experience and a demonstrated track record of strategic and operational leadership with a focus on revenue and EBIT growth underpinned by long term contracts.

We continue to deliver on our current major projects, with the scope and duration of work being provided by the AGC Meisei Joint Venture (AMJV) increasing on the INPEX-operated Ichthys Onshore LNG Facilities Project. AMJV was recently awarded a AU\$165 million extension for painting, surface protection, fireproofing and insulation works near Darwin, NT. We have a team of 770 people delivering safe, productive, high quality work on the project every day.

The maintenance work we have been performing for Chevron continues to provide a steady, long-term revenue stream. Work on Chevron's Australian assets including the Wheatstone, Gorgon and WA Oil sites has seen headcount increase from approximately 90 in July 2016 to 209 in June 2017. Safety culture and performance continues to be strong across the project.

The MAS business experienced a steady financial year, with an extension to the access contract on the INPEX-operated Ichthys LNG Project and the award of offshore access and painting contracts on the Shell-operated Prelude Project.

The port and marine business was re-branded as NT Port and Marine, providing the business with the opportunity to better demonstrate its capabilities to the market and operate as experts in the industry. After some difficult times, it is pleasing to see the expansion of our service offering at the Port Melville and East Arm facilities.

Over the past 12 months, we have created a lean and efficient business with a flexible business model. Our clear strategic vision has positioned us well for future opportunities within the Australian and South East Asian market.

Health, Safety, Sustainability and Quality

With safety as a priority for the Group, we have relaunched the Company's HSE initiative, Perfect Day. Designed to build awareness that the choices we make at work ultimately impact our families and personal lives, Perfect Day encourages employees to focus on safety every day.

The Group's overall corporate safety result for the year was positive, with 1.71 Total Recordable Injury Frequency Rate per million man-hours worked (TRIFR) against our target of 1.87. The Group has a strong safety record however we are cognisant of not becoming complacent in this key area.

We have maintained our quality standards, with certification to industry standards ISO9001, ISO14001, OHSAS18001 and AS/NZS4801. Continuous improvement is achieved through compliance against these standards which is verified by third party assurance processes and client audits.



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

Strategy and Outlook

As an innovative service provider to the resources, energy and industrial sectors, AusGroup will continue to focus on building sustainable revenue and profits.

With a broader service offering, we will work toward an increased market share of the growing LNG maintenance sector across Australia whilst targeting provision of services in other sectors. After a challenging few years, the market has recently begun to stabilise, providing long-term opportunities and greater confidence.

We would like to thank our shareholders, people and communities for their support and commitment. We look forward to continuing to work together as we drive sustainable growth across our business.

A handwritten signature in black ink, appearing to read "Stuart Kenny".

Stuart Kenny
Non-Executive Board Chairman

A handwritten signature in black ink, appearing to read "Eng Chiaw Koon".

Eng Chiaw Koon
Managing Director



Board of Directors



Stuart Maxwell Kenny

Chairman & Non-Executive Director

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

Mr Kenny has more than 40 years of experience in commercial, mining, and oil & gas construction, gaining extensive experience at all levels within project organisations including as senior project manager on large resource construction projects. He has managed major construction contracts both within Australia and wider Asia, receiving clients' commendation for his emphasis on project quality, team management and workforce safety.

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



Eng Chiaw Koon

Managing Director & Executive Director

- Member of Board of Directors

Mr Eng holds a Technical Diploma in Mechanical Engineering and brings 12 years of experience in the marine support industry. Currently executive director of AusGroup Limited, Mr Eng was previously director, special projects with Ezion Group, CEO of Aqua-terra Supply Co. Ltd (a subsidiary of KS Energy Services Limited) and the chief operating officer of KS Distribution Pte at KS Energy Limited.

With a background in the electronics industry, specialising in the process audit, vendor quality and management, Mr Eng set up Aero-Green technology (s) Pte Ltd in 1996 to pioneer the commercialisation of aeroponic technology, with the company winning the first Asian Innovation Award from the Far East Economic Review in 1998 and a UN Urban Agriculture Award in 2000.

The AusGroup Board of Directors is committed to ensuring the highest standards are practised throughout the company and its subsidiaries.



Shane Francis Kimpton
Chief Executive Officer & Executive Director

- Member of the Board of Directors

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

Mr Kimpton has held senior executive roles for leading operators and contractors including UGL, Transfield Services and ExxonMobil, working in a number of locations across some of the world's largest Oil & LNG projects. He has a demonstrated track record of strategic and operational leadership, delivering outstanding long-term business and EBIT growth and improved HSE performance. Mr Kimpton graduated in Engineering at Swinburne University of Technology and is a member of the Asset Management Council of Australia.



Ooi Chee Kar
Independent Non-Executive Director

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

Ms Ooi Chee Kar brings more than 30 years of professional experience in Singapore and the United Kingdom. Ms Ooi is currently an independent director of Pacific Radiance Ltd., Singapore Eye Research Institute, Tokyo Marine Life Insurance Singapore Ltd., Tokyo Marine Insurance Singapore Ltd., Singapore Pools (Private) Limited and member of the Audit

Committee of National Council of Social Services. Qualified as a UK chartered accountant, Ms Ooi's experience covers a wide range of industries from financial services to shipping and oil trade. She was an audit partner at PricewaterhouseCoopers, Singapore until 2012 where she was a lead partner of a number of large audit clients across the Asia-Pacific region and beyond. Ms Ooi is a fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) and a fellow of the Institute of Singapore Chartered Accountants (ISCA).



Chew Heng Ching
Independent Non-Executive Director

- Deputy Chairman of the Board of Directors
- Lead Independent Director
- Member of the Board of Directors
- Member of the Audit Committee
- Member of the Remuneration & Human Capital Committee
- Chair of the Nominating Committee

Mr Chew has more than 30 years of senior management experience in both the public and private sectors. He serves as non-executive director at Bonvest Holdings

Ltd, Pharmesis International Ltd, Spindex Industries Ltd and Sinopipe Holdings Limited. Mr Chew was the founding president of the Singapore Institute of Directors, chairman of its Governing Council and council member of Singapore Business Federation. He served on the Board of the Singapore International Chamber of Commerce and was chairman from 2005 - 2007. Former Deputy Speaker of the Singapore Parliament and Member of Parliament, Mr Chew graduated in Industrial Engineering (Honours Class One) and Economics from the University of Newcastle, Australia and also received an honorary PhD.



Wu Yu Liang
Independent Non-Executive Director

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

Mr Wu brings more than 30 years of professional experience, advising a broad spectrum of corporate and commercial issues, ranging from the establishment of joint ventures and other investment vehicles to advising on corporate and debt restructuring. He advises both

local and foreign clients on suitable investment structures and is well versed in the mechanics, regulatory and practical aspects of the securities industry. Mr Wu is an independent director of Jiutian Chemical Group Limited and Pan Asian Holdings Limited.



Senior Management

Our management team provides guidance and leadership to the business, driving strategic and operational initiatives. They are responsible for the Group's performance across all areas of the business.



Christian Johnstone

Chief Financial Officer

Mr Johnstone has over 20 years of finance and corporate advisory experience including a number of years in senior finance roles for publicly listed companies. He has extensive experience spanning the mining, gas and industrial sectors, having previously worked as chief financial officer for Iron Ore Holdings Ltd for over four years, and Wesfarmers Limited for over six years in its business development department and its industrial gas subsidiary in a senior finance role. Prior to Wesfarmers Limited, Mr Johnstone worked for KPMG Corporate Finance in Australia and Asia, and KPMG in Scotland for over 10 years.

Mr Johnstone is a member of the Institute of Chartered Accountants of Scotland and a Fellow of the Financial Services Institute of Australasia. He holds a Bachelor of Accountancy (Hons), a Graduate Diploma in Applied Finance & Investment and an (Executive) Master of Business Administration.



James Stokes

Chief Operating Officer, AGC and NT Port and Marine

Mr Stokes has over 20 years of experience in the natural resources sector across Australia. He has held senior management and consultancy positions with Monadelphous Engineering Associates, Southern Cross Electrical Engineering, Calibre Global, UEA Civil and Mining and Rio Tinto, where he was responsible for a wide range of operational and commercial roles.

With extensive management experience, Mr Stokes specialises in the areas of operation and project delivery, organisational restructure, commercial management, policy and procedural development, risk management, integration and strategic planning.

Mr Stokes is responsible for the management of the business' operational activities including projects, maintenance services, port and marine services, fabrication and manufacturing.



Simon MacLeod

Chief Operating Officer, MAS

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

With a focus on client relationships and delivering projects to the highest standard, Mr MacLeod has successfully completed a number of high risk projects

with zero lost time injuries. While maintaining project schedules, Mr MacLeod ensures his teams develop and implement the best standards for work.

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



Matt Prendergast

Executive General Manager Business Services

Mr Prendergast has over 25 years of experience across the energy, industrial and infrastructure sectors within Australia. He has held senior commercial and support services management roles with some of the industry's largest construction contractors, working on landmark projects.

With a background in commercial and project management, Mr Prendergast has extensive experience in contract

development and negotiation, as well as project financial reporting. He has demonstrated effective leadership through the development of high-performing business support service teams across the areas of HSE, people and systems.

Mr Prendergast is project director for the Group's Chevron Maintenance Services Contract and oversees the Group's support service teams including; commercial management, risk management, human resources, recruitment, information systems and HSE.



Jennifer McIlveen

Group General Manager Strategy & Development

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

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

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

Financial Reports

Corporate Governance	14
Director's Statement	25
Independent Auditor's Report to the Members of AusGroup Limited	28
Balance Sheets	30
Consolidated Statement of Comprehensive Income	32
Consolidated Statement of Changes in Equity	33
Consolidated Statement of Cash Flows	34
Notes to the Consolidated Financial Statements	36
Shareholdings Statistics as at 12 September 2017	96



Corporate Governance

The Board of Directors ("**Board**") is committed to ensure that the highest standards of corporate governance are practised throughout AusGroup Limited ("**Company**") and its subsidiaries ("**Group**") as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group. In view of this, the Board fully supports and seeks to comply with the Code of Corporate Governance ("**Code**") issued by the Monetary Authority of Singapore in May 2012.

Set out below are the policies and practices adopted by the Company to comply with the principles and guidelines of the Code. The Company has complied in all material aspects with the principles and guidelines set out in the Code and has taken into account, where relevant, the guidance provided by the Disclosure Guide on corporate governance issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 29 January 2015. Where there are departures from the Code, these are explained under the relevant sections of this Report.

BOARD MATTERS

The Board's Conduct Of Affairs (Principle 1)

The principal functions of the Board are:

- Reviewing and approving corporate strategies, annual budgets and financial plans and monitoring the organisational performance towards them;
- Reviewing the adequacy and integrity of the Group's internal controls, risk management systems, and financial information reporting systems;
- Ensuring the Group's compliance with laws, regulations, policies, directives, guidelines and internal code of conduct;
- Approving the nominations to the Board by the Nominating Committee, and endorsing the appointments of the management team and external and internal auditors;
- Reviewing and approving the remuneration packages for the Board and key management personnel;
- Ensuring accurate, adequate and timely reporting to, and communication with shareholders; and
- Assuming the responsibility for the satisfactory fulfilment of the social responsibilities of the Group.

Matters which are specifically reserved for decision of the Board include those involving corporate plans and budgets, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances, dividends, other returns to shareholders and interested person transactions. Specific Board approval is required for any investments or expenditures exceeding AU\$5 million and any tenders or bids exceeding AU\$100 million.

The Board has delegated specific responsibilities to the Audit, Nominating and Remuneration and Human Capital Committees, the details of which are set out below.

Board members are provided with regular updates on changes to relevant laws, regulations and accounting standards, particularly on new laws, regulations, from time to time in the discharge of their duties as Directors.

Management would conduct briefing and orientation programmes for each newly-appointed Director to ensure that the Director is familiar with the Group's business, operations and processes, as well as his or her duties as a Director. The Company will also provide a formal letter to each Director upon appointment setting out the Director's duties and obligations.

The Board meets at least four times a year, with additional meetings convened as necessary. The Company's Constitution allows a Board meeting to be conducted by way of a video conference, telephone conference or other methods of simultaneous communications by electronic or telegraphic means. The Board also schedules a separate annual strategy and budget meeting to discuss strategic issues, if necessary. The matrix on the roles, the frequency of meetings and the attendance of Directors at these meetings is enclosed as Appendix 1 on page 24.

Board Composition And Guidance (Principle 2)

Currently, the Board comprises six members, four of whom are Non-Executive Directors:

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

All Non-Executive Directors, except for Stuart Maxwell Kenny, are independent. The Nominating Committee confirms that Independent Directors made up at least half of the Board for the financial year ended 30 June 2017.

Corporate Governance (continued)

Board Composition And Guidance (Principle 2) (continued)

Together, the Directors contribute wide-ranging business, industry knowledge and financial experiences relevant to the direction of the Group. Key information regarding the Directors, including directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments is presented in the "Board of Directors" section of this Annual Report.

Due to the current composition of Independent and Non-Executive Directors on the Board, no individual or group is able to dominate the Board's decision-making process. There is also balance in the Board because of the presence of Independent Non-Executive Directors of the calibre necessary to carry sufficient weight in Board decisions. The Board also has a Lead Independent Director, Chew Heng Ching. Mr Chew Heng Ching's role as the Lead Independent Director is to be available to shareholders when they have concerns, which contact through the normal channels of the Chairman, the MD or the Chief Financial Officer ("CFO") has failed to resolve or for which such contact is inappropriate.

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

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

Chairman And Managing Director (Principle 3)

Stuart Maxwell Kenny is the NEC of the Board and Eng Chiaw Koon is the MD. The two roles are separate whereby the Chairman is responsible for providing guidance on the corporate direction of the Group and leadership to the Board, and the MD is responsible for the strategic directions, and operational decisions of the Group. The Chairman and the MD are not related to each other.

The Chairman ensures that Board meetings are held as and when necessary. He also prepares the Board meeting agenda in consultation with the MD. The Chairman ensures that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Company.

Under the Company's Constitution, any Director may summon a meeting of the Directors.

Nominating Committee (Principle 4)

The Nominating Committee comprises the following Directors, the majority of whom, including the Chairman, are Independent Directors:

- Chew Heng Ching (Chairman)
- Stuart Maxwell Kenny
- Ooi Chee Kar

The Nominating Committee had four meetings during the financial year. The matrix on the roles, the frequency of meetings and the attendance of Directors at these meetings is enclosed as Appendix 1 on page 24. The Chairman is also the Lead Independent Non-Executive Director.

The principal functions of the Nominating Committee are:

- Setting a process to identify and nominate to the Board, candidates for all directorships to be filled by shareholders or the Board; candidates for all Management positions; and Directors to fill the seats on Board Committees;
- Overseeing the management development and succession planning of the Group, including appointing, training and mentoring key management personnel;
- Determining the objective criteria on evaluating the performance of the Board, its Board Committees and Directors;
- Reviewing the ability of a Director to adequately carry out his duties as a Director when he has multiple board representations;
- Assessing the effectiveness of the Board as a whole, Board Committees and the contribution by each Director to the Board; and
- Determining annually, and as and when circumstances require, whether or not a Director is independent.

Each member of the Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance, or nomination as a member of a Board Committee, or re-nomination as Director.

Corporate Governance (continued)

Nominating Committee (Principle 4) (continued)

New Directors are appointed by the Board, upon their nomination from the Nominating Committee. In accordance with the Company's Constitution, these new Directors who are appointed by the Board are subject to election by shareholders at the Annual General Meeting ("AGM") at the first opportunity after their appointment. The Articles also provide that at least one-third of the remaining Directors be subject to re-election by rotation at each AGM.

In the search, nomination and selection process for new Directors, the Nominating Committee identifies the key attributes that an incoming Director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the Nominating Committee utilises on the resources of Directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for assessment by the Nominating Committee, before a decision is reached. The Nominating Committee also oversees the re-appointment of Directors as and when their tenure of appointment is due. In assessing the Directors for re-appointment, the Nominating Committee evaluates several criteria including qualifications, contributions and independence of the Directors.

Key information on the Board members, including each Director's academic and professional qualification, is presented in this Annual Report under the heading "Board of Directors".

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

Director	Date of first appointment	Date of last re-election	Due for re-election at the coming AGM	Seeking re-election
Stuart Maxwell Kenny	13 Dec 04	15 Dec 16	-	-
Eng Chiaw Koon	10 Jul 14	21 Oct 14	√	√
Ooi Chee Kar	17 Jan 14	29 Oct 15	√	√
Wu Yu Liang	20 May 14	29 Oct 15	-	-
Chew Heng Ching	14 Nov 14	29 Oct 15	-	-
Shane Francis Kimpton	10 Jul 17	N/A	√	√

Save as disclosed in this annual report, the Directors due for re-election at the coming AGM have no relationship (including immediate family relationship) with the other Directors, the Company or its 10% shareholders.

Assessing Board Performance (Principle 5)

On an annual basis, the Chairman of the Board and the Nominating Committee, will assess each Director's contribution to the Board. The assessment parameters include attendance record at meetings of the Board and Committees, intensity of participation at meetings, quality of intervention and special contributions.

The Nominating Committee also assesses the effectiveness of the Board as a whole (taking into consideration the Board's discharge of its principal responsibilities, earnings of the Group, return on equity and the share price performance of the Company) and the Board Committees on an annual basis. The Nominating Committee considers the required mix of skills and experience of the members, including core competencies which the Non-Executive Directors should bring to the Board, during this assessment.

The Nominating Committee is satisfied that sufficient time and attention is being devoted by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple Board representations. The Nominating Committee has adopted an internal guideline that no Director should be on the boards of more than five other publicly listed companies. However, deviation from this guideline is allowed on a case-by-case basis.

None of the Directors has an alternate Director.

Directors' training

As an integral element of the process of appointing new Directors, the Nominating Committee ensures that there is an orientation and induction programme for the new Board members to ensure incoming Directors are familiar with the Company's business and governance practices. They also have unrestricted access to professionals for consultations as and when necessary at the expense of the Group.

Corporate Governance (continued)

Board Access To Information (Principle 6)

Management furnishes timely, adequate and complete information to the Board on Board matters and issues requiring the Board's decision. Board papers are sent to the Directors prior to meetings in order for the Directors to be adequately prepared for the meetings.

The Board also approved a procedure for Directors, whether as a Board or in their individual capacity, to take independent advice, where necessary, in the furtherance of their duties and at the Group's expense.

All Directors have access to the advice and services of the Company Secretaries. The Company Secretaries or their representatives attend all meetings of the Board, and ensure that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretaries or their representatives also attend meetings of the Audit, Nominating and Remuneration and Human Capital Committees. The appointment and removal of the Company Secretaries is a matter for the Board's consideration as a whole.

REMUNERATION MATTERS

The Company adopted the objective as recommended by the Code to determine the remuneration for Directors so as to ensure that the Company attracts and retains the Directors needed to run the Group successfully. The component parts of remuneration are structured to link rewards to corporate and individual performance, in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors.

Procedures for Developing Remuneration Policies (Principle 7)

The Code endorses, as good practice, a formal framework for fixing the remuneration packages of Executive Directors and key management personnel, with the Remuneration and Human Capital Committee making recommendations to the Board.

The Remuneration and Human Capital Committee comprises the following Directors, the majority of whom are Independent Non-Executive Directors:

- Wu Yu Liang (Chairman)
- Chew Heng Ching
- Stuart Maxwell Kenny (appointed with effect from 1 November 2016)

The principal responsibilities of the Remuneration and Human Capital Committee are:

- Recommending a framework of remuneration for the Board and key management personnel, including share option plans and share schemes;
- Determining specific remuneration packages for each Executive Director and key management personnel; and
- Administering any performance bonus scheme, share option plans and share schemes for the employees and Directors of the Group.

The Remuneration and Human Capital Committee had four meetings during the financial year to perform the above responsibilities, as well as to monitor the remuneration practices in the Group. The matrix on the roles, the frequency of meetings and the attendance of Directors at these meetings is enclosed as Appendix 1 on page 24.

Remuneration Of Executive Directors And Key Management Personnel (Principle 8)

The level and mix of remuneration for Directors and key management personnel are set out below. The Company takes into account its long term interests and risk policies and has structured remuneration packages on measured performance taking into account financial and non-financial factors.

Disclosure On Remuneration (Principle 9)

The Remuneration and Human Capital Committee recommends to the Board the framework of executive remuneration and the remuneration package for each Executive Director and key management personnel. Although the recommendations are made in consultation with the Chairman of the Board, the remuneration packages are ultimately approved by the Board.

Remuneration policy and principles

The Company's remuneration framework for Executive Directors and key management personnel aims to ensure competitive, yet realistic, and appropriate rewards for the results delivered. These rewards relate to the market in which the Group operates and are designed to attract, motivate and retain employees of a high calibre.

Corporate Governance (continued)

Disclosure On Remuneration (Principle 9) (continued)

In the April 2017 to June 2017 period, the Remuneration and Human Capital Committee reviewed the existing structured remuneration framework to ensure that the remuneration was still competitive in the market and complemented the Company's reward strategy. The Remuneration and Human Capital Committee seeks to ensure the alignment of remuneration and reward plans with the shareholders' interests.

Remuneration structure

The remuneration and reward framework for executives consists of a competitive fixed remuneration comprising a base salary, superannuation and other benefits, short-term incentive plan along with shares and options provided by the Company.

Fixed remuneration

The Company aims to set fixed annual remuneration at market levels suitable to the position and is competitive when reviewed versus similar positions in companies of comparable size in turnover, staffing levels and responsibility. This is reviewed annually and is completed by the end of each financial year. There is no guaranteed increase to the fixed annual remuneration of any executive's contract.

Short-term incentives

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

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

For the financial year ended 30 June 2017, short-term incentive bonuses have been provided for based on the Board agreed annual targets.

Service contracts

The Group may terminate the service contracts of any of the executives, if among other things, the executives commit any serious and persistent breach of the provision of the service contracts, become of unsound mind, become bankrupt or found guilty of conduct with the effect of bringing themselves or the Group into disrepute. The service contracts cover the terms of employment, specifically salaries and bonuses. Executives are also entitled to participate in any short-term incentive scheme program established by the Group during their term of service.

All travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by each executive in the process of discharging his or her duties on behalf of the Group will be borne by the Group.

Taking note of the competitive pressures in the industry and the talent market, the Board has on review decided to disclose the remuneration of the Directors, in bands with a breakdown of the components in percentage. The remuneration of the Directors for the financial year ended 30 June 2017 is as follows (based on an average exchange rate of S\$1.0510 : AU\$1.00):

Remuneration band and Name of Directors	Fee	Fixed salary	Variable salary & bonus	Value of share options and share rights granted	Termination benefits	Total
Below S\$250,000						
Ooi Chee Kar	100%	0%	0%	0%	0%	100%
Wu Yu Liang	100%	0%	0%	0%	0%	100%
Chew Heng Ching	100%	0%	0%	0%	0%	100%
Stuart Maxwell Kenny	100%	0%	0%	0%	0%	100%
S\$500,000 to below S\$750,000						
Eng Chiaw Koon	0%	52%	14%	34%	0%	100%

Corporate Governance (continued)

Disclosure On Remuneration (Principle 9) (continued)

The Board is aware of the recommendation in the Code and the requirement under Listing Rule 1207(12) to disclose in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the MD). The Board, after weighing the advantages and disadvantages of such disclosure, is of the view that full disclosure of the total remuneration paid would not be in the interests of the Group as such information is confidential and sensitive in nature and could be exploited by competitors. The Board believes that disclosure of remuneration of the top key management personnel in remuneration bands and percentage terms would be sufficient. The remuneration of the top five key management personnel of the Group for the financial year ended 30 June 2017 is as follows (based on an average exchange rate of S\$1.0510 : AU\$1.00):

Remuneration band and name of key management personnel	Fixed salary	Variable salary & bonus	Value of share options and share rights granted	Termination benefits	Total
S\$250,000 to below S\$500,000					
Christian Andrew Robin Johnstone ⁽¹⁾	100%	0%	0%	0%	100%
Anthony John Tomic ⁽²⁾	21%	0%	0%	79%	100%
Christopher John Dargie ⁽³⁾	54%	0%	0%	46%	100%
Simon Macleod	100%	0%	0%	0%	100%
S\$500,000 to below S\$750,000					
James Nicholas Stokes	57%	43%	0%	0%	100%
S\$750,000 to below S\$1,000,000					
Larry Glenn Johnson ⁽⁴⁾	24%	0%	60%	16%	100%
S\$1,250,000 to below S\$1,500,000					
Simon Robert High ⁽⁵⁾	33%	67%	0%	0%	100%

(1) Appointed on 1 August 2016

(2) Ceased on 15 September 2016 and a termination payment was paid.

(3) Resigned on 15 December 2016 and a termination payment was paid.

(4) Ceased on 14 October 2016 and a termination payment was paid.

(5) Resigned on 7 July 2017

The details of the remuneration of an employee who is an immediate family member of a Director and whose remuneration exceeded S\$50,000 for the financial year ended 30 June 2017 are as follows (based on an average exchange rate of S\$1.0510 : AU\$1.00) :

Employee	Family relationship	Fixed salary	Allowances & benefits	Termination benefits	Total
S\$350,000 to below S\$400,000					
Matthew Kenny ⁽¹⁾	Son of Stuart Maxwell Kenny (Chairman)	50%	11%	39%	100%

(1) Ceased on 12 December 2016 and a termination payment was paid.

Share option and share right schemes

The AusGroup Employee Share Option Scheme 2007 ("**ESOS**"), the AusGroup Share Option Scheme 2010 ("**ASOS**") and the AusGroup Share Scheme 2010 ("**ASS**") had expired on 14 October 2015. Details of the share options issued under the ESOS and the ASOS and the shares issued under the ASS are disclosed in the Directors' Statement set out in pages 25 to 27 of this Annual Report.

Future direction

The Group will continue to review existing policies and develop new initiatives which will position the Group to attract and retain the required personnel in order to meet its strategic goals.

Corporate Governance (continued)

ACCOUNTABILITY AND AUDIT

Accountability (Principle 10)

In presenting the quarterly and annual financial statements to shareholders, the Directors aim to present a balanced and fair assessment of the Group's position and prospects.

In preparing the financial statements, the Directors ensure that Management has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Ensured that all applicable accounting standards have been followed; and
- Prepared financial statements on a going concern basis as the Directors have a reasonable expectation, having made due enquiries that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

Management currently provides the Board with management accounts of the Group's position, performance and prospects on a monthly basis and as and when deemed necessary.

Risk Management And Internal Controls (Principle 11)

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against material misstatement or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

The internal auditors, Deloitte Touche Tohmatsu, have performed audit procedures to assist the Audit Committee and the Board in the evaluation of the internal controls, financial and accounting matters, compliance and information technology controls, business and financial risk management.

Based on the work of the external and internal auditors, and the management systems in place, nothing material has come to the attention of the Board to suggest that the internal controls of the Group were not adequate. Where significant weaknesses have been identified, the Board, upon the recommendation of the Audit Committee, has taken steps to ensure that Management adopts appropriate actions to address and rectify these weaknesses. The Board, together with Management, then subsequently reviews the outcomes of such actions.

The Board has received assurance from the MD and the CFO that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and the effectiveness of the Group's risk management and internal control systems.

Risk management approach

Having identified the risks, each business area is required to document the mitigating actions to manage each significant risk. New areas are introduced for assessment as the business risk profile changes. Information such as risks, the controls and processes for managing risks is subsequently summarised in a risk map, which is reviewed periodically by Management, the Audit Committee and the Board.

Internal controls opinion

Based on the Group's existing framework of management controls, risk management systems, internal control policies and procedures, as well as reviews performed by management, the internal and external auditors and the Board, the Board with the concurrence of the Audit Committee, is of the opinion that the internal controls of the Group addressing financial, operational, compliance and information technology controls, and risk management systems, are adequate and effective.

The Board notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Corporate Governance (continued)

Audit Committee (Principle 12)

The Audit Committee comprises the following Directors, all of whom are Independent Non-Executive Directors:

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

The Board is of the view that the members of the Audit Committee are appropriately qualified, having accounting or related financial management expertise or experience as the Board interprets such qualification, to discharge their responsibilities.

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

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

During the financial year, the Audit Committee performed its functions and responsibilities as set out in its terms of reference, which include the following:

- Reviewing with the external auditors, the audit plan, the evaluation of the internal accounting controls, audit reports and all matters which the external auditors wish to discuss (in the absence of management, where necessary);
- Reviewing with the internal auditors, the scope and the results of internal audit procedures and their evaluation of the overall internal control systems;
- Reviewing any significant findings of internal investigations and management's response;
- Making recommendations to the Board on the appointment of external auditors, the audit fee and reporting any issues concerning the resignation of external auditors or their proposed dismissal;
- Reviewing and approving the appointment, replacement, reassignment or the dismissal of the internal auditors;
- Monitoring interested person transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or course of action that raises questions of management integrity;
- Reviewing incidents of whistle-blowing;
- Reviewing risk management policies and procedures;
- Reviewing quarterly reporting to SGX-ST and year end annual financial statements of the Group before submission to the Board; and
- Any other functions which may be agreed by the Audit Committee and the Board.

The total fees paid to the external auditors of the Group, KPMG LLP Singapore, for the financial year ended 30 June 2017, are as disclosed in note 25 in the financial statements.

The aggregate amount of fees paid/payable to the external auditors of the Group and its fellow member firms of the KPMG network for audit services for the financial year ended 30 June 2017 were AU\$0.4 million. The fees for non-audit services provided by them for the financial year ended 30 June 2017 were AU\$0.3 million.

The total audit and non-audit fees paid/payable by the Group to KPMG Australia are insignificant to KPMG Australia, and the share of KPMG LLP Singapore's fee paid/payable by the Group is insignificant to the audit engagement partner's portfolio and KPMG LLP Singapore. The non-audit services fees related to services led and rendered by partners and team members who are not involved in the audit of the Group. There is no non-audit service fee relating to work performed by the audit engagement team. The Audit Committee has reviewed the nature of all non-audit services provided by the external auditors to the Company and the Group during the year and is of the view that the provision of these services would not affect the independence of the external auditors.

The Audit Committee has nominated KPMG LLP Singapore for re-appointment as independent auditor of the Company at the forthcoming AGM.

The Company confirms that it has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to auditing firms.

Corporate Governance (continued)

Audit Committee (Principle 12) (continued)

Whistle blowing policy

The Group has adopted a whistle blowing policy which provides a channel for employees and others to bring to the attention of the Audit Committee any improprieties committed by Management or staff of the Group.

A whistle blowing policy unit has been set up to review all matters reported to the Group Manager Business Services. The Audit Committee reviews all cases reported and investigated every quarter.

Details of the whistle blowing policy are posted on the Group's intranet for staff access. New staff members are briefed during their induction.

Internal Audit (Principle 13)

Currently, Deloitte Touche Tohmatsu performs the internal audit function and is expected to meet or exceed the standards set by nationally or internationally recognised bodies, including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditors report directly to the Audit Committee which assists the Board in monitoring and managing risks and ensuring the integrity of internal controls of the Group. The Audit Committee approves the strategic internal audit plan, which is reviewed by the Audit Committee annually in light of the changing risk profile of the Group, and ensures the adequacy of internal audit resources to perform its tasks.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights (Principle 14)

All shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Written policies and procedures are implemented to ensure that there is adequate disclosure of developments in the Group in accordance with the SGX-ST Listing Rules.

Shareholders are also given the opportunity to participate effectively in and vote at general meetings of the Company, where relevant rules and procedures governing such meetings (for instance, how to vote) are clearly communicated.

All resolutions will be put to vote by poll, and their detailed results will be announced via SGXNet after the conclusion of the general meeting. All resolutions are structured separately and may be voted on independently.

Shareholders can vote in person or appoint not more than two proxies to attend, speak and vote on their behalf at general meetings of shareholders, with the exception that shareholders such as nominee companies which provide custodial services for securities, are able to appoint more than two proxies to attend, speak and vote at general meetings, including the forthcoming AGM, notwithstanding the Company's Constitution does not differentiate between the number of proxies which may be appointed by individual shareholders and by nominee companies.

As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, e-mail or fax.

Communication With Shareholders (Principle 15)

The Group does not practise selective disclosure. In line with continuous disclosure obligations of the Group under the SGX-ST Listing Rules, the Board's policy is that all shareholders should be provided with material information in a timely manner. Information will first be disseminated through SGXNet and where relevant, followed by a news release which is also distributed within the Company electronically. The Group will also make announcements from time to time to update investors and shareholders on corporate developments that are relevant.

The Group maintains open communications with investors and shareholders and will strive to attend to their queries directly, whether verbal or written.

The Company did not propose any dividend for the financial year.

Conduct Of Shareholder Meetings (Principle 16)

At each AGM, the Board presents the financial performance of the Group and encourages shareholders to participate in the question and answer session. The MD, CFO and the respective Chairman of the Audit, Nominating and Remuneration and Human Capital Committees, and external auditors are available to respond to shareholders' questions during the meeting.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

Corporate Governance (continued)

Conduct Of Shareholder Meetings (Principle 16) (continued)

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and such minutes are available to shareholders upon their request.

Dealings in securities

The Group has adopted an internal code of best practices on securities transactions applicable to its officers in relation to dealings in the Company's securities. Its officers are not allowed to deal in the Company's securities during the period commencing one month before the announcement of the Group's full year results and ending on the date of the announcement of the results. For quarterly results, officers are not allowed to deal in the Company's securities during the period commencing two weeks before the announcement of the quarterly results and ending on the date of the announcement of the quarterly results. Officers are also not allowed to deal in the Company's securities on short-term considerations. The Group has complied with the best practices set out in the SGX-ST Listing Manual.

Interested person transactions

The Group has implemented procedures governing all interested person transactions. In particular, the Audit Committee reviews all interested person transactions to ensure that these are carried out on an arm's length basis, in conformity with normal commercial terms and are not prejudicial to the interests of the Company and its shareholders. Management provides periodic reports to the Audit Committee detailing all interested person transactions. A register is maintained of all interested person transactions.

Particulars of interested person transactions of the Group during the financial year ended 30 June 2017 required to be disclosed under Rule 907 of the SGX-ST Listing Manual are as follows:

Name of interested person	Aggregate value of all interested person transactions (excluding transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920
Ezion Holdings Limited	USD\$1,485,189 ^{(1)*} USD\$5,903,000 ^{(2)*}	USD\$43,141 ^{(4)**} AUD\$280,551 ^{(5)**} AUD\$492,250 ^{(6)**} USD\$1,289,600 ^{(7)**}
Aus Am Pte Ltd	AUD\$1,047,878 ^{(3)*}	NA

(1) Interest accrued on loan from Ezion Holdings Limited.

(2) The balance consisted only of partial settlement of the loan balance held with Ezion Holdings Limited in the exchange for issued capital of the Company pursuant to the debt restructure exercise. Refer Note 17(b) for further details.

(3) Interest charges and rental of accommodation village at Port Melville on Tiwi Island from Aus Am Pte Ltd (Subsidiary of Charisma Energy Services Limited, whereby Ezion Holdings Limited has 42% interest).

(4) Management fee and reimbursement of expenses paid on behalf by Ezion Holdings Limited.

(5) Charter of vessel from Teras Offshore Pte Ltd (subsidiary of Ezion Holdings Limited).

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

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

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

** The transaction is carried out pursuant to the IPT mandate approved by shareholders on 15 December 2016.

Material Contracts

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

Corporate Governance (continued)

Appendix 1

Summary of meetings of Board and Board Committees held during the financial year from 1 July 2016 to 30 June 2017:

	Board of Directors			Audit Committee ("AC")			Nominating Committee ("NC")			Remuneration And Human Capital Committee ("R&HCC")		
	P	No. of Meetings ⁽¹⁾		P	No. of Meetings ⁽¹⁾		P	No. of Meetings ⁽¹⁾		P	No. of Meetings ⁽¹⁾	
		H	A		H	A		H	A		H	A
Executive Director												
Eng Chiaw Koon	M	5	5	-	-	-	-	-	-	-	-	-
Non-Executive Director												
Stuart Maxwell Kenny ⁽²⁾	C	5	5	-	-	-	M	4	4	M	2	2
Ooi Chee Kar	M	5	5	C	4	4	M	4	4	-	-	-
Wu Yu Liang	M	5	5	M	4	4	-	-	-	C	4	4
Chew Heng Ching	M	5	5	M	4	4	C	4	4	M	4	4

Notes:

P - Position held as at 30 June 2017

H - Number of meetings held while a member

A - Number of meetings attended

C - Chairman

M - Member

(1) Number of meetings held/attended during the financial year from 1 July 2016 (or from date of appointment or till the date of resignation of director, where applicable) to 30 June 2017.

(2) Mr Stuart Maxwell Kenny was appointed as R&HCC member on 1 November 2016.

Director's Statement

For the financial year ended
30 June 2017

Your directors present their statement on the Consolidated Entity (referred to hereafter as the Group) consisting of AusGroup Limited and the entities it controlled at the end of, or during, the year ended 30 June 2017.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 30 to 95 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2017 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1 Directors

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

- Stuart Maxwell Kenny
- Eng Chiaw Koon
- Shane Francis Kimpton (appointed 10 July 2017)
- Ooi Chee Kar
- Wu Yu Liang
- Chew Heng Ching

2 Arrangements to enable directors to acquire shares and debentures

Neither at the end of, nor at any time during, the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under note 3 and note 4 below.

3 Directors' interests in shares or debentures

Section 201(6A) of the Companies Act

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in the name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 01.07.2016 or date of appointment, if later	At 30.06.2017	At 01.07.2016 or date of appointment, if later	At 30.06.2017
The Company				
<i>No. of ordinary shares</i>				
Stuart Maxwell Kenny	-	-	8,908,896	8,908,896

There was no change in the directors' interests in the ordinary shares of the Company between 30 June 2017 and 21 July 2017.

4 Share option and share right schemes

The Group currently has three schemes in operation (collectively referred to as "the schemes"):

(a) AusGroup Employee Share Option Scheme 2007 ("ESOS")

- There were no ordinary shares issued during the financial year by virtue of the exercise of options to take up unissued ordinary shares of the Company. Except as disclosed in note 21 to the financial statements, there were no unissued ordinary shares of the Company or any subsidiary under option at the end of the financial year. No options were granted to any parties during the financial year.
- There were 119,000 exercisable options at the balance sheet date.
- Since February 2009 no options have been granted under the ESOS which was terminated by the shareholders and replaced by the AusGroup Share Option Scheme 2010 ("ASOS") and AusGroup Share Scheme 2010 ("ASS") on 15 October 2010 from which all share based employment compensation has been / will be issued under the AusGroup Share Option Scheme 2010 or the AusGroup Share Scheme 2010.

Director's Statement (continued)

4 Share option and share right schemes (continued)

(b) AusGroup Share Option Scheme 2010 ("ASOS"), which superseded the ESOS in October 2010

- There were no ordinary shares issued during the financial year by virtue of the exercise of options to take up unissued ordinary shares of the Company. Except as disclosed in note 21 to the financial statements, there were no unissued ordinary shares of the Company or any subsidiary under option at the end of the financial year.
- Nil options remain exercisable at the balance sheet date.

(c) AusGroup Share Scheme 2010 ("ASS")

- There were no ordinary shares issued during the financial year by virtue of the rights qualifying to take up unissued ordinary shares of the Company. Except as disclosed in note 21 to the financial statements, there were no unissued ordinary shares of the Company or any subsidiary under rights at the end of the financial year.
- No share rights were granted during the financial year.
- There were 193,440 share rights outstanding at the balance sheet date. The conditions pursuant to the ASS were not met as of 30 June 2017.

In addition to the three schemes above, the Group had issued options to Ezion Holdings Limited ("**Ezion**"), Captain Larry Glenn Johnson and Eng Chiaw Koon in FY2015. The details of the respective grants are:

- As at 30 June 2014 Captain Larry Glenn Johnson was a director of the Company, and on 10 July 2014 Eng Chiaw Koon was appointed a director of the Company. On 27 June 2014 in accordance with a resolution of shareholders passed on 19 June 2014, 35,000,000 options to acquire ordinary shares in the Company were issued. Captain Larry Glenn Johnson was issued 15,000,000 options, while Eng Chiaw Koon was issued 20,000,000 options (7,500,000 of which relate to Eng Chiaw Koon, the remaining 12,500,000 were held in trust for future award to employees of the Group). As at 30 June 2014 none of the options were exercisable as the vesting conditions had not been met. These options will vest over 4 years, 25% will vest at each anniversary date. For the avoidance of doubt, there are no service conditions attached to the options issued to Captain Larry Glenn Johnson and Eng Chiaw Koon.

Due to the delay in commercialising the new business expanding activities, the 12,500,000 options have not been formally allocated to individuals and have been abandoned.

- As approved by Shareholders at the EGM held on 19 June 2014, 110,000,000 options were issued to Ezion as part of an effort to raise funds for the Group's expansions via the strategic investment by Ezion as a substantial shareholder. Following the issue and allotment of these options on 27 June 2014, the options to Ezion are exercisable from that date. The value associated with these options granted to Ezion has not been recognised as the Company treated the transaction as a capital raising exercise with a shareholder of the Company.

Additional information on these schemes and options are provided in note 21 to the financial statements.

Rule 852 of the Listing Manual

(i) *The names of the members of the committee administering the schemes:*

All three schemes are administered by the Remuneration and Human Capital Committee of which the members at the end of the financial year were as follows:

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

(ii) *Participant information at the end of the financial year*

Name of participant	Scheme	Options / share rights granted during the financial year	Aggregate options / share rights granted since commencement of the schemes to end of financial year	Aggregate options / share rights exercised / forfeited / lapsed since commencement of the schemes to end of financial year	Aggregate options / share rights outstanding as at end of financial year
<i>Directors</i>					
Eng Chiaw Koon	NA	-	7,500,000	-	7,500,000

Participants who are controlling shareholders of the issuer and their associates N/A

Participants, other than those above, who receive 5% or more of the total number of options / share rights available under the schemes N/A

4 Share option and share right schemes (continued)

The aggregate number of options granted to the directors and employees of the Company and its subsidiaries for the financial year under review, and since the commencement of the scheme to the end of the financial year under review:

Name of Scheme	Options/share rights granted during the financial year	Aggregate options / share rights granted since commencement of the schemes to end of financial year	Aggregate options / share rights exercised / forfeited / lapsed since commencement of the schemes to end of financial year	Aggregate options / share rights outstanding as at end of financial year
ESOS	-	360,000	(241,000)	119,000
ASS	-	360,768	(167,328)	193,440
Total	-	720,768	(408,328)	312,440

(iii) *The requirements of Rule 852 (C) (i) in the Listing Manual are not applicable to the Company.*

(iv) *The number and proportion of options granted at a discount during the financial year under review in respect of every 10 percent discount range, up to the maximum quantum of discount granted:*

- Since the commencement of the schemes till the end of the financial year, no options / share rights have been granted at a discount.
- The exercise price of the options / share rights is determined at the average of the last dealt prices of the Company's ordinary shares on the Singapore Stock Exchange for five consecutive market days immediately preceding the date of the grant.

5 Directors' contractual benefits

For the financial year ended 30 June 2017 no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for the following:

- Directors' remuneration as disclosed in Principle 9 of the Corporate Governance Report.

6 Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

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

All members of the Audit Committee were independent non-executive directors.

The Audit Committee performed the functions specified in Section 201B(5) of the Singapore Companies Act and Code of Corporate Governance.

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

7 Independent Auditor

The independent auditor, KPMG LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors



Stuart Maxwell Kenny
Non-Executive Chairman
Singapore



Eng Chiaw Koon
Managing Director
Singapore

22 September 2017

Independent Auditor's Report to the Members of AusGroup Limited

For the financial year ended
30 June 2017

Report on the financial statements

Disclaimer of Opinion

We were engaged to audit the financial statements of AusGroup Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 30 to 95.

We do not express an opinion on the accompanying financial statements of the Group. Because of the significance of the matters described in the Basis of Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

- (a) The Group's non-current assets at 30 June 2017 include property, plant and equipment of AU\$43.4 million (note 11) and intangible asset of AU\$31.7 million (note 13) attributable to the Port and Marine cash-generating unit ("CGU"). As disclosed in note 24 to the financial statements, the Company has estimated the recoverable amount of the Port and Marine CGU based on a fair value less cost of disposal basis. We were unable to obtain sufficient appropriate audit evidence regarding the key assumptions applied to arrive at the recoverable amount of the Port and Marine CGU. Consequently, we were unable to determine whether any adjustments were necessary in respect of the accompanying consolidated balance sheet of the Group as at 30 June 2017, consolidated statement of comprehensive income and consolidated statement of changes in equity for the year then ended.
- (b) From (a) described above, we were unable to determine whether any adjustment to the carrying amount of the investments in subsidiaries shown in the Company's balance sheet was necessary. Of the Company's non-current assets of AU\$178.0 million as at 30 June 2017, AU\$29.1 million relates to investments in subsidiaries and receivables of AU\$52.6 million owing from subsidiaries which comprise the Group's Port and Marine CGU.

As a consequence of the standalone materiality of these items above and the possible impact upon other balances within the financial statements, we considered the potential impact to be material and pervasive to the overall financial statements. In reading these matters in the financial statements we also draw attention to Notes 2(a) and 17 which disclose the conditions that indicate the existence of material uncertainties surrounding the continuing use of the going concern assumption in the preparation of the financial statements.

Other Matter

The consolidated financial statements of the Group and the balance sheet of the Company for the year ended 30 June 2016 were audited by another auditor who expressed a disclaimer of opinion on those statements on 24 November 2016.

The basis of the disclaimer of opinion for the year ended 30 June 2016 was due to:

- (a) The Group's non-current assets at 30 June 2016 relating to the Port and Marine CGU amounted to AU\$84.1 million. Included, in the Company's non-current assets at 30 June 2016, an investment of AU\$30.9 million in a subsidiary, Ezion Offshore Logistics Hub Pte Ltd, which holds investments in other subsidiaries that operate the Group's Port and Marine CGU. As a result of the inability to obtain sufficient appropriate audit evidence over the recoverable amount of the Group's Port and Marine CGU, the other auditors were unable to determine whether any adjustment to the accompanying Group and Company stand alone financial statements were necessary.
- (b) The Group incurred a net loss of AU\$258.9 million for the financial year ended 30 June 2016 and had net liabilities and net current liabilities of AU\$14.9 million and AU\$115.2 million respectively as at that date. In addition, the Company had net liabilities of AU\$9.3 million as at 30 June 2016. Furthermore, the ability of the Group and the Company to meet the terms and conditions of their borrowings was dependent on its ability to generate sufficient cash flow and the successful implementation of various restructuring/refinancing options. The other auditor was unable to obtain sufficient appropriate audit evidence regarding the ability of the Group and the Company to generate sufficient cash flow and were therefore unable to conclude whether the use of the going concern assumption, which was adopted for the preparation of the financial statements for the year ended 30 June 2016, was appropriate.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50, (the Act) and Financial Reporting Standards in Singapore (FRSs), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

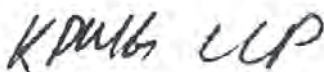
Our responsibility is to conduct an audit of the consolidated financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on other legal and regulatory requirements

In our opinion, except for the possible effects of the matters described in the Basis for Disclaimer of Opinion section of our report, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Chiang Yong Torng.



KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
22 September 2017

Balance Sheets

AusGroup Limited
As at 30 June 2017

	Notes	Group		Company	
		2017 AU\$'000	2016 AU\$'000	2017 AU\$'000	2016 AU\$'000
ASSETS					
Current assets					
Cash and cash equivalents	5	33,851	22,095	163	16
Trade receivables	6	133,022	132,864	-	-
Other receivables and prepayments	7	7,144	9,995	593	6,613
Inventories	8	3,096	6,759	-	-
Total current assets		177,113	171,713	756	6,629
Non-current assets					
Property, plant and equipment	11	87,420	96,358	-	-
Goodwill	12	10,994	10,994	-	-
Other intangible assets	13	36,576	39,970	-	-
Other receivables	7	-	3,627	-	-
Due from subsidiaries	9	-	-	98,895	49,514
Investments in subsidiaries	10	-	-	79,126	83,632
Deferred income tax assets	14	110	-	-	-
Total non-current assets		135,100	150,949	178,021	133,146
Total assets		312,213	322,662	178,777	139,775
LIABILITIES					
Current liabilities					
Trade payables	15	47,843	58,776	-	-
Other payables	16	66,826	65,225	2,273	3,357
Due to subsidiaries	9	-	-	7,996	8,951
Borrowings	17	44,801	139,957	41,395	136,736
Accruals for other liabilities and charges	18	19,993	21,365	-	-
Current income tax liability		528	-	153	93
Provisions	19	-	1,580	-	-
Total current liabilities		179,991	286,903	51,817	149,137
Non-current liabilities					
Deferred income tax liabilities	14	1,871	1,977	-	-
Borrowings	17	105,893	39,193	105,893	-
Accruals for other liabilities and charges	18	1,160	2,149	-	-
Provisions	19	-	7,307	-	-
Total non-current liabilities		108,924	50,626	105,893	-
Total liabilities		288,915	337,529	157,710	149,137
Net assets / (liabilities)		23,298	(14,867)	21,067	(9,362)

The above balance sheets should be read in conjunction with the accompanying notes

Balance Sheets (continued)

AusGroup Limited
As at 30 June 2017

	Notes	Group		Company	
		2017 AU\$'000	2016 AU\$'000	2017 AU\$'000	2016 AU\$'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	20	156,285	128,040	156,285	128,040
Capital reserve	21	(163)	(163)	(163)	(163)
Share based payment reserve	21	5,183	4,395	5,183	4,395
Foreign currency translation reserve	21	19,917	15,409	25,009	24,615
Accumulated losses		(157,924)	(161,449)	(165,247)	(166,249)
Total equity attributable to owners		<u>23,298</u>	<u>(13,768)</u>	<u>21,067</u>	<u>(9,362)</u>
Non-controlling interests	10	-	(1,099)	-	-
Total equity		<u>23,298</u>	<u>(14,867)</u>	<u>21,067</u>	<u>(9,362)</u>

The above balance sheets should be read in conjunction with the accompanying notes

Consolidated Statement of Comprehensive Income

AusGroup Limited
For the year ended 30 June 2017

	Notes	Group	
		2017 AU\$'000	2016* AU\$'000
Continuing operations			
Revenue	22	434,960	470,820
Cost of sales		<u>(390,286)</u>	<u>(436,415)</u>
Gross profit		44,674	34,405
Other operating income	23	894	3,134
Other operating costs		<u>(10,889)</u>	<u>(27,233)</u>
Other losses			
- Impairment of trade receivables	6	(2,013)	(48,388)
- Impairment of property, plant and equipment	24	-	(86,587)
- Impairment of other intangible assets	24	-	(54,333)
Administrative expenses		<u>(13,230)</u>	<u>(21,945)</u>
Marketing and distribution expenses		<u>(1,164)</u>	<u>(2,070)</u>
Profit/(loss) from operations	25	18,272	(203,017)
Finance costs	26	<u>(17,104)</u>	<u>(15,901)</u>
Net gain on debt restructure	17	<u>5,541</u>	-
Profit/(loss) before income tax		6,709	(218,918)
Income tax expense	27	<u>(3,574)</u>	<u>(7,294)</u>
Profit/(loss) from continuing operations		3,135	(226,212)
Discontinued operation			
Profit/(loss) from discontinued operation	29	<u>1,438</u>	<u>(32,710)</u>
Net profit/(loss) for the year		<u>4,573</u>	<u>(258,922)</u>
Net profit/(loss) is attributable to:			
Equity holders of the Company		4,738	(258,270)
Non-controlling interests		<u>(165)</u>	<u>(652)</u>
		<u>4,573</u>	<u>(258,922)</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		<u>4,559</u>	<u>1,343</u>
Total comprehensive income/(loss) for the year		<u>9,132</u>	<u>(257,579)</u>
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		9,297	(256,919)
Non-controlling interests		<u>(165)</u>	<u>(660)</u>
		<u>9,132</u>	<u>(257,579)</u>
Earnings/(loss) per share attributable to equity holders of the Company (AU\$ cents per share)			
- Basic earnings/(loss) per share	28	0.6	(34.9)
- Diluted earnings per share**	28	0.6	-

**Diluted earnings per share for 30 June 2016 is not disclosed as it was anti-dilutive.

*See note 29

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

Consolidated Statement of Changes in Equity

AusGroup Limited
For the year ended 30 June 2017

Group	Notes	Share capital AU\$'000	Capital reserve AU\$'000	Share based payment reserve AU\$'000	Foreign currency translation reserve AU\$'000	Accumulated losses AU\$'000	Total AU\$'000	Non-controlling interest AU\$'000	Total equity AU\$'000
Balance as at 1 July 2016		128,040	(163)	4,395	15,409	(161,449)	(13,768)	(1,099)	(14,867)
Profit/(loss) for the year		-	-	-	-	4,738	4,738	(165)	4,573
Other comprehensive income		-	-	-	4,559	-	4,559	-	4,559
Total comprehensive income/(loss) for the year		-	-	-	4,559	4,738	9,297	(165)	9,132
Transactions with owners in their capacity as owners:									
Employee share and option scheme expense	21	-	-	788	-	-	788	-	788
Issue of ordinary shares through debt restructure	20	28,245	-	-	-	-	28,245	-	28,245
Acquisition of non-controlling interests		-	-	-	(51)	(1,213)	(1,264)	1,264	-
		<u>28,245</u>	<u>-</u>	<u>788</u>	<u>(51)</u>	<u>(1,213)</u>	<u>27,769</u>	<u>1,264</u>	<u>29,033</u>
Balance at 30 June 2017		<u>156,285</u>	<u>(163)</u>	<u>5,183</u>	<u>19,917</u>	<u>(157,924)</u>	<u>23,298</u>	<u>-</u>	<u>23,298</u>
GROUP									
Balance as at 1 July 2015		128,040	(163)	3,114	14,058	96,821	241,870	(439)	241,431
Loss for the year		-	-	-	-	(258,270)	(258,270)	(652)	(258,922)
Other comprehensive income/(loss)		-	-	-	1,351	-	1,351	(8)	1,343
Total comprehensive income/(loss) for the year		-	-	-	1,351	(258,270)	(256,919)	(660)	(257,579)
Transactions with owners in their capacity as owners:									
Employee share and option scheme expense	30	-	-	1,281	-	-	1,281	-	1,281
		<u>-</u>	<u>-</u>	<u>1,281</u>	<u>-</u>	<u>-</u>	<u>1,281</u>	<u>-</u>	<u>1,281</u>
Balance at 30 June 2016		<u>128,040</u>	<u>(163)</u>	<u>4,395</u>	<u>15,409</u>	<u>(161,449)</u>	<u>(13,768)</u>	<u>(1,099)</u>	<u>(14,867)</u>

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

Consolidated Statement of Cash Flows

AusGroup Limited
For the year ended 30 June 2017

		Group	
	Notes	2017 AU\$'000	2016 AU\$'000
Cash flows from operating activities			
Net profit/(loss) for the year		4,573	(258,922)
Adjustments for:			
Income tax expense	27	3,574	5,377
Depreciation of property, plant and equipment	11	9,643	14,144
Amortisation of intangible assets	13	2,844	3,563
Employee share and share option scheme expense	30	788	1,281
Impairment loss on trade receivables	6	2,013	48,388
Impairment loss on property, plant and equipment	24	-	90,870
Impairment loss on goodwill	24	-	2,535
Impairment loss on other intangible assets	24	-	54,333
Impairment loss on inventory	8	-	5,054
(Reversal) / allowance for foreseeable contract losses		(1,954)	2,002
Onerous lease provision costs	19	-	8,154
Re-instatement provision costs	19	-	733
Gain on debt restructure*	17	(5,966)	-
Net foreign exchange differences		(570)	(458)
Profit on sale of property, plant and equipment		(2,077)	(2,041)
Interest income		(259)	(561)
Finance costs		17,467	15,783
Research and development tax write down		-	10,014
Operating cash flows before working capital changes		30,076	249
Changes in operating assets and liabilities			
Trade receivables		(2,171)	(3,643)
Other receivables and prepayments		7,487	(1,741)
Trade and other payables		(8,979)	(10,956)
Accruals		(8,490)	35,650
Inventories		3,662	(3,956)
Cash generated from operations		21,585	15,603
Interest paid		(15,225)	(12,405)
Interest received		246	561
Income tax paid		(3,023)	(2,049)
Net cash generated from operating activities		3,583	1,710
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		6,564	5,188
Purchase of property, plant and equipment		(8,295)	(25,873)
Purchase of other intangible assets		(390)	(397)
(Withhold)/release of restricted cash**	5	(285)	13,894
Net cash used in investing activities		(2,406)	(7,188)

Consolidated Statement
of Cash Flows (continued)

AusGroup Limited
For the year ended 30 June 2017

	Notes	Group	
		2017 AU\$'000	2016 AU\$'000
Cash flows from financing activities			
Proceeds from borrowings		21,663	22,459
Repayment of borrowings		(9,929)	(12,656)
Net repayment of finance leases		<u>(1,520)</u>	<u>(698)</u>
Net cash inflow from financing activities		<u>10,214</u>	<u>9,105</u>
Net increase in cash and cash equivalents		11,391	3,627
Effects of exchange rate changes on cash and cash equivalents		80	(129)
Cash and cash equivalents at the beginning of the financial year		<u>10,480</u>	<u>6,982</u>
Cash and cash equivalents at end of year	5	<u>21,951</u>	<u>10,480</u>

*As a result of the debt conversion performed, the Group recorded a one-off net gain of AU\$5.5m, consisting of a gain of AU\$6.0m from movements in the Company's share price between the offer and the settlement date, less costs associated with the exercise of AU\$0.5m. See Note 17(b) for details regarding the Exchange Offer.

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

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

Notes to the Consolidated Financial Statements

AusGroup Limited
30 June 2017

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

1 General information

AusGroup Limited (the "Company") is a limited liability company domiciled and incorporated in Singapore and its shares are publicly traded on the Singapore Exchange. The address of its registered office is 15 Hoe Chiang Road, #12-05 Tower Fifteen Singapore 089316 and its principal place of business is Level 1, 18-32 Parliament Place, West Perth, Western Australia, 6005.

The consolidated financial statements of the Group for the financial year ended 30 June 2017 and the balance sheet of the Company as at 30 June 2017 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 22 September 2017.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in note 10.

2 Summary of significant accounting policies

(a) Basis of preparation

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

Critical accounting estimates

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

Going Concern

The Group recognised a net profit after tax of AU\$4.6 million for the year ended 30 June 2017 and as at that date, current liabilities exceed current assets by AU\$2.9 million. Following the debt to equity conversion exercise completed in the year, total assets now exceed total liabilities by AU\$23.3 million, a significant improvement from the prior year. While the Group has breached covenants on its major debt facilities during the year ended 30 June 2017, it has received waivers for these breaches by its principal banker for the financial year ended 30 June 2017.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its obligations as and when they fall due. The paragraphs below outline the going concern basis.

Renegotiation of debt facilities

The Group discusses its debt arrangements with its principal banker on an ongoing basis. In May 2017, the Group agreed with its principal banker to convert a short-term loan to a term facility but with an expiry date of 31 December 2019. The revised loan documentation had not been finalised prior to the year-end and the loan has been classified as a current liability as at 30 June 2017. The ongoing support from the Group's principal banker is critical.

In relation to facilities from its principal banker, the Group is in the process of agreeing appropriate covenants with its principal banker going forward. However, the Group received waivers from its principal banker for Quarter 1, Quarter 2, Quarter 3 and Quarter 4 of the 2017 financial year.

During the year ended 30 June 2017 the Group had been in breach of a number of the financial covenants attached to the S\$110m Multi Currency Notes (the "Notes"). An extension of the maturity date of the Notes facility to 20 October 2018, with an option to extend to 20 October 2019 on the approval of the Noteholders, together with the removal of the financial covenant requirements was approved by the Noteholders on 5 October 2016.

In addition, the Group has a loan from Ezion Holdings Limited ("Ezion"), a substantial shareholder of the Group, which is currently due to be repaid after 31 December 2018. The interest rate applicable to the loan was reduced from 8% to 5% per annum, as agreed by the Group and Ezion, effective from 1 July 2016.

As explained above, the financial statements have been prepared on a going concern basis, on the premise of the favourable resolution of the following:

- (i) the Group's ability to refinance, convert or extend the maturity of the Notes of AU\$73.9 million from Noteholders before the Notes become due and payable on 20 October 2018. On 11 September 2017, the Group announced an offer to Noteholders to convert notes to equity which, if successful, may reduce the borrowings by between AU\$2 million to AU\$5 million;

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Going Concern (continued)

- (ii) the Group's ability to continue obtaining waivers from its principal bankers on a quarterly basis, without causing these loans to become repayable on demand; and to complete the loan documentation to convert the AU\$13.9 million short term loan into a term facility expiring on 31 December 2019; and
- (iii) the Group's ability to continue obtaining support from a substantial shareholder of the Company in relation to the AU\$32.0 million loan due after 31 December 2018.

These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern if the covenant waivers from its principal bankers were not received and/or the substantial shareholder does not continue providing financial support and/or the re-financing plans, as described above, were not timely executed to meet the Group's debt obligation as and when they fall due.

Port and Marine services

Following the environmental approval granted to the Group in Q2 FY2017, the NT Port and Marine CGU (Cash Generating Unit), now has the opportunity to continue further commercialisation of the Port Melville facility.

The expansion of the port activities, including fuel distribution and logistical support to the oil and gas exploration sector, is currently being developed to expand the service offerings of this business.

Management's plans to address these uncertainties

In considering the cash requirements for NT Port and Marine's expansion into the provision of fuel distribution and the resultant impact on the current debt profile of the Group it was critical for the Group to assess the potential options for the Group to service, repay and potentially restructure the debt position going forward. As part of the assessment of going concern, management has also reviewed the Group's cash flow forecasts over the period to 31 December 2018, including sensitivities such as slower take-up of revenues from the NT Port and Marine CGU. These forecasts represent management's best estimate of revenues and costs in the coming periods. As well as cash inflows from work already awarded to the Group, these forecasts include growth expected from the Group's existing contracts and client base. In addition, there are some amounts included in forecast cash flows which relate to winning work from new and existing clients through a competitive tender process and whilst uncertain, management remains confident that sufficient new work will be secured in order to meet the Group's targets.

The Group's cash flow forecasts may not be sufficient to support the repayment of the Notes, which will be due on 20 October 2018 and, therefore the Group has also assessed the position of the Notes. In addition, the Group has an alternative at the election of the Noteholders, to defer maturity of the Notes to 20 October 2019 upon an Extraordinary Resolution of shareholders being passed in accordance with the Trust Deed. In the event that the Notes are not extended beyond 20 October 2019, the Group will need to consider the options available to extinguish this liability, which may involve a restructure of the Notes including the potential conversion of Notes to equity, a refinancing of the Notes and options over the potential divestment of assets or businesses which may be realised to extinguish the Group's debt obligations. On 11 September 2017, the Noteholders were invited to convert notes to equity in the capital of the Company (See Note 34(ii) for more details).

Management has assessed the options available in order to ensure that sufficient cash flow is in place to enable the Group to meet its obligations as they fall due. There are a number of options that the Group is considering which, amongst others, include the potential for some of the Group's current debt providers to convert their debt to equity which has the dual impact of reducing the liability position and reducing the cash outflows from debt servicing after conversion, the potential for raising new equity and the potential divestment of the Group's assets/businesses over the forecast period. The success of the debt to equity process completed in June 2017, which reduced debt by AU\$34.1 million, demonstrates the ability of the Group to implement balance sheet restructuring solutions to strengthen the balance sheet and reduce ongoing interest expenses thereby improving the going concern position of the Group. The Group is also in ongoing discussions with its principal banker regarding appropriate debt facilities going forward. In May 2017, the Group agreed with its principal banker to convert a short-term loan to a term facility with an expiry date of 31 December 2019, subject to final documentation.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Preparation of the financial report on a going concern basis

As a result of the matters outlined above, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, after assessing the above factors the directors consider that the Group continues to be able to meet its obligations as and when they fall due based on:

Going Concern (continued)

- the forecasted cashflow from the Group including the expected revenue from existing customers and contracts, the expected growth in cashflow from existing customers and contracts and the expected successful conversion of current market tendering opportunities into future revenues;
- the potential to defer maturity of the Notes by 12 months to 20 October 2019 at the election of the Noteholders;
- the current and potential funding facilities available to the Group;
- alternatives for the Group to restructure and potentially extend its current debt facilities and the initiatives being pursued, which may include a further conversion of some of these debts to equity;
- the forecasted cashflow being sufficient to service, assuming the Notes are refinanced or extended, and potentially reduce the Group's debt position over the period to December 2018;
- the ability to continue to obtain support in relation to the shareholder loan due after 31 December 2018 from a substantial shareholder of the Company; and
- the potential options over the potential divestment of assets or businesses which may be realised to extinguish the Group's debt obligations.

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

(b) New accounting standards and interpretations

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

On 1 July 2016, the Group adopted the new or amended FRS and Interpretations to FRS ("**INT FRS**") that are mandatory for application for the financial year. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

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

Certain new accounting standards have been published that are not mandatory for the financial year ended 30 June 2017 and have not been early adopted by the Group. The Group's and the Company's assessment of the impact of these new standards is set out below.

FRS 115 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)

FRS 115 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including FRS 18 Revenue and FRS 11 Construction Contracts. The core principle of FRS 115 is that an entity shall recognise revenue when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

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

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

The Group will not be adopting the standard early and will apply the standard from 1 July 2018.

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

FRS 109 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

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

While the Group has yet to undertake a detailed assessment of the classification and measurement impacts of the new standard, the Group expects the following impacts:

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

The Group will not be adopting the standard early and will apply the standard from 1 July 2018.

FRS 116 Leases (effective for annual periods beginning on or after 1 January 2019)

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

The new standard is expected to primarily affect accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of AU\$18.1 million (refer to note 32) that would likely be affected by these changes. The Group is currently assessing the extent to which these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS116.

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

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

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

Certain amendments to accounting standards have been published that are not mandatory for the financial year ended 30 June 2017 and have not been early adopted by the Group. These amendments have been assessed by the Group and the Company and other than additional disclosure are not expected to have a significant impact on the accounting policies of the Group or the Company on adoption:

Description	Effective for annual periods beginning on or after
Amendments to FRS 7 Disclosure Initiative	1 January 2017
Amendments to FRS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 112 Clarification of the Scope of the Standard	1 January 2017
Amendments to FRS 28 Measuring an Associate or Joint Venture at fair value	1 January 2018
Amendments to FRS 115 Clarifications to FRS 115 Revenue from Contracts	1 January 2018
Amendments to FRS 102 Classification and Measurement of Share-based	1 January 2018
INT FRS 122 Foreign Currency Transactions and Advance Consideration	1 January 2018

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

IFRS 1 - First time adoption of International Financial Reporting Standards

In addition, the Accounting Standards Council (**ASC**) announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange (**SGX**) will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards. The Group has performed a preliminary assessment of the impact of SG-IFRS 1 *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers*, SG-IFRS 9 *Financial Instruments* and SG-IFRS 16 *Leases* will be similar to adopting FRS 115, FRS 109 and FRS 116 as described above. Other than arising from the adoption of new and revised standards above, the Group does not expect to change its existing accounting policies on adoption of the new framework. The Group is currently performing an analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analysis.

(c) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2(d)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Please refer to note 2(h) for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(ii) Joint operations

The Group's joint operations are joint arrangements whereby the parties (the joint operators) that have joint control of the arrangement have rights to the assets, and obligations to the liabilities, relating to the arrangement.

The Group recognises, in relation to its interest in the joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

When the Group sells or contributes assets to a joint operation, the Group recognises gains or losses on the sale or contribution of assets that is attributable to the interest of the other joint operators. The Group recognises the full amount of any loss when the sale or contribution of assets provides evidence of a reduction in the net realisable value, or an impairment loss, of those assets.

When the Group purchases assets from a joint operation, it does not recognise its share of the gains and losses until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of the assets to be purchased or an impairment loss.

The accounting policies for the assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Company applies the same accounting policy on joint operations in its separate financial statements.

2 Summary of significant accounting policies (continued)

(c) Principles of consolidation (continued)

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of AusGroup Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the following:

- fair values of the assets transferred;
- liabilities incurred;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition related costs are expensed as incurred. The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2 Summary of significant accounting policies (continued)

(e) Goodwill on acquisitions

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

Goodwill on acquisition of subsidiaries and businesses prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as an intangible asset and is carried at cost less accumulated impairment losses.

(f) Property, plant and equipment

Measurement

(i) Land and buildings

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

(ii) Other property, plant and equipment

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

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(iv) Scaffolding equipment

The Group carries a provision for loss of scaffolding equipment. This provision is based on the Group's history of losses that have occurred.

Depreciation

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

- Freehold Buildings 2.5% per annum
- Leasehold land and buildings over the life of the lease (2 to 45 years)
- Plant and equipment 5% - 33% per annum

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date. The effects of any revision of the residual values and useful lives are recognised prospectively in profit or loss when the changes arise.

Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Disposal

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

2 Summary of significant accounting policies (continued)

(g) Other intangible assets

(i) Acquired customer contracts

Customer contracts are capitalised at the contract value calculated by reference to future cash flows of the contracts and discounted back to present value. The intangible assets arising from customer contracts were acquired through business combination. The customer contracts are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

These assets are amortised on a straight-line basis over the useful lives of the customer contracts of 2 to 4 years.

(ii) Acquired customer relationships, management skills and technical knowledge

Customer relationships, management skills and technical knowledge are capitalised by reference to future cash flows of the expected sales to existing customers and discounted back to present value. These intangible assets arising were acquired through a business combination. They are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

These assets are amortised on a straight-line basis over the contractually agreed employment period of the owner of the previous business of 5 years. As at the Balance Sheet date, the assets were fully amortised.

(iii) Acquired right to operate

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

The asset is subsequently amortised on a straight-line basis over the lesser of the useful life of the port and the maximum term of the rent lease (45 years), and is carried at cost less accumulated amortisation and accumulated impairment losses.

(iv) IT development and software

Costs directly attributable to the development of computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the software and the costs can be measured reliably. Developed software is initially capitalised at cost, which includes purchases of materials and services and payroll-related costs of employees directly involved in the project.

Developed software is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight line method over their estimated useful lives of 3 to 10 years.

(h) Investments in subsidiaries

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

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

(i) Impairment of non-financial assets

Goodwill

Goodwill is tested for impairment annually and whenever there is an indication that goodwill may be impaired. Goodwill included in the carrying amount of an investment in an equity-accounted associate or joint venture is tested for impairment as part of the investment, rather than separately.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGUs") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less costs of disposal and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. This allocation is done to the extent that it does not decrease the carrying amount of individual assets below their recoverable amount.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

2 Summary of significant accounting policies (continued)

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

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

Property, plant and equipment, other intangible assets and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing of these assets, the recoverable amount (i.e. the higher of the fair value less costs of disposal and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

(j) Construction contracts

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

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

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

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

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

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

(k) Financial assets

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

2 Summary of significant accounting policies (continued)

(k) Financial assets (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "cash and cash equivalents", "trade receivables", "other receivables and prepayments" and "due from subsidiaries" on the balance sheet.

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

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

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

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

Offsetting financial instruments

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

(l) Cash and cash equivalents

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

(m) Trade and other payables

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

(n) Borrowings

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

Borrowings which are due to be settled within 12 months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than 12 months or an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings to be settled more than 12 months after the balance sheet date are included in non-current borrowings in the balance sheet.

2 Summary of significant accounting policies (continued)

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, where it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions for onerous contracts are recognised when the Group believes that the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease and represent the Group's best estimate of the least net cost of exit. Re-instatements provisions are recognised when the lease is entered into.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the consolidated statement of comprehensive income as an interest expense.

(p) Contributed equity

Ordinary shares are classified as equity.

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

(q) Leases

Lessee - Finance leases

Leases of property, plant and equipment where the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Lessee - Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (refer note 32). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lessor - Operating leases

Leases of plant and equipment where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-lines basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

(r) Revenue recognition

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

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

(i) Short-term contracts

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

2 Summary of significant accounting policies (continued)

(r) Revenue recognition (continued)

(ii) Construction contracts

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

(iii) Sale of goods

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

(iv) Hire revenue

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

Revenue from the hiring of boat, barge and jack up rig charters is recognised in the period in which the services are rendered.

(v) Interest income

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

(s) Employee benefits

(i) Defined contribution plans

Defined contribution plans are post-employment benefits plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group participates in the national schemes as defined by the laws of the countries in which it operates. The Group's contributions are recognised as expenses in the consolidated statement of comprehensive income as and when they are incurred. The Group has no further payment obligations to these schemes once these contributions have been paid.

(ii) Share-based payments

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

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

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

2 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

(iii) Termination benefits

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

(iv) Short-term obligations

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

(v) Other long-term employee benefit obligations

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

Remeasurements as a result of experience adjustments are recognised in profit or loss. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

(t) Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders for payment.

(u) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Group financial statements are presented in Australian Dollars. The Company's functional currency is the Singapore Dollar and the financial statements are presented in Australian Dollars ("AU\$") which, in the opinion of management, is the most appropriate presentation currency as the Group's principal assets and operations are in Australia and the majority of its operations are conducted in AU\$.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and qualify as a net investment in foreign operations.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2 Summary of significant accounting policies (continued)

(u) Foreign currency translation (continued)

(iii) Translation of group entities' financial statements

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

(iv) Consolidation adjustments

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(v) Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated companies and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, research and development tax credits and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition. To the extent possible deferred tax assets are netted against deferred tax liabilities and vice versa.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Research and development tax incentives

Subsidiaries within the Group may be entitled to claim special tax credits for investments in relation to qualifying expenditure under the Research and Development Tax Incentive regime in Australia. The Group accounts for such tax incentives under the split approach where the government grant would only be that component of the benefit in excess of the normal tax rate in that tax jurisdiction and the residual would be accounted for as a tax credit. The component of the benefit in excess of the normal tax rate is allocated against the qualifying expenditure to which the credit relates and presented as cost of sales and administrative expenses in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

(v) Income tax (continued)

Research and development tax incentives (continued)

When derecognised the component of the previously recognised benefit in excess of the normal tax rate is allocated against the qualifying expenditure to which the debit relates and presented as cost of sales and administrative expenses in the consolidated statement of comprehensive income. The remaining amount, being the benefit based on the normal tax rate, is allocated to income tax expense.

(w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Senior Management Team whose members are responsible for allocating resources and assessing performance of the operating segments.

(x) Borrowing costs

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(y) Inventories

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

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

(z) Earnings per share

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

Diluted earnings per share

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

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

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

(aa) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

(ab) Rounding of amounts

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

3 Critical accounting estimates and judgements

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

(a) *Critical accounting estimates and assumptions*

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

Impairment of cash generating units ("CGUs")

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

As described in the accounting policy stated in note 2(i), the Group estimates the recoverable amount as the higher of the fair value less costs of disposal and the value-in-use. In performing these valuations, the Group is required to make estimates and assumptions that may affect the resultant valuation of each of these categories of asset.

For the year ended 30 June 2017, the Group recognised nil impairment (2016: AU\$147.7 million). Changes in the assumptions adopted by management could significantly affect the Group's impairment evaluation and hence results. Further details are provided in note 24 of the financial statements.

Deferred income tax assets

The Group recognises deferred income tax assets on carried forward tax losses, capital and investment allowances to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses, capital and investment allowances can be utilised and that the Group is able to satisfy the continuing ownership and continuing business tests in Australia.

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future profits.

Significant items for which the Group has potential deferred tax assets include research and development tax credits generated in relation to eligible research and development between 15 July 2012 and 30 June 2015 in Australia and tax losses suffered in 2016.

Recognition involves judgement regarding the future financial performance of the particular legal entity or tax group in which the potential deferred tax asset has been generated. Based on the latest profit forecast, there is no sufficient certainty over the availability of suitable future taxable profits against which to offset these items and therefore deferred tax assets have not been recognised. For further details of the potential deferred tax assets not recognised in these financial statements refer to note 14.

Construction contracts

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

Amounts due from contract customers in the balance sheet include uncertified revenue that has been recognised through the statement of comprehensive income in current and prior periods in respect of claims and variation orders on projects. In estimating the amount of uncertified revenue recognised, the Group has relied on past experience and the work of specialists namely project managers and, as required, external consultants. If the uncertified revenue increases/decreases by 5% from management's estimates, the Group's result before income tax will increase/decrease by approximately AU\$3.3 million.

3 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

Construction contracts (continued)

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

Legal action is ongoing in relation to claims submitted to Karara Mining Limited in relation to contracted works completed in 2013. Management has considered advice from external legal advisers when estimating the recoverable amount included in amounts due from customers on construction contracts. Refer to note 35 for more information.

Due to the level of uncertainty associated with the calculation of estimated total contract costs, and therefore, percentage of contract completion, it is reasonably possible that material adjustments could be required to revenue and contract margins if the eventual outcomes differ from management's assumptions which cannot be recovered from contract claims under the terms of the contract.

Where it is probable that a loss will arise on a long-term contract, the excess of total expected contract costs over total contract revenue is recognised as an expense immediately.

For the year ended 30 June 2017, no provision of loss on construction contracts has been recognised (2016: AU\$2.0 million). This estimation has been based upon management's judgement which has been based upon the most up-to-date available information at the date of this financial report.

(b) Critical judgements made in applying accounting policies

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

Impairment of trade receivables

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

As at 30 June 2017 the Group is party to legal proceedings in relation to its receivables from Teras Cargo Transport America LLC. The receivable has been subject to the same procedures as other receivables in order to determine the appropriate level of provision, and no provision has been considered necessary at the reporting date. Refer to note 35 for further details regarding the ongoing litigation.

Construction contracts

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

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

Impairment of amounts due from subsidiaries and investments in subsidiaries

The Company assesses the recoverability of loans due from subsidiary undertakings as at the reporting date based on an assessment of the ability of each entity to repay the balance owing and also assesses the carrying value of investments in subsidiaries where indicators of impairment are identified. Such indicators have been identified in the year as discussed in note 24, which describes the impairment of non-current assets in the consolidated Group and which are also considered indicators of impairment at Company level.

4 Financial risk management

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

4 Financial risk management (continued)

(a) Currency risk

The Group operates mainly in Australia, with smaller operations in Singapore, Thailand and Malaysia. Group sale and purchase transactions are primarily denominated in Australian dollars with a portion denominated in Singapore dollars, Thai Baht, Euro, US dollars and Malaysian Ringgit. This exposes the Group to currency risk when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group's currency exposure is as follows:

	2017		2016		Euro AU\$'000
	Singapore Dollar AU\$'000	United States Dollar AU\$'000	Singapore Dollar AU\$'000	United States Dollar AU\$'000	
Group					
Financial assets					
Trade receivables	-	1,293	-	956	-
Other receivables and prepayments	-	-	3	-	-
Cash and cash equivalents	1	2	23	11	-
	<u>1</u>	<u>1,295</u>	<u>26</u>	<u>967</u>	<u>-</u>
Financial liabilities					
Trade payables	90	211	200	333	6
Other payables	130	-	2	88	-
Borrowings	-	45,985	-	17,180	-
	<u>220</u>	<u>46,196</u>	<u>202</u>	<u>17,601</u>	<u>6</u>
Currency exposure on net financial liabilities	<u>(219)</u>	<u>(44,901)</u>	<u>(176)</u>	<u>(16,634)</u>	<u>(6)</u>
Company					
Financial liabilities					
Due from subsidiaries	-	45,985	-	-	-
	<u>-</u>	<u>45,985</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities					
Other payables	-	-	-	88	-
Borrowings	-	45,985	-	17,180	-
	<u>-</u>	<u>45,985</u>	<u>-</u>	<u>17,268</u>	<u>-</u>
Currency exposure on net financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,268)</u>	<u>-</u>

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

	Group		Company	
	2017 AU\$'000	2016 AU\$'000	2017 AU\$'000	2016 AU\$'000
Net foreign exchange income/(loss)	<u>129</u>	<u>(470)</u>	<u>-</u>	<u>(24)</u>

Sensitivity analysis

A change of 10% (2016: 10%), taking into consideration both strengthening and weakening aspect of AU\$, against the following currencies at the balance sheet date would increase/(decrease) the Group's profit before income tax by the amounts as shown below. This analysis assumes that all other variables, in particular interest and tax rates, remain constant.

4 Financial risk management (continued)

(a) Currency risk (continued)

	Group		Company	
	2017 AU\$'000	2016 AU\$'000	2017 AU\$'000	2016 AU\$'000
SGD against AU\$				
- strengthened	(20)	(16)	-	-
- weakened	22	18	-	-
USD against AU\$				
- strengthened	(4,082)	(1,512)	-	(1,562)
- weakened	4,490	1,663	-	1,718

(b) Interest rate risk

The Group's exposure to interest rate risk is related mainly to its borrowings facilities, which are on fixed and floating rate terms. Interest rates on the short-term loans are fixed. The interest rate and terms of repayment of borrowings and cash balances of the Group are disclosed in notes 17 and 5 respectively.

The Group's policy is to obtain the most favourable interest rates available for its borrowings and bank deposits. Bank deposits are placed where the interest rates are beneficial whilst at the same time mitigate the risk of market changes in interest rate.

A 1% (2016 : 1%) increase/(decrease) in the floating rate terms of the Group's borrowings and bank deposits at the balance sheet date would increase/(decrease) profit or loss by the following amount:

	Group		Company	
	2017 AU\$'000	2016 AU\$'000	2017 AU\$'000	2016 AU\$'000
Profit and loss impact	<u>190</u>	<u>295</u>	<u>145</u>	<u>270</u>

This analysis assumes that all other variables remain constant. There is no impact on other components of equity (2016: nil).

(c) Credit risk

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The trade receivables of the Group comprise 4 debtors (2016: 4 debtors) that individually represented 6 - 60% of trade receivables, and in aggregate 87% of trade receivables.

The Group's maximum exposure to credit risk arose mainly from trade receivables, which had a balance at 30 June 2017 of AU\$133.0 million (2016: AU\$132.9 million). This exposure is further analysed below:

	Group	
	2017 AU\$'000	2016 AU\$'000
By currency exposure :		
Australian dollar	117,664	112,465
US dollar	14,907	14,810
Singapore dollar	390	2,973
Malaysia ringgit	51	-
Thai baht	<u>10</u>	<u>2,616</u>
	<u>133,022</u>	<u>132,864</u>
By type of customer :		
Non-related and related parties	<u>133,022</u>	<u>132,864</u>

4 Financial risk management (continued)

(c) Credit risk (continued)

The Company's maximum exposure to credit risk arose mainly from amounts due from subsidiaries, which had a balance at 30 June 2017 of AU\$98.9 million (2016: AU\$49.5 million) (refer to note 9).

At 30 June 2017, the Group's most significant customer, accounted for AU\$79.8 million (FY2016: AU\$38.6 million) of the trade receivables carrying amount.

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. In FY2016, deposits included AU\$6.1 million fund deposit in escrow held by the trustee administering the note facility. The deposit was utilised to pay the partial repayment of the note facility and interest payment during the year. Trade receivables and other receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and Company.

There were no terms renegotiated during the year for receivables that were past due (2016: None).

Financial assets that are past due and/or impaired

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

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

	Group	
	2017	2016
	AU\$'000	AU\$'000
Past due less than 3 months	2,918	6,565
Past due 3 to 6 months	2,621	3,690
Past due greater than 6 months	19,255	16,708
	<u>24,794</u>	<u>26,963</u>

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

As at 30 June 2017, there was an allowance for impairment of AU\$1.6 million against trade receivables (2016: AU\$2.3 million) in the Group. There are no other receivables that are neither past due nor impaired where adverse credit events or circumstances have occurred that would lead to concern over the credit quality of such assets (Refer to note 6(a)).

As at 30 June 2017, the Company is carrying an allowance for impairment of AU\$123.0 million (2016: AU\$127.4 million) against amounts due from subsidiaries (refer to note 9).

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

(d) Liquidity risk

The tables below analyse the maturity profile of the Group's and Company's non-derivative financial liabilities based on undiscounted cash flows (balances due within 12 months equal their carrying balances as the impact of discounting is not significant).

4 Financial risk management (continued)

(d) Liquidity risk (continued)

	Less than 1 year AU\$'000	Between 1 and 2 years AU\$'000	Between 2 and 5 years AU\$'000	Over 5 years AU\$'000	Total Contractual cashflows AU\$'000	Carrying amount of liabilities AU\$'000
Group						
2017						
Trade and other payables	114,669	-	-	-	114,669	114,669
Borrowings	51,859	111,096	-	-	162,955	150,694
	<u>166,528</u>	<u>111,096</u>	<u>-</u>	<u>-</u>	<u>277,624</u>	<u>265,363</u>
2016						
Trade and other payables	124,001	-	-	-	124,001	124,001
Borrowings	144,054	43,663	-	-	187,717	179,150
Provisions	1,849	1,396	3,013	4,179	10,437	8,887
	<u>269,904</u>	<u>45,059</u>	<u>3,013</u>	<u>4,179</u>	<u>322,155</u>	<u>312,038</u>
	Less than 1 year AU\$'000	Between 1 and 2 years AU\$'000	Between 2 and 5 years AU\$'000	Total Contractual cashflows AU\$'000	Carrying amount of liabilities AU\$'000	
Company						
2017						
Trade and other payables	2,273	-	-	2,273	2,273	
Borrowings	48,319	111,096	-	159,415	147,288	
Due to subsidiaries	7,996	-	-	7,996	7,996	
	<u>58,588</u>	<u>111,096</u>	<u>-</u>	<u>169,684</u>	<u>157,557</u>	
2016						
Trade and other payables	3,357	-	-	3,357	3,357	
Borrowings	140,845	-	-	140,845	136,736	
Due to subsidiaries	8,951	-	-	8,951	8,951	
	<u>153,153</u>	<u>-</u>	<u>-</u>	<u>153,153</u>	<u>149,044</u>	

As at 30 June 2017, the Group has net current liabilities of AU\$2.9 million (2016: net current liabilities of AU\$115.2 million).

Financing arrangements

The Group and Company had access to the following undrawn borrowing and guarantee facilities at the end of the reporting period:

	Group		Company	
	2017 AU\$'000	2016 AU\$'000	2017 AU\$'000	2016 AU\$'000
Expiry within one year (bank overdraft and loan facility)	14,041	19,000	14,041	19,000
Accounts receivable purchase facility	-	20,549	-	20,549
Surety bond facility	3,259	1,366	3,259	1,366
Guarantee facility	20,323	7,729	20,323	7,729

4 Financial risk management (continued)

(d) Liquidity risk (continued)

The ARP facility when available is limited by the value of invoices raised for the specified customers under the arrangement at the balance sheet date.

Other than as described above, the facilities may be drawn down at any time while the facilities are still current. Should there be any event of default not subject to a waiver, the ability to draw down the funds is subject to the discretion of the bank/ financier.

(e) Capital risk

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

Management monitors capital based on a gearing ratio. The Group and the Company are required by the banks to maintain certain financial ratios such as gearing ratios and interest cover ratios. Refer to note 17 for further details in respect of breaches of financial ratios in the current year and to note 2(a) for further details in respect of negotiations with financiers.

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

	Group		Company	
	2017 AU\$'000	2016 AU\$'000	2017 AU\$'000	2016 AU\$'000
Net debt	116,843	157,055	147,125	136,720
Total equity	23,298	(14,867)	21,067	(9,362)
Total capital	140,141	142,188	168,192	127,358
Gearing ratio	83.4%	110.5%	87.5%	107.4%

(f) Financial instruments by category

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

	Group		Company	
	2017 AU\$'000	2016 AU\$'000	2017 AU\$'000	2016 AU\$'000
Loans and receivables and cash ¹	172,510	167,094	99,648	56,133
Financial liabilities measured at amortised cost ²	286,516	335,552	157,557	149,044

Fair value of financial instruments

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

¹ Refer to notes 5, 6, 7 and 9 (the amount excludes prepayments in note 7)

² Refer to notes 9, 15, 16, 17, 18 and 19

5 Cash and cash equivalents

	Group		Company	
	2017 AU\$'000	2016 AU\$'000	2017 AU\$'000	2016 AU\$'000
Cash and cash equivalents represented by:				
Cash at bank	21,951	10,480	163	16
Restricted cash	<u>11,900</u>	<u>11,615</u>	-	-
	<u>33,851</u>	<u>22,095</u>	<u>163</u>	<u>16</u>

Restricted cash was held as term deposits with effective interest rates ranging from 1.27% to 1.55% (2016: 1.45% to 2.2%) per annum.

Reconciliation to cash and cash equivalents at the end of the year

The above figures reconcile to the amount of cash and cash equivalents shown in the consolidated statement of cash flows at the end of the financial year as follows:

	Group	
	2017 AU\$'000	2016 AU\$'000
Balance as above	33,851	22,095
*Restricted cash	<u>(11,900)</u>	<u>(11,615)</u>
Balance per consolidated statement of cash flows	<u>21,951</u>	<u>10,480</u>

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

6 Trade receivables

	Group	
	2017 AU\$'000	2016 AU\$'000
Trade receivables		
- Third party debtors	53,017	78,039
- Less: Allowance for impairment of receivables (note 6(a))	<u>(1,646)</u>	<u>(2,286)</u>
	51,371	75,753
Construction contracts		
- Due from third party customers (note 6(b))	81,651	52,111
- Retentions	-	5,000
	<u>133,022</u>	<u>132,864</u>

At 30 June 2017, all amounts included in trade receivables and arising from construction contracts are due for settlement within 12 months (2016: 12 months).

At 30 June 2017, the Group's most significant customer, accounted for AU\$79.8 million (FY2016: AU\$38.6 million) of the trade receivables carrying amount.

(a) Allowance for impairment of receivables

	Group	
	2017 AU\$'000	2016 AU\$'000
Beginning of financial year	(2,286)	(469)
Additional provision for doubtful debt	(2,013)	(2,549)
Written off during the year	2,653	732
End of financial year	<u>(1,646)</u>	<u>(2,286)</u>

6 Trade receivables (continued)

(b) Construction contracts - due from third party customers

	Group	
	2017	2016
	AU\$'000	AU\$'000
Aggregate costs incurred plus recognised profit less recognised losses to date on uncompleted construction contracts	631,504	620,816
Less: Progress billings	<u>(564,088)</u>	<u>(589,203)</u>
	<u>67,416</u>	<u>31,613</u>
Presented as:		
Due from customers on construction contracts	81,651	52,111
Advances received (note 15)	<u>(14,235)</u>	<u>(20,498)</u>
	<u>67,416</u>	<u>31,613</u>

7 Other receivables and prepayments

	Group		Company	
	2017	2016	2017	2016
	AU\$'000	AU\$'000	AU\$'000	AU\$'000
Current				
Prepayments	1,507	1,487	3	10
Deposits*	1,029	6,814	-	6,146
Sundry receivables	4,608	1,409	590	457
Current income tax receivables	-	285	-	-
	<u>7,144</u>	<u>9,995</u>	<u>593</u>	<u>6,613</u>
Non-current				
Other Non - Current Assets	-	2	-	-
Deposit	-	3,625	-	-
	<u>-</u>	<u>3,627</u>	<u>-</u>	<u>-</u>

In FY2016, inventories were impaired by AU\$5.1 million in order to write inventories down to their net realisable value.

8 Inventories

	Group	
	2017	2016
	AU\$'000	AU\$'000
Spares and consumables	<u>3,096</u>	<u>6,759</u>

9 Due from / (to) subsidiaries

Company	Total due AU\$'000	Provision for doubtful debts AU\$'000	Total AU\$'000
2017			
Due from subsidiaries	221,923	(123,028)	98,895
Due to subsidiaries	(7,996)	-	(7,996)
2016			
Due from subsidiaries	176,936	(127,422)	49,514
Due to subsidiaries	(8,951)	-	(8,951)

(a) Provision for doubtful debts

	Group	
	2017 AU\$'000	2016 AU\$'000
Beginning of financial year	(127,422)	-
Increase in provision	-	(127,422)
Currency translation movement	4,394	-
End of financial year	<u>(123,028)</u>	<u>(127,422)</u>

Both the receivables and payables bear interest at 5.0% (2016: 8.0%) per annum. There are no advances due from subsidiaries that are due for repayment within the next 12 months (2016: AU\$Nil). There are AU\$8.0 million advances due to subsidiaries for which the Company does not have an unconditional right to defer settlement beyond 12 months from the balance sheet date (2016: AU\$9.0 million).

10 Investments in subsidiaries

	Company	
	2017 AU\$'000	2016 AU\$'000
Investments in subsidiaries	<u>79,126</u>	<u>83,632</u>

	Company	
	2017 AU\$'000	2016 AU\$'000
Equity investment at cost		
Beginning of financial year	83,632	114,212
Impairment loss	-	(34,146)
Currency translation movement	(4,506)	3,566
End of financial year	<u>79,126</u>	<u>83,632</u>

10 Investments in subsidiaries (continued)

Name of entity	Principal activity	Country of incorporation	Equity holding	
			2017 %	2016 %
AusGroup Singapore Pte. Ltd	Engineering and service	Singapore	100	100
Modern Access Services Singapore Pte. Ltd	Engineering and service	Singapore	100	100
Cactus Oil & Gas Sdn Bhd	Dormant	Malaysia	100	100
AGC Australia Pty Ltd	Investment holding / property	Australia	100	100
AGC Industries Pty Ltd	Engineering and service	Australia	100	100
Seagate Structural Engineering Pty Ltd	Property	Australia	100	100
MAS Australasia Pty Ltd	Engineering and service	Australia	100	100
AusGroup Corporation Co., Ltd	Engineering and service	Thailand	100	100
AGC Energy and Infrastructure Pty Ltd	Labour supply	Australia	100	100
Resource People Pty Ltd	Labour supply	Australia	100	100
Ezion Offshore Logistics Hub Pte Ltd	Investment holding	Singapore	100	100
NT Port and Marine Pty Ltd (previously known as Ezion Offshore Logistics Hub (Tiwi) Pty Ltd)	Marine supply base and provision of ship chartering services	Australia	100	100
Teras Global Pte Ltd	Chartering services	Singapore	100	100
Ezion Offshore Logistics Hub (Exmouth) Pty Ltd	Marine supply base	Australia	100	100
Teras Australia Pty Ltd ⁽¹⁾	Ship management and provision of ship chartering services	Australia	100	90
Mechanical Access Services Australasia Sdn Bhd	Engineering and service	Malaysia	100	-
Access Australasia Sdn Bhd	Engineering and service	Malaysia	100	-

(1) During the year, AusGroup Limited purchased the remaining 10% interest (made up of 1,111,111 shares) in Teras Australia Pty Ltd ("TAPL") for A\$1.00 from Aboriginal Maritime Pty Ltd. The carrying amount of TAPL's net liabilities in the Group's consolidated financial statement on the date of acquisition was AU\$1.8 million. As a result, TAPL is now a wholly-owned subsidiary of AusGroup Limited.

Joint operations

The Group holds 67% of the voting rights of its unincorporated operation between AGC Industries and Meisei Co Ltd, which operates in Australia. This operation is of strategic importance to the Group as it acts as a key contractor in one of the Group's customer contracts.

The joint venture agreements in relation to the AGC Industries and Meisei Co Ltd joint venture require unanimous consent from all parties for all relevant activities. The two parties own the assets and are jointly and severally liable for the liabilities incurred by the joint venture. This entity is therefore classified as a joint operation and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described in note 2(c)(ii).

11 Property, plant and equipment

Group	Freehold land AU\$'000	Freehold buildings AU\$'000	Leasehold land & buildings AU\$'000	Plant and equipment AU\$'000	Assets under construction AU\$'000	Total AU\$'000
At 1 July 2015						
Cost	3,828	7,855	50,821	126,773	70,798	260,075
Accumulated depreciation	-	(1,448)	(1,355)	(75,630)	-	(78,433)
Net book amount	<u>3,828</u>	<u>6,407</u>	<u>49,466</u>	<u>51,143</u>	<u>70,798</u>	<u>181,642</u>
Year ended 30 June 2016						
Opening net book amount	3,828	6,407	49,466	51,143	70,798	181,642
Depreciation charge	-	(196)	(3,349)	(10,599)	-	(14,144)
Additions	-	-	3,289	8,933	5,650	17,872
Disposals	-	-	-	(3,147)	-	(3,147)
Impairment loss	(1,213)	(387)	(83,829)	(5,441)	-	(90,870)
Exchange differences	-	-	1,527	1,047	2,431	5,005
Transfers	-	-	78,879	-	(78,879)	-
Closing net book amount	<u>2,615</u>	<u>5,824</u>	<u>45,983</u>	<u>41,936</u>	<u>-</u>	<u>96,358</u>
At 30 June 2016						
Cost	3,828	7,855	134,413	119,303	-	265,399
Accumulated depreciation and impairment	(1,213)	(2,031)	(88,430)	(77,367)	-	(169,041)
Net book amount	<u>2,615</u>	<u>5,824</u>	<u>45,983</u>	<u>41,936</u>	<u>-</u>	<u>96,358</u>
Year ended 30 June 2017						
Opening net book amount	2,615	5,824	45,983	41,936	-	96,358
Depreciation charge	-	(196)	(1,652)	(7,795)	-	(9,643)
Additions	-	13	1,225	7,057	-	8,295
Disposals	-	-	-	(5,497)	-	(5,497)
Exchange differences	-	-	(1,496)	(597)	-	(2,093)
Closing net book amount	<u>2,615</u>	<u>5,641</u>	<u>44,060</u>	<u>35,104</u>	<u>-</u>	<u>87,420</u>
At 30 June 2017						
Cost	2,615	7,482	50,112	91,046	-	151,255
Accumulated depreciation and impairment	-	(1,841)	(6,052)	(55,942)	-	(63,835)
Net book amount	<u>2,615</u>	<u>5,641</u>	<u>44,060</u>	<u>35,104</u>	<u>-</u>	<u>87,420</u>

(i) *Impairment loss*

During the year ended 30 June 2017, the Group recognised nil impairment loss (2016: \$90.9 million) with respect to property, plant and equipment. Refer to note 24 for further details. At 30 June 2017, the carrying amount (net of impairment) of property, plant and equipment relating to the Port and Marine CGU amounted to AU\$43.5 million (2016: AU\$50.7 million).

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

The Group has pledged freehold land and buildings, leasehold buildings and certain plant and equipment, having a carrying amount of approximately AU\$87.4 million (2016: AU\$96.4 million) to secure syndicated loan facilities granted to the Group (refer to note 17). Refer to note 17(b) for details of security.

12 Goodwill

	Group	
	2017	2016
	AU\$'000	AU\$'000
Beginning of financial year	10,994	13,530
Impairment during the year	-	(2,535)
Exchange difference	-	(1)
End of financial year	<u>10,994</u>	<u>10,994</u>
Carrying value	<u>10,994</u>	<u>10,994</u>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	Group	
	2017	2016
	AU\$'000	AU\$'000
Access services	9,859	9,859
Maintenance services - Painting and insulation	528	528
Projects	<u>607</u>	<u>607</u>
	<u>10,994</u>	<u>10,994</u>

The Group has assessed goodwill for impairment as well as other non-current assets where indicators of impairment have been identified. Refer to note 24 for details of impairment assessments undertaken including details of key assumptions in those assessments.

13 Other intangible assets

GROUP	Exclusive right to operate port facility AU\$'000	Internally developed software and software licences AU\$'000	Customer contracts, relationships, management skills and technical knowledge acquired via business combinations AU\$'000	Other intangible assets AU\$'000	Total AU\$'000
2016					
Cost					
Beginning of financial year	85,779	15,436	5,408	1,232	107,855
Additions	-	397	-	-	397
Exchange differences	<u>2,934</u>	<u>-</u>	<u>(39)</u>	<u>-</u>	<u>2,895</u>
End of financial year	<u>88,713</u>	<u>15,833</u>	<u>5,369</u>	<u>1,232</u>	<u>111,147</u>
Accumulated amortisation and impairment					
Beginning of financial year	-	(6,847)	(5,408)	(1,100)	(13,355)
Amortisation charge	(1,350)	(2,085)	-	(128)	(3,563)
Impairment loss	(54,018)	(315)	-	-	(54,333)
Exchange differences	<u>35</u>	<u>-</u>	<u>39</u>	<u>-</u>	<u>74</u>
End of financial year	<u>(55,333)</u>	<u>(9,247)</u>	<u>(5,369)</u>	<u>(1,228)</u>	<u>(71,177)</u>
Carrying value at 30 June 2016	<u>33,380</u>	<u>6,586</u>	<u>-</u>	<u>4</u>	<u>39,970</u>
GROUP					
2017					
Cost					
Beginning of financial year	88,713	15,833	5,369	1,232	111,147
Additions	-	390	-	-	390
Exchange differences	<u>(3,068)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,068)</u>
End of financial year	<u>85,645</u>	<u>16,223</u>	<u>5,369</u>	<u>1,232</u>	<u>108,469</u>
Accumulated amortisation and impairment					
Beginning of financial year	(55,333)	(9,247)	(5,369)	(1,228)	(71,177)
Amortisation charge	(745)	(2,095)	-	(4)	(2,844)
Exchange differences	<u>2,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,128</u>
End of financial year	<u>(53,950)</u>	<u>(11,342)</u>	<u>(5,369)</u>	<u>(1,232)</u>	<u>(71,893)</u>
Carrying value at 30 June 2017	<u>31,695</u>	<u>4,881</u>	<u>-</u>	<u>-</u>	<u>36,576</u>

(i) *Impairment loss*

At 30 June 2016, the Group recognised an impairment loss of AU\$54.3 million. Refer to note 24 for further details of the charge in 2016. At 30 June 2017, the carrying amount (net of impairment) of intangible assets relating to the Port and Marine CGU amounted to AU\$31.7 million (2016: AU\$33.4 million).

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

During the year, the exclusive right to operate port facility asset was pledged as security as part of the broader renegotiation of the Group's financing arrangement, as described in note 17.

14 Deferred income tax assets / (liabilities)

(i) *Deferred tax assets*

	Group	
	2017	2016
	AU\$'000	AU\$'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	-	3,700
Provisions and payables	10,780	10,085
Other	606	1,346
	11,386	15,131
Set-off of deferred tax liabilities pursuant to set-off provisions	(11,276)	(15,131)
Net deferred tax assets	110	-
Deferred tax assets expected to be recovered within 12 months	381	52
Deferred tax assets expected to be recovered after more than 12 months	11,005	15,079
	11,386	15,131

Movement in deferred tax assets	Tax losses	Research and	Property,	Provisions	Other	Total
	AU\$'000	Development	plant and	and	AU\$'000	AU\$'000
		tax credits	equipment	payables		
		AU\$'000	AU\$'000	AU\$'000		
At 1 July 2015	383	40,054	342	7,106	475	48,360
Charged:						
- to profit or loss recognised against qualifying expenditure	-	(10,014)	-	-	-	(10,014)
- to profit or loss in income tax benefit (note 27)	(383)	(30,040)	3,358	2,979	871	(23,215)
At 30 June 2016	-	-	3,700	10,085	1,346	15,131
(Charged) / credited:						
- to profit or loss in income tax benefit (note 27)	-	-	(3,700)	695	(740)	(3,745)
At 30 June 2017	-	-	-	10,780	606	11,386

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

(ii) *Deferred tax liabilities*

	Group	
	2017	2016
	AU\$'000	AU\$'000
Property, plant and equipment	(3,598)	(6,648)
Intangibles	(9,508)	(10,408)
Other	(41)	(52)
	(13,147)	(17,108)
Set-off of deferred tax assets pursuant to set-off provisions	11,276	15,131
Net deferred tax liabilities	(1,871)	(1,977)
Deferred tax liabilities expected to be settled within 12 months	(11)	(52)
Deferred tax liabilities expected to be settled after more than 12 months	(13,136)	(17,056)
	(13,147)	(17,108)

14 Deferred income tax assets / (liabilities)

ii) *Deferred tax liabilities (continued)*

Group	Property, plant and equipment AU\$'000	Intangibles AU\$'000	Other AU\$'000	Total AU\$'000
At 1 July 2015	(6,894)	(26,640)	(55)	(33,589)
(Charged)/credited				
- to profit or loss in income tax expense (note 27)	246	16,232	3	16,481
At 30 June 2016	<u>(6,648)</u>	<u>(10,408)</u>	<u>(52)</u>	<u>(17,108)</u>
(Charged)/credited				
- to profit or loss in income tax expense (note 27)	3,050	900	11	3,961
At 30 June 2017	<u>(3,598)</u>	<u>(9,508)</u>	<u>(41)</u>	<u>(13,147)</u>

(iii) *Deferred tax assets not recognised*

Deferred tax assets has not been recognised on the following potential tax benefits to the extent they are not expected to be utilised against deferred tax liabilities as a result of there not being sufficient certainty over the availability of future taxable profit against which to offset these balances.

	Group	
	2017	2016
	AU\$'000	AU\$'000
Unrecognised tax benefits from:		
Tax credits		
Unused tax credits for which no deferred tax asset has been recognised	38,714	38,714
Tax losses		
Tax losses for which no deferred tax asset has been recognised	17,515	22,920
Other deferred tax assets not recognised		
Other temporary differences	12,315	21,981

15 Trade payables

	Group	
	2017	2016
	AU\$'000	AU\$'000
Trade payables		
- Non-related parties	14,473	17,090
- Related parties (note 31d)	19,134	19,186
Construction contracts		
- Advances received (note 6b)	14,236	20,498
- Provision for foreseeable contract losses	-	2,002
	<u>14,236</u>	<u>22,500</u>
	<u>47,843</u>	<u>58,776</u>

15 Trade payables (continued)

(i) *Provision for foreseeable contract losses*

	Group	
	2017 AU\$'000	2016 AU\$'000
Beginning of financial year	2,002	-
Increase in provision	-	2,002
Reversal of provision	(1,954)	-
Currency translation movement	(48)	-
End of financial year	<u>-</u>	<u>2,002</u>

16 Other payables

	Group		Company	
	2017 AU\$'000	2016 AU\$'000	2017 AU\$'000	2016 AU\$'000
Current				
Accrued expenses	21,171	8,173	131	1,612
Employee benefit accruals	8,426	12,752	-	2
Payroll tax and other statutory liabilities	31,966	40,440	-	-
Accrued rent	-	858	-	-
Other payables	5,263	3,002	2,142	1,743
	<u>66,826</u>	<u>65,225</u>	<u>2,273</u>	<u>3,357</u>

17 Borrowings

	Group		Company	
	2017 AU\$'000	2016 AU\$'000	2017 AU\$'000	2016 AU\$'000
Current				
Bridge loan	13,551	-	13,551	-
Secured loans	27,844	30,457	27,844	28,006
Finance leases	116	770	-	-
Multi currency notes	-	108,730	-	108,730
Insurance premium funding	3,290	-	-	-
	<u>44,801</u>	<u>139,957</u>	<u>41,395</u>	<u>136,736</u>
Non-current				
Finance leases	-	43	-	-
Multi currency notes	73,909	-	73,909	-
Loan from substantial shareholder (Note 31(f))	31,984	39,150	31,984	-
	<u>105,893</u>	<u>39,193</u>	<u>105,893</u>	<u>-</u>
Total borrowings (interest bearing)	<u>150,694</u>	<u>179,150</u>	<u>147,288</u>	<u>136,736</u>

17 Borrowings (continued)

	Group	
	2017 AU\$'000	2016 AU\$'000
Secured borrowings:		
Multi Currency Notes	73,909	-
DBS Term Loan - USD	13,944	17,007
DBS Short Term Loan - AUD	13,900	11,000
DBS Short Term Bridge Loan - AUD	13,551	-
DBS ARP Facility	-	2,450
Total secured borrowings	115,304	30,457
Unsecured borrowings:		
Multi Currency Notes	-	108,730
Loan from substantial shareholder	31,984	39,150
Insurance premium funding	3,290	-
Finance Leases	116	813
<i>Total unsecured borrowings</i>	<u>35,390</u>	<u>148,693</u>
Total borrowings	150,694	179,150

(a) Total current and non-current secured liabilities

	Group		Company	
	2017 AU\$'000	2016 AU\$'000	2017 AU\$'000	2016 AU\$'000
Bridge loan - DBS	13,551	-	13,551	-
Secured loans - DBS	27,844	30,457	27,844	28,006
Multi currency notes	73,909	-	73,909	-
	<u>115,304</u>	<u>30,457</u>	<u>115,304</u>	<u>28,006</u>

(b) Loan and overdraft facilities

Multi currency notes

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

17 Borrowings (continued)

(b) Loan and overdraft facilities (continued)

Multi currency notes (continued)

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

- An upfront partial redemption of the Notes of S\$4.0m was made on 18 November 2016;
- Maturity of the Notes has been extended to 20 October 2018, with an option at the election of the Noteholders to extend the maturity further to 20 October 2019 upon an Extraordinary Resolution being passed in accordance with the Trust Deed. Accordingly, the Notes have been classified as non-current;
- Interest will be paid monthly at a rate of 7.95%pa from 20 October 2017 and 8.45%pa from 20 October 2018;
- Upon redemption of the Notes, a make-whole premium such that the total interest paid for the period from 20 October 2016 to redemption is equal to 9.45%pa of the original principal value of the Notes;
- Upon redemption of the Notes pursuant to the sale of the Port Assets, then 10% of any capital gains (calculated based on the actual costs incurred) valued on such sale would be payable to the Noteholders on a pro-rata basis;
- Notes are secured, on a shared first ranking basis, against all property and assets of NT Port and Marine Pty Ltd (previously known as Ezion Offshore Logistics Hub (Tiwi) Pty Ltd) on a fixed and floating basis and 100% of the shares of Ezion Offshore Logistics Hub Pte. Ltd ("EOLH") pursuant to a share charge; and
- Financial covenants previously in place with regard to the Notes are removed.

Exchange Offer

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

- The issue price (the "Issue Price") of each New Share is S\$0.058.
- The consideration payable to each Noteholder is such number of New Shares equivalent in value to the sum of:
 - (i) the aggregate principal amount of Notes offered for exchange and accepted for exchange by the Group; and
 - (ii) the interest accrued and unpaid on such Notes accepted for exchange by the Group, from and including 20 June 2017.
- The offer period of the Exchange Offer was initially between 22 May 2017 and 8 June 2017, however, this was extended to 9 June 2017 following feedback received from Noteholders.

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

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

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

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

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

17 Borrowings (continued)

(b) Loan and overdraft facilities (continued)

Loans from DBS Bank Ltd

On 1 April 2015, the Company announced that AusGroup Limited had entered into a facility agreement for a US\$20m 3 year term loan and AU\$76.5m Banker Guarantee facility with DBS Bank Ltd in Singapore. The loan facility was used to refinance the previous facility at a much reduced all-in interest rate, while extending the Group's debt maturity profile to 2018. As at 30 June 2017 US\$10.8m (AU\$14.0m) of this balance had been utilised (2016: US\$12.8 million (AU\$17.0m)).

In 2nd quarter FY2016 the Group entered into an Accounts Receivable Purchase facility with DBS (ARP facility) for key debtor balances. This provided the Group with a AU\$23m facility to be drawn down. In 3rd quarter FY2017 the drawn down amount was repaid in full. As at 30 June 2017 this facility was not utilised (2016: AU\$2.45 million) and has now been closed.

In 3rd quarter FY2016 the Group entered into a AU\$30m Short Term loan facility with DBS Bank Ltd. As at 30 June 2017, AU\$13.9m of this balance was drawn down (2016: AU\$11.0 million). The terms of this short term loan include covenant requirements consistent with that of the Group's other DBS facilities (refer below). Repayment of the short term loan was due at the end of August 2016 and it has been extended on a month by month basis by DBS Bank Ltd. In May 2017, AusGroup Limited agreed with DBS Bank Ltd to convert the loan to a term facility with an expiry date of 31 December 2019. At 30 June 2017, the documentation process of this loan is ongoing and is expected to be concluded in Q2 FY2018. Until this process is finalised this loan is classified as a current liability.

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

Loan from substantial shareholder

Loan from Ezion Holdings Limited ("Ezion") (a substantial shareholder of the Company) were acquired by the Group on acquisition of EOLH and Teras Australia Pty Limited ("TAPL") and their subsidiary entities. Under the terms of the sale and purchase agreement as approved by shareholders of both Ezion and the Company, the loan accrued interest at 8% per annum capitalised to the loan balance.

At the Annual General Meeting of the Company held on 15 December 2016, the interest rate payable in relation to the loan has been revised to 5% per annum with effect from 1 July 2016. In addition, the Company, EOLH and TAPL entered into a novation agreement with Ezion to transfer the loans and all rights, duties and obligations therewith owing by EOLH and TAPL to the ultimate parent entity, AusGroup Limited, with effect from 1 July 2016.

An extension of three months of the repayment date of the loan was obtained in the current quarter until after 31 December 2018. At 30 June 2017 the amount owing on the loan by the Company to Ezion was AU\$32.0m (30 June 2016: AU\$39.2m) and is unsecured.

Ezion Loan Capitalisation

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

(i) *Security pledged and financial covenants*

Security pledged

Multi Currency S\$110m Notes

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

17 Borrowings (continued)

(b) Loan and overdraft facilities (continued)

(i) Security pledged and financial covenants (continued)

DBS Bank Ltd

The following describes the security in issue to DBS Bank Limited in relation to facilities and borrowings in issue to the Group.

A deed of charge executed by AGC Australia incorporating an all-monies charge over the fixed deposit account maintained by AGC Australia with DBS Bank Ltd ("The Lender") for an amount not less than AU\$11.9 million (2016: AU\$11.6 million). A fixed and floating charge executed by AusGroup Ltd, AusGroup Singapore Pte. Ltd and Modern Access Services Singapore Pte. Ltd in favour of the Lender.

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

First registered real property mortgage by AGC Australia Pty Ltd over the commercial properties located at 15 Beach Street, Kwinana WA 6167 and Seagate Structural Engineering Pty Ltd over property located at Lots 17 and 18 Gap Ridge Industrial Estate Karratha WA.

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

	Group	
	2017	2016
	AU\$'000	AU\$'000
Bank facilities	312,103	224,892

Facility covenants

Multi Currency S\$110m Notes

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

DBS Bank Ltd facilities and loans

AusGroup Limited is required to maintain in relation to the Consolidated Group a maximum gearing ratio as well as a maximum secured debt to total assets, a minimum EBITDA to interest cost cover and a minimum net worth (net assets). EBITDA to interest cost covenant applies only to stipulated test periods as outlined in the facility documents, being at the end of each financial year.

17 Borrowings (continued)

(b) Loan and overdraft facilities (continued)

The Group is in breach of the maximum gearing ratio, EBITDA to interest cost cover and minimum net worth covenants at 30 June 2017. However, waivers for these breaches for FY2017 have been obtained from DBS Bank Ltd. The Group continues to discuss loans and facilities with DBS Bank Ltd, including financial covenants, to ensure that appropriate facilities are in place based on the Group's forecast business requirements. Under the facilities, the Company and the Group have a negative pledge requirement to ensure that no security is created, or permitted to be created, or have outstanding any security on or over the whole or any part of the respective undertakings, assets, property, revenues or rights to receive dividends, present or future.

(ii) *Loan and overdraft interest*

Facilities	Approved Amount	Effective interest rate
Multi-currency Debt Issuance	SGD\$110 million	9.45%
DBS Term Loan	USD\$20 million	1 month LIBOR + 3.85%
DBS Short Term Loan	AUD\$30 million	4%
DBS Bridge Loan	AUD\$13.5 million	5%

(iii) *Loans and overdrafts are due as follows:*

	Group		Company	
	2017 AU\$'000	2016 AU\$'000	2017 AU\$'000	2016 AU\$'000
Within one year	41,058	139,187	41,058	136,736
Between one and five years	106,230	39,150	106,230	-
	147,288	178,337	147,288	136,736

(c) Obligations under finance leases and hire purchase

	Group			
	Minimum Lease Payments	Present value of Minimum Lease Payments	Minimum Lease Payments	Present value of Minimum Lease Payments
	2017 AU\$'000	2017 AU\$'000	2016 AU\$'000	2016 AU\$'000
Within one year	116	116	776	770
Between two and five years	-	-	43	43
	116	116	819	813
Future finance charges	-	-	(6)	-
Amount due for settlement	116	116	813	813

The Group leases certain of its software under unsecured finance leases. For the financial year ended 30 June 2017, the average effective interest rate was 5.5% (2016: 5.5%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

18 Accruals for other liabilities and charges

	Group	
	2017 AU\$'000	2016 AU\$'000
Current		
Annual leave	9,397	8,366
Redundancy allowance/rostered day off/sick leave	9,902	12,490
Long service leave	270	398
Fringe benefit tax payable	424	111
	<u>19,993</u>	<u>21,365</u>
Non-current		
Long service leave	1,160	1,543
Deferred income	-	606
	<u>1,160</u>	<u>2,149</u>

19 Provisions

	Group	
	2017 AU\$'000	2016 AU\$'000
Current		
Re-instatement provision	-	299
Onerous lease provision	-	1,281
	<u>-</u>	<u>1,580</u>
Non-current		
Re-instatement provision	-	434
Onerous lease provision	-	6,873
	<u>-</u>	<u>7,307</u>
Total provisions	<u>-</u>	<u>8,887</u>

(a) Movements in provisions

	Re-instatement provision AU\$'000	Onerous lease provision AU\$'000	Total AU\$'000
Movement in provisions			
Carrying amount at start of the year	733	8,154	8,887
Reversal of provision	(733)	(8,154)	(8,887)
Carrying amount at end of year	<u>-</u>	<u>-</u>	<u>-</u>

Provisions for onerous leases and re-instatement costs relate to property which will not be in use by the Group following closure of Fabrication and Manufacturing Singapore operations in FY2017.

On 25 January 2017, the Group has entered into a deed of surrender with the lessor under which the parties agreed to early termination of the Lease Agreement and surrender of the property with effect from 31 January 2017. The provision is released to offset against any cost impact associated with the terms of the Deed of Surrender.

20 Share capital

	Group and Company	
	2017 AU\$'000	2016 AU\$'000
Ordinary shares issued and fully paid:		
Beginning of financial year	128,040	128,040
Shares issued through debt to equity exercise	28,245	-
End of financial year	<u>156,285</u>	<u>128,040</u>

Ordinary shares have no par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share at meetings of the Company.

	Group and Company	
	2017	2016
Number of issued shares:		
Opening balance	740,432,016	740,432,016
Shares issued through debt to equity exercise	623,615,499	-
Closing balance	<u>1,364,047,515</u>	<u>740,432,016</u>

On 30 June 2017, the Company issued 623,615,499 ordinary shares as a result of the settlement of the Exchange Offer and the completion of Ezion Loan Capitalisation. Refer Note 17 for further details.

21 Other reserves

	Group		Company	
	2017 AU\$'000	2016 AU\$'000	2017 AU\$'000	2016 AU\$'000
Other reserves:				
Capital reserve	(163)	(163)	(163)	(163)
Share based payment reserve	5,183	4,395	5,183	4,395
Foreign currency translation reserve	19,917	15,409	25,009	24,615
	<u>24,937</u>	<u>19,641</u>	<u>30,029</u>	<u>28,847</u>
Movements:				
Capital reserve:				
Beginning and end of financial year	<u>(163)</u>	<u>(163)</u>	<u>(163)</u>	<u>(163)</u>
Share based payment reserve:				
Beginning of financial year	4,395	3,114	4,395	3,114
Option expense net of options exercised (note 30)	788	1,281	788	1,281
At end of financial year	<u>5,183</u>	<u>4,395</u>	<u>5,183</u>	<u>4,395</u>
Foreign currency translation reserve:				
Beginning of financial year	15,409	14,058	24,615	20,112
Net currency translation difference of financial statements of foreign subsidiaries and the Company	4,508	1,351	394	4,503
At end of financial year	<u>19,917</u>	<u>15,409</u>	<u>25,009</u>	<u>24,615</u>

21 Other reserves (continued)

Share based payment reserve

(a) Share options

Share options were granted to non-executive directors, key management and employees under the AusGroup Share Option Scheme ("ASOS") which became operative on 15 October 2010.

Since the commencement of the ASOS, no options were granted at a discount to the market price. The options which were granted are exercisable after the first anniversary of the date of grant.

Once the options have vested, they are exercisable for a contractual option term of 5 years from the date at which the ASOS became operative. The options may be exercised in full or in part, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Prior to the commencement of the ASOS, share options were granted to key management and employees under the AusGroup Employee Share Option Scheme ("ESOS") which became operative on 23 July 2007, and was superseded by the ASOS.

During the period the ESOS was in operation, no options were granted at a discount to the market price. The options which were granted are exercisable up to a maximum of 33% during the period commencing after the first anniversary of the date of grant, up to a maximum of 66% during the period commencing after the second anniversary of the date of grant and up to a maximum of 100% during the period commencing after the third anniversary of the date of grant, and in case of options granted to non-executive directors, before the fifth anniversary of the date of grant and in the case of options granted to other than non-executive directors, before the tenth anniversary of the date of grant.

The options may be exercised in full or in part, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

Group and Company	No. of ordinary shares under option						Exercise price	Exercise period
	Beginning of financial year	Granted during financial year	Forfeited / lapsed during financial year	Exercised during financial year	End of financial year			
2017								
2009 Option 2 (ESOS)	121,000	-	(121,000)	-	-	\$0.16	25.02.2010 to 24.02.2019	
2008 Options (ESOS)	239,000	-	(120,000)	-	119,000	\$1.64	24.08.2008 to 23.08.2017	
	360,000	-	(241,000)	-	119,000			
Weighted average exercise price (\$)	1.14	0.00	0.90	0.00	1.64			
2016								
2012 Options (ASOS)	400,000	-	(400,000)	-	-	\$0.42	25.09.2013 to 15.10.2015	
2012 Options (ASOS)	200,000	-	(200,000)	-	-	\$0.41	20.02.2013 to 15.10.2015	
2011 Options (ASOS)	275,000	-	(275,000)	-	-	\$0.325	30.11.2012 to 15.10.2015	
2009 Option 2 (ESOS)	121,000	-	-	-	121,000	\$0.16	25.02.2010 to 24.02.2019	
2009 Options 1 (ESOS)	150,000	-	(150,000)	-	-	\$0.22	13.10.2009 to 12.10.2018	
2008 Options (ESOS)	423,000	-	(184,000)	-	239,000	\$1.64	24.08.2008 to 23.08.2017	
	1,569,000	-	(1,209,000)	-	360,000			
Weighted average exercise price (\$)	0.68	0.00	0.56	0.00	1.14			

Out of the outstanding options at 30 June 2017 of 119,000 (2016: 360,000) options, all the options have vested and are exercisable at the balance sheet date.

21 Other reserves (continued)

Share based payment reserve (continued)

(b) Options issued to Ezion Holdings Limited ("Ezion"), Captain Larry Johnson and Eng Chiaw Koon

As at 30 June 2014 Captain Larry Glenn Johnson was a director of the Company, and on 10 July 2014 Eng Chiaw Koon was appointed a director of the Company. On 27 June 2014 in accordance with a resolution of shareholders passed on 19 June 2014, 35,000,000 options to acquire ordinary shares in the Company were issued. Captain Larry Glenn Johnson was issued 15,000,000 options, while Eng Chiaw Koon was issued 20,000,000 options (of which 12,500,000 were held in trust and were to be issued to identified individuals who would assist in the new expanding business activities). Under the terms of the options, one quarter of the options vest on the first anniversary of the issue of the options and a further quarter each anniversary thereafter until all options have been vested. For the avoidance of doubt, there are no service conditions attached to the options issued to Captain Larry Glenn Johnson and Eng Chiaw Koon.

Due to the delay in commercialising the new business expanding activities, the 12,500,000 options had not been formally allocated to individuals and have been abandoned.

The options were issued at a strike price of S\$0.3675 and expire on 27 June 2019. The fair value of the options issued on 27 June 2014, determined using the Binomial Valuation Model, were calculated at S\$0.1888 per option and amounts to S\$6.6 million. The significant inputs into the model were share price of S\$0.4313 at the grant date, volatility of expected share price returns of 50%, dividend yield of 1.5% and annual risk free rate of 1.13%. The volatility measured as the standard deviation of expected share price returns was based on statistical analysis of share prices over the last 5 years. During the year ended 30 June 2017, the Company has incurred a share based payments expense of AU\$0.6million (FY2016 : AU\$1.2 million) in respect of the options issued to Captain Larry Johnson and Eng Chiaw Koon.

As approved by Shareholders at the Extraordinary General Meeting held on 19 June 2014, the 110,000,000 options issued to Ezion is part of an effort to raise funds for the Group's expansions via the strategic investment by Ezion as a substantial shareholder. Following the issue and allotment of these options on 27 June 2014, the options to Ezion are exercisable from that date. The value associated with these options granted to Ezion have not been recognised as the Company treated the transaction as a capital raising exercise with a shareholder of the Company.

(c) Share scheme

The AusGroup Share Scheme 2010 ("the ASS") for employees of the Group (including any executive director) and/or a subsidiary was approved by shareholders and adopted on 15 October 2010. The ASS is a long term performance incentive scheme which forms an integral part of the Group's incentive compensation program.

The vesting of shares under the scheme is based on the Group meeting certain prescribed earnings per share ("EPS") and/or comparative total shareholder return ("TSR") conditions. Meeting the EPS target allows an employee to vest a maximum of 60% of the total amount of shares applicable to that period and meeting the TSR target allows for a maximum of 40% of the total amount of shares applicable to that period to vest. Employees become eligible to enter the completion of 3 years' service with the company at 30 June of a particular financial year or at the discretion of the board. Once an employee is invited to and accepts the offer under the ASS the employee will only vest in shares under the ASS if the Group meets the prescribed EPS and/or TSR conditions within 5 years of that employee entering the ASS. Some employees met the service condition for entering the ASS in 2008, 2009, 2010, 2011 and 2012. The scheme allows for the vesting of the shares to be cumulative within the 5 year window, should at any point within the 5 years the Group meet the EPS and/or TSR targets the employee is entitled to the cumulative amount of the shares applicable to the element for that particular financial year.

21 Other reserves (continued)

(c) Share scheme (continued)

Group and Company	No. of ordinary shares under rights				End of financial year
	Beginning of financial year	Granted during financial year	Forfeited during financial year	Vested during financial year	
2017					
2010 rights (ASS)	13,498	-	-	-	13,498
2011 rights (ASS)	107,898	-	-	-	107,898
2012 rights (ASS)	239,372	-	(167,328)	-	72,044
	<u>360,768</u>	<u>-</u>	<u>(167,328)</u>	<u>-</u>	<u>193,440</u>
2016					
2009 rights (ASS)	60,420	-	(60,420)	-	-
2010 rights (ASS)	162,068	-	(148,570)	-	13,498
2011 rights (ASS)	1,580,110	-	(1,472,212)	-	107,898
2012 rights (ASS)	455,560	-	(216,188)	-	239,372
	<u>2,258,158</u>	<u>-</u>	<u>(1,897,390)</u>	<u>-</u>	<u>360,768</u>

The number of unissued ordinary shares of the company in relation to the scheme outstanding at the end of the financial year was 193,440 (30 June 2016: 360,768).

The Group did not meet the relevant TSR (Total Shareholder Return is based on a comparable peer group) targets for the financial year ended 30 June 2017 and hence no ordinary shares are expected to be issued under the share scheme.

22 Revenue from continuing operations

	Group	
	2017 AU\$'000	2016* AU\$'000
Contract revenue	357,367	404,721
Sale of goods	371	4,043
Hire revenue	70,670	43,964
Port & Marine services	6,552	18,092
	<u>434,960</u>	<u>470,820</u>

*See Note 29

23 Other operating income

	Group	
	2017 AU\$'000	2016* AU\$'000
Interest income	246	519
Profit on sale of property, plant and equipment	113	2,031
Net foreign exchange income/(loss)	6	(468)
Other income	529	1,052
	<u>894</u>	<u>3,134</u>

*See Note 29

24 Impairment of non-current assets

The Group performs its impairment testing for goodwill annually on 30 June. In addition, market conditions are monitored for indications of impairment for all the Group's operating assets. Where an indication of impairment is identified, a formal impairment assessment is performed.

The Group has identified the following indicators of impairment at 30 June 2017 which has led the Group to assess the recoverable value for CGUs:

- market conditions in both Australia and internationally remain challenging as the reduction in capital and maintenance spend across the industry continues; and
- delays in full commercialisation of Port Melville, such that the Port and Marine CGU is currently operating at a significantly reduced capacity.

(a) Impairment charges recognised in the financial statements

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

Impairment of CGUs based on year end assessment	Method	2017	Method	2016
		Impairment charge AU\$'000		Impairment charge AU\$'000
Port and Marine	FVLCD*	-	FVLCD	136,067
Fabrication and Manufacturing – Singapore	FVLCD	-	FVLCD	6,817
Total		-		142,884
Impairment based on assessment of individual asset values	Method		Method	
Fabrication and Manufacturing – Australia	FVLCD	-	FVLCD	1,522
Projects	FVLCD	-	FVLCD	1,293
Access Services	FVLCD	-	FVLCD	1,600
Maintenance Services	FVLCD	-	FVLCD	123
Corporate	FVLCD	-	FVLCD	316
Total		-		147,738

*Fair value less costs of disposal

(i) Material impairment assessment of CGUs for the year

Port and Marine: Fair value less costs of disposal basis

Management engaged an independent external expert specialising in valuation of similar assets to assist in determining the recoverable value of the CGU. The valuation model uses an income based approach, and is based on the present value of expected cash flows in the business over the life of the right to operate the port held by the Group. The fair value measure was categorised as level 3 fair value based on the inputs in the valuation techniques used.

The recoverable amount of the Port and Marine CGU is estimated to be \$81.3 million (2016: \$70.0 million) on a FVLCD basis. The carrying amount of the CGU as at 30 June 2017 was \$73.3 million (2016: \$70.0 million). There is no impairment recognised in the year (2016: \$136.1 million).

Fabrication and Manufacturing – Singapore: Fair value less costs of disposal basis

This CGU has been closed and is a discontinued operation. There are no further impairments required and as a result, no impairment has been recognised in the year (2016: \$6.8 million).

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

During the prior year certain property, plant and equipment and other intangible assets were assessed for under-utilisation or redundancy which resulted in an impairment of \$4.9 million in 2016. No similar impairment triggers have been identified in the year.

24 Impairment of non-current assets (continued)

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

Australian based CGUs

Projects: Value in use (VIU)

The recoverable amount of the Projects CGU based on a VIU is estimated to be \$115.7 million (2016: \$52.2 million based on VIU). The carrying amount of the CGU as at 30 June 2017 was \$35.5 million (2016: \$7.3 million). No impairment has been recognised in the year (2016: \$Nil).

Access Services: Value in use

The recoverable amount of the Access Services CGU based on a VIU is estimated to be \$41.3 million (2016: \$58.7 million based on VIU). The carrying amount of the CGU as at 30 June 2017 was \$37.9 million (2016: \$47.3 million). No impairment has been recognised in the year (2016: \$Nil).

Maintenance Services: Value in use

The recoverable amount of the Maintenance Services CGU based on a VIU is estimated to be \$50.3 million (2016: \$32.8 million based on VIU). The carrying amount of the CGU as at 30 June 2017 was \$8.9 million (2016: \$20.5 million). No impairment has been recognised in the year (2016: \$Nil).

Fabrication and Manufacturing: Value in use

The recoverable amount of the Fabrication and Manufacturing - Australia CGU based on a VIU is estimated to be \$4.7 million (2016: \$10.5 million based on VIU). The carrying amount of the CGU as at 30 June 2017 was \$4.5 million (2016: \$9.4 million). No impairment has been recognised in the year (2016: \$Nil).

(b) Key assumptions

Impairment testing is an area involving significant management judgement. The calculation of recoverable amounts, particularly in relation to VIU models and where the present value of future cash flows is used as the basis to determine FVLCD, has required management to select appropriate assumptions in order to determine the most appropriate impairment result.

(i) Key assumptions in VIU models

The key assumptions used to determine the value in use for the relevant Australian based CGUs mentioned above where that CGU has either material goodwill or impairments recognised in 2016 or 2017 are based on a discount rate of 17.6% (pre-tax discount rate applied to cash flow projections) and a growth rate of 1.3% (weighted average growth rate used to extrapolate cash flow beyond the initial forecast period based on management budgets of five years).

(ii) Key assumptions in FVLCD models

In 2017 the recoverable amount has been determined on a FVLCD basis for the Port and Marine CGU, with the valuation principle based on the present value of future cash flows. The following sets out the key assumptions in the Port and Marine FVLCD model.

The operations included in the valuation model of the Port and Marine CGU are based on the activity of Port Melville, related assets and the activity of the supply base located in Darwin. The port commenced operations in November 2015 and following the re-structuring of the CGU at the end of FY2016, the CGU was reassessed and changes were made to the operating model, to ensure that the business model reflected a more focused and targeted service offering based on marine fuel sales and woodchip sales. The main focus of the Port Melville operations based on these two activities is to provide the platform for the oil and gas operators to utilise not just the option of more accessible fuel but also the use of the Port Melville industrial precinct and storage laydown facilities.

The delays in the full commercialisation of the port caused by not receiving the Northern Territory (NT) environmental approvals have been removed having received approval from the NT Environmental department for the right to operate and provide port services in late 2016 following procedural clearance from the NT Environment Minister and the CGU is now actively developing plans for commercialisation of the business based primarily on establishing a fuel sales revenue stream.

In the prior year, the Group engaged external specialists in the field of Port and Marine Services with specific expertise in the economic forecast for oil and gas developments, to perform a FVLCD valuation on a discounted cash flow basis as at 30 June 2016 of the oil and gas related opportunities for the Port and Marine CGU. The value derived from the woodchip and fuel sales revenue stream assumptions have been added to expert's valuation to determine the FVLCD for the current year.

24 Impairment of non-current assets (continued)

(b) Key assumptions (continued)

Forecast revenue assumptions

Fuel Supply & Sales

The provision of marine fuel from the Port Melville base will provide alternatives to the current supply options from Darwin and other ports targeting a diverse range of potential clients operating in various industries and will include Australian Commonwealth Government departments, oil and gas exploration, production and service companies, commercial maritime transport industry, international specialist vessels, domestic market consumption, NT Government requirements (i.e. power generation and industrial market requirements) - these departments and industry sectors require fuel for their operations and currently are restricted to a single supply point in Darwin.

Management has conducted research into the market for fuel in the NT region and has sought independent advice from a marine fuel expert. This advice has provided inputs into the market volumes, customer profiling, pricing strategies at play in the market and overall fuel supply chain methodologies to assist with determining key assumptions for the FVLCD model.

The Group's research has determined that there is opportunity to provide an alternative fuel supply base on Port Melville to the Port of Darwin and will target market penetration initially concentrated on the domestic markets and then leveraging off this to secure supply contracts within the international markets.

Port and Marine will establish a marketing network working with oil and gas clients to establish market volumes required to support the asset base.

Port and Marine Services also provides services to the Tiwi Islands and vessels servicing NT waters such as port services and accommodation and with the intended expansion of marine fuel services to include fuel sales, storage and laydown services and provide an industrial precinct. The expansion of these services is intended to elevate Port & Marine to be a sustainable ongoing concern by creating a multi service business providing services to the oil and gas market, general marine market and continuing to support the local Tiwi community.

Woodchips sales

The other key source of revenue included in the Port and Marine valuation is the revenue earned on the woodchip sales which includes royalties and port service income. There is ample resource on Tiwi Island to service this industry and the client requirements for the life of the model as they adopt more mature plantation and forestry techniques.

Other sales revenues (Oil and Gas exploration)

The market share attributed to Port Melville in relation to servicing the oil and gas industry in exploration basins within the proximity of Port Melville has been based on the independent expert's assessment of the overall market, combined with a review of other competing facilities in the area, in order to capture the share expected to be attributable to the Port Melville operation through successful award of oil and gas contracts.

The independent valuation expert's report was produced at the end of calendar year 2016 and is still relevant for 2017. The report has considered revenue from expected/foreseeable contracts based on the current operations of Port Melville, ongoing discussions with potential customers as advised by management and from Port Melville, associated with the oil and gas exploration sector. The approach taken to modelling forecast revenue has been bottom up, beginning with a view on oil and gas activity expected to take place in the catchment area. From this assessment, typical tonnage and fuel assumptions through ports have been estimated, which form the basis of a view on total revenues. These revenues have then been risk adjusted according to the ability of Port Melville to secure them.

Over the life of the right to operate the port (valid until 2059), the total market has been assessed based on the current activity in the area, but has also taken into account possible development and capital spend in oil and gas as this may lead to additional revenue streams when these projects come online. These include development of various fields, primarily within the Bonaparte Basin, but excludes revenue for development of fields currently expected to occur after 2035 as the income is not considered to have sufficient certainty at this stage. Revenue has been included for the full valuation period up to 2059 for some other areas, where the Group has existing revenue streams, as there is considered to be a greater level of certainty attached to these items.

The value of the revenue streams identified above has been determined based on application of the Group's published port tariff.

24 Impairment of non-current assets (continued)

(b) Key assumptions (continued)

Other revenue (storage and laydown services)

Other revenue included in the model relates to similar revenue which may arise from future potential contracts which are currently being discussed, and from laydown and storage rental to oil and gas customers. The same port tariff has been applied to these sources of revenue as for direct oil and gas revenues described above.

Discount rate

The discount rate applied to the valuation model was 11.2% post tax nominal (pre-tax equivalent: 16.0% for the Port and Marine business). It was prepared by a second independent advisor to determine the most appropriate rate to apply to the forecast cash flows, after considering risk adjusted forecast oil and gas revenue and the current operations of the Port and Marine business which are not linked to the oil and gas industry.

Other assumptions

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

Area	Basis of assumption
Port tariff	The rates used in the valuation are based on the Group's current published tariff table. Historic data concerning annual increases in port tariff applied by other ports has been used in order to determine the inflation rate used in the calculation of model revenue in future years. The forecast tariff rates were benchmarked by the independent expert based on their prior experience in valuing ports.
Fuel Volumes	Fuel sales have been determined after research into the total NT / Darwin market volumes for prior years and factoring in expected growth for 2018 and 2019 (base years for the model). Growth in volumes has been assumed based on a growing market share as market participation and penetration increases.
Fuel Sales	Prices have been based on market research and through discussions with stakeholders to determine a range of values that could be determined for the domestic based customers and a different sales mix for the international customers. The independent fuel sales expert has provided indications on likely sales price ranges indicative of the respective market sectors.
Fuel Prices (cost of purchase)	Prices have been determined by obtaining quotations from current market leading suppliers and comparing on a comparative basis. The prices have all been quoted for deviation costs from the normal shipping routes to call at Port Melville and have been included as a sunk cost in all pricing.
Costs	The costs used in the valuation model are consistent with the current operating costs required to operate the facilities at East Arm, Darwin, Port Melville and cargo vessels and are deemed appropriate to operate the facilities in future years.
Capex	The level of Capex in the valuation model has been determined based on what is required to develop a full service offering to support the business operations foreseen in the model. The majority of Capex already spent on the Port Melville assets (approximately \$60m pre-impairments) relates to the fuel farm and the three 10 million litre tanks.
Period of cash flows	The model has been based on the remaining term of the right to operate the port already held in the Group (terminates in 2059). No activity has been assumed beyond the current term of this right and no terminal value has been assumed. Please also refer to discussion of forecast revenue above which highlights a distinction in assumptions adopted pre and post 2035 based on assessment of the level of certainty attached to particular revenue streams.
Cost inflation	Costs have been assumed to increase based on the consumer price index.

24 Impairment of non-current assets (continued)

(b) Key assumptions (continued)

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

- Estimates of revenue are partially dependent on securing contracts in relation to specific customer projects which have not yet commenced in all chosen market sectors including the oil and gas industries and in the newly developed target markets of potential marine fuel sales over the remaining 42 year asset life, and although management remain confident that there will be projects available to support the revenue assumptions, there is uncertainty that all these projects will be available or that Port Melville will capture the proportion of these projects foreseen in the model (refer to note 24 (c) in relation to sensitivities in revenue);
- Fuel prices may vary over time and therefore the amount of inventory held at any one time will be estimated such that there are sufficient volumes to meet imminent shipping requirements in order to avoid price erosion on margins based on spot sales contracts.
- Market penetration and market share criteria data are largely untested and will have to be proven in order for a successful order consumption as this underpins the basis of the valuation model
- Some of the projected revenue is also dependent on activity in the oil and gas industry which tends to be cyclical and therefore modelled activity may differ in timing and/or extent from that actually experienced in the coming years.
- Estimates of fuel volumes available in the market are determined by management's best estimates based on available market information coupled with considered opinion from the independent fuel expert.
- There are other ports, including Port Darwin, operating in the area which may take a different proportion of the market than projected, although projections of estimated revenue volume (which in turn is a key driver of other key model inputs such as estimated costs and capital expenditure) have taken into account the relative positions of these ports and therefore the risk in this area has been carefully considered.

Please refer to note 24 (c) for numerical information regarding the sensitivity of the impairment charge recognised to reasonably possible changes in key assumptions. This includes the key assumption of revenue, but also considers other reasonably possible changes in the most significant assumptions discussed in this section.

(c) Sensitivity of impairment models to changes in assumptions

The following table sets out the sensitivity of the Group's results in relation to reasonably possible changes in assumptions used in determining recoverable value in relation to CGUs where impairments have been recognised in the year:

	Potential increase/ (decrease) in impairment charge 2017 \$'million
Port and Marine	
Fuel sales price decreased by 5%	(11.6)
Fuel sale price increased by 5%	11.6
Fuel volumes increased by 10%	9.0
Fuel volumes decrease by 10%	(9.0)
Discount rate increased by 1.0%	(9.2)
Discount rate decreased by 1.0%	11.3
Revenue port tariffs increased by 10%	(3.1)
Revenue port tariffs decreased by 10%	3.1

25 Expenses by nature

Profit/(loss) from continuing operations has been determined after charging:

	Group	
	2017 AU\$'000	2016* AU\$'000
Included in cost of sales:		
- Materials	4,008	8,426
- Subcontract works	3,973	13,650
- Impairment of inventory	-	5,054
Depreciation of property, plant and equipment:		
- Included in cost of sales	8,969	8,214
- Included in administrative expenses	587	3,982
Total depreciation charge	<u>9,556</u>	<u>12,196</u>
Amortisation of other intangible assets		
- included in cost of sales	751	128
- included in administrative expenses	2,093	3,435
Total amortisation charge (note 13)	<u>2,844</u>	<u>3,563</u>

	Group	
	2017 AU\$'000	2016* AU\$'000
Employee compensation		
- included in cost of sales	341,175	371,043
- included in operating and administrative expenses	19,400	29,455
Total employee compensation (note 30)	<u>360,575</u>	<u>400,498</u>
Operating lease payment	10,329	16,793
Research and development tax credits reversal/(offset) against qualifying expenditure	-	10,014
Audit fees:		
Auditor of the Company (KPMG)	122	-
Other auditors (KPMG)	308	-
Auditor of the Company (PwC)	-	144
Other auditors (PwC)	-	710
Non-audit fees:		
Auditor of the Company (KPMG)	246	-
Auditor of the Company (PwC)	-	22
Other auditors (PwC)**	-	1,435

*See Note 29

** Included in the non-audit fee, PricewaterhouseCoopers (PwC) Australia has performed a tax consultancy service in relation to AGC Australia Pty Ltd's (a subsidiary of the Group) 2013 and 2014 tax lodgement in FY2016.

26 Finance costs

	Group	
	2017 AU\$'000	2016* AU\$'000
Note interest	8,789	8,147
Bank loan interest	7,805	7,183
Bank fees	323	433
Bank guarantee fees	174	131
Finance leases and hire purchase	13	7
	<u>17,104</u>	<u>15,901</u>

*See Note 29

27 Income tax expense

	Group	
	2017 AU\$'000	2016* AU\$'000
Income tax expense:		
Current tax expense	2,023	(226)
Deferred tax expense	(216)	8,398
Under/(over) provision of current tax in prior periods	1,767	(878)
	<u>3,574</u>	<u>7,294</u>

Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:

Decrease in deferred tax assets (note 14)	3,745	23,215
Decrease in deferred tax liabilities (note 14)	(3,961)	(14,817)
	<u>(216)</u>	<u>8,398</u>

	Group	
	2017 AU\$'000	2016* AU\$'000
Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit / (loss) before taxation from continuing operations	<u>6,709</u>	<u>(218,918)</u>

Reconciliation

Tax calculated at domestic tax rates applicable to profits in the respective countries	2,312	(65,710)
Tax effect of non-assessable items	(191)	-
Tax effect of non-deductible items :		
- Non-deductible expenses	-	292
- Stock options	145	202
- Interest	188	-
- Research and Development derecognised against qualifying expenditure	-	3,004
Deferred tax asset not recognised :		
- Current year tax losses	1,289	16,585
- Research and Development tax credits not recoverable	-	30,040
- Other tax benefits not brought to account	-	23,759
- Other	18	-
Non-recoverable withholding tax credits	1,225	-
Previously un-recognised tax losses utilised	(3,179)	-
Under/(over) provision of current tax in prior periods	1,767	(878)
	<u>3,574</u>	<u>7,294</u>

*See Note 29

28 Earnings per share

The calculation of basic earnings per ordinary share is based on the Group's net profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares outstanding during the financial year as follows:

	2017 Number of shares	2016 Number of shares
Issued and paid-up ordinary shares as at 30 June	<u>1,364,047,515</u>	<u>740,432,016</u>
	2017 AU\$'000	2016 AU\$'000
Profit / (loss) attributable to the owners of the Company:		
- from continuing operations	3,300	(225,560)
- from discontinued operation	<u>1,438</u>	<u>(32,710)</u>
	<u>4,738</u>	<u>(258,270)</u>

(a) Basic earnings/(loss) per share

	2017 Number of shares	2016 Number of shares
Weighted average number of ordinary shares on issue	<u>742,140,552</u>	<u>740,432,016</u>
	2017 Cents	2016 Cents
Basic (loss)/earnings per share (AU\$ cents per share)		
- from continuing operations	0.4	(30.5)
- from discontinued operation	<u>0.2</u>	<u>(4.4)</u>
	<u>0.6</u>	<u>(34.9)</u>

(b) Diluted earnings per share

	Number of shares	Number of shares
Weighted average number of ordinary shares on issue	742,140,552	740,432,016
Adjustments for calculation of diluted earnings per share:		
Share rights	<u>193,440</u>	<u>360,768</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>742,333,992</u>	<u>740,792,784</u>
	2017 Cents	2016 Cents
Diluted earnings per share (AU\$ cents per share)*		
- from continuing operations	0.4	-
- from discontinued operation	<u>0.2</u>	<u>-</u>
	<u>0.6</u>	<u>-</u>

*Diluted earnings per share for 2016 is not disclosed as it is anti-dilutive.

29 Discontinued operation

(a) Description

On 23 August 2016, the Company disclosed the closure of Singapore Fabrication and Manufacturing businesses. Hence, Fabrication and Manufacturing operations in Singapore was classified as discontinued operations. In accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, prior periods' figures in the consolidated statement of comprehensive income have been re-presented to disclose discontinued operations.

(b) Results of discontinued operation

	2017 AU\$'000	2016 AU\$'000
Revenue	1,830	10,968
Cost of sales	<u>(2,281)</u>	<u>(23,434)</u>
Gross loss	(451)	(12,466)
Other operating income	2,559	660
Expenses	(307)	(22,693)
Finance cost	<u>(363)</u>	<u>(128)</u>
Profit/(loss) before tax from discontinued operations	1,438	(34,627)
Income tax expenses	<u>-</u>	<u>(1,917)</u>
Net profit/(loss) from discontinued operation	1,438	(32,710)
Basic earnings per share (cents)	0.2	(4.4)
Diluted earnings per share (cents)	0.2	(4.4)

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

	2017 AU\$'000	2016 AU\$'000
Cash flows from/ (used in) discontinued operations		
Net cash used in operating activities	(6,761)	(11,712)
Net cash generated from investing activities	3,445	6,409
Net cash generated from financing activities	<u>3,225</u>	<u>4,598</u>
Net cash used in discontinued operations	<u>(91)</u>	<u>(705)</u>

30 Employee compensation

	Group	
	2017 AU\$'000	2016* AU\$'000
Salaries and other short-term employee benefits	329,108	373,153
Employer's contribution to defined contribution plans including superannuation and Central Provident Fund	18,836	17,801
Employee share option scheme expense (refer to note 21)	788	1,281
Termination benefits	<u>11,843</u>	<u>8,263</u>
	<u>360,575</u>	<u>400,498</u>

Included in the employee compensation cost is an amount of AU\$4.1 million in relation to restructuring costs in FY2016.

*See Note 29

31 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sale of services

	Group	
	2017	2016
	AU\$'000	AU\$'000
Sale of services to entities controlled by Ezion ⁽¹⁾	1,706	1,443

a substantial shareholder of the Company that has a significant influence over the Company

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

(b) Purchases of goods and services

	Group	
	30 June 2017	30 June 2016
	AU\$'000	AU\$'000
Purchases of material from Australasian Insulation Pty Ltd ("AIS") an entity related to a director of the Company, Barry Alfred Carson ^{(1) (2)}	-	650
Management fee and reimbursement of expenses paid on behalf by Ezion Holdings Limited ⁽³⁾	57	61
Charter of vessel from Teras Offshore Pte Ltd ⁽³⁾ a subsidiary of Ezion Holdings Limited	281	11,041
Charter of vessel from Teras Maritime Pty Ltd ⁽³⁾ a subsidiary of Ezion Holdings Limited	492	1,081
Interest charges and rental of accommodation village from Aus Am Pte Ltd ⁽²⁾	1,048	2,800

a subsidiary of Charisma Energy Services Limited, whereby Ezion Holdings Limited has 42% interest

(1) Barry Alfred Carson retired as director on 29 October 2015, the amount represents the transactions up to the date of his retirement.

(2) The transactions are done under commercial terms that reflect transactions done at arm's length.

(3) The transactions are done in line with the IPT mandate as approved by shareholders.

31 Related party transactions (continued)

(c) Key management personnel

	Group	
	2017	2016
	AU\$'000	AU\$'000
Salaries and other short-term employee benefits	4,014	4,594
Termination benefits	526	176
Employer's contribution to defined contribution plans including superannuation and Central Provident Fund	114	173
Employee share option scheme expense	589	1,147
	<u>5,243</u>	<u>6,090</u>

Included in the above is total compensation to executive directors and non-executive directors of the Company of AU\$1.3 million (2016: AU\$ 2.8 million).

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

	Group	
	2017 AU\$'000	2016 AU\$'000
Current payable relating to service received from entities controlled by Ezion	(16,416)	(16,986)
Current payable relating to rental of accommodation village from Aus Am Pte Ltd	(2,718)	(2,200)

(e) Advances (from) / to subsidiaries

Company	Total due AU\$'000	Provision for doubtful debts AU\$'000	Total AU\$'000
2017			
Due from subsidiaries	221,923	(123,028)	98,895
Due to subsidiaries	(7,996)	-	(7,996)
2016			
Due from subsidiaries	176,936	(127,422)	49,514
Due to subsidiaries	(8,951)	-	(8,951)

(f) Loan from substantial shareholder

	Group	
	2017 AU\$'000	2016 AU\$'000
Beginning of the year	39,150	34,946
Interest charged	1,968	3,086
Repayment through Ezion Loan Capitalisation	(7,674)	-
Currency translation differences	(1,460)	1,118
End of the year (note 17)	<u>31,984</u>	<u>39,150</u>

The Group has an unsecured loan with Ezion, a substantial shareholder of the Company which is denominated in United States Dollars. The amount outstanding as at 30 June 2017 in United States Dollars was US\$24.6 million, equivalent to AU\$32.0 million (2016: US\$29.1 million, equivalent to AU\$39.1 million). This loan accrues interest at 5% (2016: 8%) per annum capitalised to the loan balance. Repayment of the loan is due after 31 December 2018. During the year, part of the loan was repaid through a debt to equity exercise. Refer Note 17(b) for further details.

32 Commitments and contingent liabilities

(a) Capital commitments

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

	Group	
	2017 AU\$'000	2016 AU\$'000
Property, plant and equipment / Intangible assets	<u>2,171</u>	<u>285</u>

(b) Operating lease commitments - Group as lessee

The Group leases various properties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities are as follows:

(i) Future minimum lease payments

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date are as follows:

	Group	
	2017 AU\$'000	2016 AU\$'000
Within one year	4,780	10,693
Later than one year but not later than five years	12,430	34,580
Later than five years	<u>886</u>	<u>15,986</u>
	<u>18,096</u>	<u>61,259</u>

On 25 January 2017 the Group entered into a deed of surrender with one of its lessors to terminate and surrender the premises, with minimum lease payments included above of AU\$8.4 million in FY2016, with effect from 31 January 2017.

(ii) Amounts recognised in profit or loss

	Group	
	2017 AU\$'000	2016 AU\$'000
Total rental expense relating to operating leases	<u>10,329</u>	<u>20,564</u>

(c) Operating lease commitments - where the Group is a lessor

The Group receives a fixed monthly fee for the leasing out of the port area facility and staging area for wood chips pending shipment.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group	
	2017 AU\$'000	2016 AU\$'000
Within one year	458	432
Later than one year but not later than five years	<u>1,277</u>	<u>1,735</u>
	<u>1,735</u>	<u>2,167</u>

(d) Bank guarantees

Bank guarantees to a total of AU\$30.9 million (2016: AU\$43.9 million) and surety bonds to a total of AU\$26.7 million (2016: AU\$28.6 million) have been issued on behalf of the Group by banks to secure contractual performance obligations.

33 Segment information

Description of segments

Management has determined the operating segments based on the reports reviewed by the Senior Management Team that are used to make strategic decisions. The Senior Management Team has been identified as the chief operating decision maker and comprises the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer - AGC and NT Port & Marine, the Chief Operating Officer - MAS, the Executive General Manager - Business Services and the Group General Manager Strategy & Development.

The Senior Management Team considers the business from both a business segment and geographic perspective. Management manages and monitors the business primarily based on business segment, although the operations of Fabrication and Manufacturing are further split geographically between Australia and Singapore operations. Inter-segment revenue transactions are performed on an arms-length basis and eliminated on consolidation. Other services included within the Group are investment holding and the provision of support services. The results of these operations are included in the "others / corporate" column.

The Senior Management Team assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation, amortisation and impairment ("adjusted EBITDA").

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Projects	Provides construction services include structural, mechanical, piping (SMP), painting, insulation and fireproofing (PIF) and engineering procurement and construction (EPC).
Access Services	Provide access services include scaffolding, engineering and design, labour supply and stock control, logistics, transportation and rope services.
Fabrication and manufacturing	There are two separate operating segments allocated by geographic area, being Singapore and Australia. Both the operating segments provide turnkey solutions to the oil and gas sector through all phases of the asset lifecycle from exploration, construction, commissioning and operation through to maintenance and repair and decommissioning. Singapore segment is now discontinued - refer Note 29.
Maintenance Services	Provides preventative and breakdown maintenance services as well as shut down services and sustaining capital works.
Port & Marine Services	Provides a full range of support services to the offshore oil and gas industry through the provision of marine services including door to door transport of high, wide and heavy cargoes to remote, undeveloped and environmentally sensitive locations.

33 Segment information (continued)

(a) Segment information provided to the Senior Management Team for the reportable segments for the year ended 30 June is as follows:

Group 2017	Projects AU\$'000	Access Services AU\$'000	Fabrication & Manufacturing - Australia AU\$'000	Fabrication & Manufacturing - Singapore (Discontinued) AU\$'000	Maintenance Services AU\$'000	Port & Marine Services AU\$'000	Corporate/ Unallocated AU\$'000	Elimination AU\$'000	Total AU\$'000
TOTAL REVENUE									
Revenue from external customers	146,080	230,791	5,992	1,830	45,545	6,552	-	-	436,790
Inter-segment revenue	(7,755)	7,755	-	-	-	-	-	-	-
Revenue	138,325	238,546	5,992	1,830	45,545	6,552	-	-	436,790
RESULTS									
Adjusted EBITDA	18,950	26,955	(505)	1,876	4,393	(6,043)	(11,312)	-	34,314
Depreciation and amortisation	(1,402)	(5,083)	(866)	(88)	(28)	(2,403)	(2,617)	-	(12,487)
Interest income	1,760	3,824	982	13	491	8,334	20,951	(36,096)	259
Interest expense	(235)	(1,352)	-	(363)	-	(17,632)	(33,981)	36,096	(17,467)
Impairment losses	-	(525)	-	-	(1,488)	-	-	-	(2,013)
Net gain on partial debt restructure	-	-	-	-	-	-	5,541	-	5,541
Profit / (Loss) before tax	19,073	23,819	(389)	1,438	3,368	(17,744)	(21,418)	-	8,147
ASSETS									
Total segment assets	66,282	94,595	10,524	2,327	13,031	97,264	28,190	-	312,213
Additions to non-current assets (other than financial assets and deferred tax)	147	6,716	13	-	-	1,286	523	-	8,685
LIABILITIES									
Total segment liabilities	26,315	57,164	600	5,156	4,070	20,758	174,852	-	288,915

33 Segment information (continued)

(a) Segment information provided to the Senior Management Team for the reportable segments for the year ended 30 June is as follows:

Group 2016	Projects AU\$'000	Access Services AU\$'000	Fabrication & Manufacturing - Australia AU\$'000	Fabrication & Manufacturing - Singapore (Discontinued) AU\$'000	Maintenance Services AU\$'000	Port & Marine Services AU\$'000	Corporate/ Unallocated AU\$'000	Elimination AU\$'000	Total AU\$'000
TOTAL REVENUE									
Revenue from external customers	67,707	231,965	15,742	10,968	137,314	18,092	-	-	481,788
Inter-segment revenue	(17,553)	17,553	-	-	-	-	-	-	-
Revenue	<u>50,154</u>	<u>249,518</u>	<u>15,742</u>	<u>10,968</u>	<u>137,314</u>	<u>18,092</u>	<u>-</u>	<u>-</u>	<u>481,788</u>
RESULTS									
Adjusted EBITDA	8,278	23,611	(2,283)	(24,751)	17,903	(11,933)	(35,315)	-	(24,490)
Depreciation and amortisation	(1,956)	(4,946)	(1,350)	(1,948)	(70)	(4,534)	(2,903)	-	(17,707)
Interest income	806	1,746	129	289	-	10,954	22,803	(36,166)	561
Interest expense	(179)	(1,036)	-	(128)	(1,483)	(19,158)	(29,965)	36,166	(15,783)
Impairment losses	(14,696)	(1,474)	(23,749)	(8,087)	(11,405)	(136,398)	(317)	-	(196,126)
Profit / (Loss) before tax	<u>(7,747)</u>	<u>17,901</u>	<u>(27,253)</u>	<u>(34,625)</u>	<u>4,945</u>	<u>(161,069)</u>	<u>(45,697)</u>	<u>-</u>	<u>(253,545)</u>
ASSETS									
Total segment assets	<u>39,502</u>	<u>106,469</u>	<u>14,509</u>	<u>10,478</u>	<u>21,894</u>	<u>97,770</u>	<u>32,040</u>	<u>-</u>	<u>322,662</u>
Additions to non-current assets (other than financial assets and deferred tax)	<u>1,002</u>	<u>7,215</u>	<u>-</u>	<u>259</u>	<u>-</u>	<u>9,258</u>	<u>535</u>	<u>-</u>	<u>18,269</u>
LIABILITIES									
Total segment liabilities	<u>18,206</u>	<u>58,846</u>	<u>1,499</u>	<u>17,257</u>	<u>3,631</u>	<u>61,866</u>	<u>176,224</u>	<u>-</u>	<u>337,529</u>

The Group's wholly-owned Australian entities have implemented the tax consolidation legislation. As a consequence, the Australian entities are taxed as a single entity and deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. The deferred tax assets and liabilities relate to the tax consolidated group as a whole and are not treated as assets and liabilities belonging to the individual segments but as unallocated assets and liabilities.

(b) Segment assets for reportable segments

The amounts provided to the Senior Management Team with respect to total assets are measured in a manner consistent with the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Senior Management Team monitors the property, plant and equipment, intangible assets, inventories and receivables attributable to each segment.

33 Segment information (continued)

(b) Segment assets for reportable segments (continued)

Reportable segments' assets are reconciled to total assets as follows:

	Group	
	2017	2016
	AU\$'000	AU\$'000
Segment assets for reportable segments	284,023	290,622
Cash and cash equivalents	19,174	16,716
Other receivables and prepayments	3,511	7,954
Property, plant and equipment	225	791
Intangible assets	5,170	6,579
Deferred tax assets	110	-
	<u>312,213</u>	<u>322,662</u>

(c) Segment liabilities for reportable segments

The amounts provided to the Senior Management Team with respect to total liabilities are measured in a manner consistent with the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Senior Management Team monitors the trade payables, other payables, borrowings and accruals attributable to each segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Group	
	2017	2016
	AU\$'000	AU\$'000
Segment liabilities for reportable segments	114,063	161,305
Trade payables	2,543	4,797
Other payables	19,914	26,594
Borrowings	147,404	139,763
Accruals for other liabilities and charges	2,592	3,093
Deferred tax liabilities and current tax payable (including set off of deferred tax pursuant to set-off provisions)	2,399	1,977
	<u>288,915</u>	<u>337,529</u>

33 Segment information (continued)

(d) Other segment information

	Revenue AU\$'000	%	Segment assets AU\$'000	%	Non-current assets (Exclude deferred tax assets) AU\$'000	%
2017						
Australia	432,517	99.0%	283,820	90.9%	129,024	95.6%
Singapore	3,882	0.9%	27,869	8.9%	5,794	4.3%
Thailand	300	0.1%	168	0.1%	145	0.1%
Malaysia	91	0%	356	0.1%	27	0%
Total	<u>436,790</u>	<u>100.0%</u>	<u>312,213</u>	<u>100.0%</u>	<u>134,990</u>	<u>100.0%</u>
2016						
Australia	437,984	90.9%	276,706	85.8%	135,316	89.6%
Singapore	30,453	6.3%	41,742	12.9%	15,439	10.2%
Thailand	13,351	2.8%	4,214	1.3%	194	0.1%
Total	<u>481,788</u>	<u>100.0%</u>	<u>322,662</u>	<u>100.0%</u>	<u>150,949</u>	<u>100.0%</u>

34 Events occurring after the reporting period

- (i) *Proposed settlement of an amount owing by the Company of approximately AUD\$2.7 million via the proposed placement*

On 30 June 2017, the Company entered into a subscription agreement (the "Subscription Agreement") with Suntera Limited (the "Subscriber") pursuant to which the Company agreed to allot and issue to the Subscriber, and the Subscriber agreed to subscribe for, an aggregate of 49,202,971 new ordinary shares in the capital of the Company at an issue price of S\$0.058 per new Share, as full and final settlement of AU\$2,717,878.41 (equivalent to S\$2,853,772.33 based on the exchange rate as at 30 June 2017 of AU\$1 : S\$1.05) outstanding and owing by the Company to the Subscriber subject to approval of SGX-ST. For the avoidance of doubt, no proceeds will be raised by the Company in connection with the Subscription. The settlement was completed on 13 July 2017.

As a result of the debt conversion performed, the Group recorded a one off net gain of AU\$0.5 million from movements in the Company's share price between the offer and the settlement date.

- (ii) *Proposed invitation to Noteholders to offer to exchange outstanding notes to the Company for new ordinary shares*

On 11 September 2017, the Company announced that it was proposing to undertake an invitation to Noteholders to offer to exchange Notes for new ordinary shares in the capital of the Company (the "Shares"), fractional entitlements to be disregarded (the "Exchange Offer"). Salient terms of the Exchange Offer are detailed below.

- The issue price (the "Issue Price") of each New Share is S\$0.058.
- The consideration payable to each Noteholder is such number of New Shares equivalent in value to the sum of:
 - (i) the aggregate principal amount of Notes offered for exchange and accepted for exchange by the Group; and
 - (ii) the interest accrued and unpaid on such Notes accepted for exchange by the Group, from and including 20 September 2017.

The offer period of the Exchange Offer is between 11 September 2017 and 28 September 2017. The settlement date of the Exchange Offer is expected to be 29 September 2017, subject to approval of SGX-ST.

35 Litigation and claims

(i) *Teras Cargo Transport (America) LLC*

The Group, through its wholly owned subsidiary, Teras Global Pte Ltd, is party to legal proceedings in relation to its receivable balance due from Teras Cargo Transport (America) LLC ("TCTA"). The Group chartered one vessel and three barges to TCTA under four different charter-parties.

A Statement of Claim ("SOC") was issued to TCTA on 23 March 2016 in relation to unpaid balances for the one vessel and three barges. TCTA served a Statement of Defence and Counterclaim on 4 May 2016 denying the Group's claim. Further, TCTA alleged that the Group had breached its charter-parties with TCTA as it failed to ensure that the barges were available to perform the charter-parties with TCTA. As a result, TCTA is counterclaiming for a sum related to the loss it has suffered flowing from the Group's alleged breach. The Group denies TCTA's counterclaim.

Subsequent to the counterclaim being received, a settlement was reached in relation to the three barges and the invoices initially claimed by the Group for the three barges were settled. In addition, the Group discovered that there were several unpaid invoices that were not included in the initial claim, so the Group therefore issued an amended SOC on 21 September 2016 to take these changes into account.

The SOC incorporated in the Statement of Claimant's Case has been filed under a matter of arbitration under the International Arbitration Act, with the Group having lodged its Statement of Claimant's Case and amended SOC on 21 September 2016. TCTA have filed their Statement of Defence and Counter-Claim on 11 November 2016. The Group served the amended Statement of Reply on 5 January 2017. Since that date, the arbitration has been proceeded on the basis of a 'documents only' arbitration.

In August 2017, witness statements were provided to the arbitrator. The matter is on-going at the date of this report. Included in trade receivables is management's best estimate of the amounts expected to be recovered.

(ii) *Karara Mining Limited*

Action is ongoing in the Supreme Court of Western Australia in relation to claims submitted to Karara Mining Limited ("KML") by AGC Industries Pty Limited ("AGCI"), a wholly owned subsidiary of the Group, in relation to its contracted works completed in 2013. On 26 March 2016, AGCI submitted a claim to the court for an amount of AU\$23.8 million for amounts AGCI consider due under the contract and several meetings with KML have proved fruitless. The trial for the case was heard in March 2017 and oral closing submissions were heard in June 2017. The decision by the judge is not expected until Q3 FY2018. Included in trade receivables is management's best estimate of the amounts expected to be recovered.

Shareholdings Statistics as at 12 September 2017

Class of equity securities	: Ordinary share
No. of equity securities	: 1,413,250,486
No. of treasury shares	: Nil
No. of Subsidiary Holdings Held	: Nil
Voting rights	: One vote per share

Analysis of Shareholdings

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	10	0.13	198	0.00
100 – 1,000	136	1.82	126,688	0.01
1,001 - 10,000	2,866	38.42	20,845,154	1.48
10,001 - 1,000,000	4,397	58.94	333,430,813	23.59
1,000,001 and above	51	0.69	1,058,847,633	74.92
	7,460	100.00	1,413,250,486	100.00

Top 20 Shareholders

TOP 20 SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	DBS Nominees Pte Ltd	454,402,292	32.15
2	Ezion Holdings Limited	272,821,736	19.30
3	Maybank Kim Eng Securities Pte Ltd	66,017,757	4.67
4	Raffles Nominees (Pte) Ltd	35,260,958	2.50
5	Morgan Stanley Asia (S) Sec Pte Ltd	26,685,600	1.89
6	Barry Alfred Carson And Jennifer Margaret Carson	20,651,518	1.46
7	OCBC Securities Pte Ltd	15,587,600	1.10
8	Citibank Nominee Singapore Pte Ltd	14,821,288	1.05
9	UOB Kay Hian Pte Ltd	13,601,500	0.96
10	United Overseas Bank Nominees Pte Ltd	13,447,594	0.95
11	DBS Vickers Securities (S) Pte Ltd	12,852,000	0.91
12	Phillip Securities Pte Ltd	10,065,400	0.71
13	Emerald River Pty Ltd	8,908,896	0.63
14	CIMB Securities (S) Pte Ltd	6,550,612	0.46
15	OCBC Nominees Singapore Pte Ltd	6,525,100	0.46
16	DB Nominees (S) Pte Ltd	6,019,000	0.43
17	Tan Bee Hoe	4,600,000	0.33
18	HSBC (Singapore) Nominees Pte Ltd	4,162,494	0.29
19	Ng Kai Chong	4,162,494	0.29
20	Tan Siew Chai	4,162,494	0.29
		1,001,306,333	70.83

Shareholdings Statistics as at 12 September 2017 (continued)

Shareholdings Held in Hands of Public

Based on information available to the Company and to the best knowledge of the Company as at 12 September 2017, approximately 63% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 12 September 2017)

Names of Substantial Shareholders	No. of shares in which shareholders have a direct interest	%	No. of shares in which shareholders are deemed to have an interest	%
Ezion Holdings Limited	272,821,736	19.30	-	-
Poh Boon Kher Melvin (1)	133,199,808	9.43	-	-
Bernard Toh Bee Yong (2)	104,062,350	7.36	-	-

Notes:

- (1) The 133,199,808 shares are registered in the name of DBS Nominees Pte Ltd.
- (2) The 104,062,350 shares are registered in the name of DBS Nominees Pte Ltd.

This page has been left blank intentionally

This page has been left blank intentionally

This page has been left blank intentionally

Company Information

Board of Directors

Mr Stuart Maxwell Kenny
Non-Executive Director and Chairman

Mr Eng Chiaw Koon
Managing Director and Executive Director

Mr Shane Kimpton
Chief Executive Officer and Executive Director

Ms Ooi Chee Kar
Independent Non-Executive Director

Mr Wu Yu Liang
Independent Non-Executive Director

Mr Chew Heng Ching
Independent Non-Executive Director

Audit Committee

Ms Ooi Chee Kar (Chair)

Mr Wu Yu Liang

Mr Chew Heng Ching

Nominating Committee

Mr Chew Heng Ching (Chair)

Ms Ooi Chee Kar

Mr Stuart Maxwell Kenny

Remuneration and Human Capital Committee

Mr Wu Yu Liang (Chair)

Mr Chew Heng Ching

Mr Stuart Maxwell Kenny

Company Secretaries

Mr Lee Tiong Hock

Ms Ngiam May Ling

Registered Office

15 Hoe Chiang Road, #12-05 Tower Fifteen

Singapore 089316

T +65 6309 0555

F +65 6222 7848

E info@agc-ausgroup.com

Share Registrar and Share Transfer Office

M & C Services Private Limited

112 Robinson Road #05-01

Singapore 068902

Company Registration Number

200413014R

Website

www.agc-ausgroup.com

Principal Place of Business

Level 1, 18-32 Parliament Place
West Perth Western Australia 6005
Australia

T +61 8 6210 4500

F +61 8 6210 4501

E info@agc-ausgroup.com

Auditors

KPMG LLP

16 Raffles Quay #22-00

Hong Leong Building

Singapore 048581

Partner-in-Charge: Chiang Yong Torng

Date of Appointment: 17 May 2016

Internal Auditors

Deloitte Touche Tohmatsu

Tower 2, Brookfield Place

123 St Georges Terrace

Perth, Western Australia 6000

Australia

Solicitors

Morgan Lewis Stamford LLC

10 Collyer Quay

#27-00 Ocean Financial Centre

Singapore 049315

Bankers

DBS Bank Ltd

12 Marina Boulevard

Level 46

DBS Asia Central @ Marina Bay Financial Centre

Tower 3

Singapore 018982

SINGAPORE OFFICE

15 Hoe Chiang Road
#12-05 Tower Fifteen
Singapore 089316

T +65 6309 0555
F +65 6222 7848
E info@agc-ausgroup.com

AUSTRALIA OFFICE

Level 1, 18-32 Parliament Place
West Perth 6005
Western Australia

T +61 8 6210 4500
F +61 8 6210 4501
E info@agc-ausgroup.com

www.agc-ausgroup.com