
Announcement pursuant to Rule 704(5) of the Listing Manual

As a replacement due to an incorrect announcement category used on 30th September 2021, pursuant to Rule 704(5) of the Listing Manual, the Board of Directors of AusGroup Limited (the "Company") together with its subsidiaries (the "Group") wishes to announce that the independent auditor of the Company, KPMG LLP, has issued a qualified opinion in their Independent Auditor's Report dated 28 September 2021 for the financial statements of the Company and the Group for the financial year ended 30 June 2021.

Please refer to the copy of the aforementioned Auditor's Report (Appendix 1), together with an extract of the relevant notes to the Financial Statements (Appendix 2) for further information.
30 September 2021 announcement and state

By Order of the Board
AusGroup Limited

Shane Francis Kimpton
Managing Director
11 October 2021

Issued by AusGroup Limited.

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ABOUT AUSGROUP LIMITED

With more than 30 years of experience, AusGroup is an established project and asset services provider. We create ongoing value for our clients across construction and maintenance environments. Through our subsidiaries AGC, MAS and NT Port and Marine, we provide specialty services to the energy, resources, industrial, utilities and port & marine sectors. For more information, visit www.ausgrouppltd.com

Appendix 1 - Independent auditor's report to the members of AusGroup Limited

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of AusGroup Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 30 June 2021, 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 33 to 96.

In our opinion, except for the possible effects of the comparative information described in the *Basis of qualified opinion* section of our report, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for qualified opinion

Our opinion on the financial statements for the year ended 30 June 2020 included a disclaimer of opinion as 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. As at 30 June 2020, the Group's net carrying values in property, plant and equipment (Note 11) and intangible assets (Note 14) deployed in the Port and Marine cash-generating unit ("CGU") were AU\$26.2 million and AU\$12.5 million respectively. Accordingly, we were unable to determine whether any adjustments were necessary in respect of the Group's opening carrying amounts of property, plant and equipment and intangible asset related to the Port and Marine CGU as at 1 July 2020 together with the opening balance of accumulated losses as at 1 July 2020; and the corresponding net profit in the consolidated statement of comprehensive income and the cash flow items within the cash flows from operating activities reported in the consolidated statement of cash flows for the year ended 30 June 2020.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 18 of the financial statements which states the carrying value of the Multi-currency notes (the "Notes") of AU\$39.2 million as at 30 June 2021 maturing on 3 December 2022. Note 2 sets out various fund-raising transactions considered necessary by the Group to have the Notes settled when due, should the maturity date of these Notes not be further extended. These fund-raising transactions include new proceeds from assets sale and/or business sale and/ or equity injection and/or additional debt financing facilities. As at the date of this report, none of these fund-raising transactions has reached conclusion with the relevant parties involved. As such, these conditions indicate a material uncertainty that the Notes may not be settled when due.

Our opinion is not modified in respect of the aforementioned paragraph.

Independent auditor's report to the members of AusGroup Limited (continued)

Report on the audit of the financial statements (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Impairment risk over the Port and Marine cash-generating unit ("CGU")</i>	
The key audit matter	How the matter was addressed in our audit
<p>As at 30 June 2021, the Group's carrying amounts in property, plant and equipment (Note 11) and intangible assets (Note 14) deployed in the Port and Marine cash-generating unit ("CGU") were AU\$25.1 million and AU\$12.2 million respectively, net of accumulated impairment losses of AU\$112.3 million and AU\$73.8 million respectively. Of the Company's non-current assets of AU\$90.8 million as at 30 June 2021, AU\$38.2 million relates to investments in subsidiaries carrying the Port and Marine CGU.</p> <p>As disclosed in Note 24 to the financial statements, the Group engaged an external professional valuer to assist with re-estimating the recoverable amount of the Port and Marine CGU based on a value in use method, calculated using discounted cash flows from Port and Marine operations.</p> <p>As the carrying amount for the CGU was assessed to sit within a range of the recoverable amount, no additional impairment loss nor any reversal of previously recognised impairment loss was considered necessary.</p> <p>Forecasting of future cash flows is a highly judgemental process which requires estimation of revenue growth rates, discount rates and future economic conditions.</p>	<p>We evaluated whether the CGU was appropriately identified by management based on our understanding of the current business structure of the Group.</p> <p>We involved our valuation specialists in the overall assessment of the recoverable amount of the CGU.</p> <p>We evaluated the qualifications and competency of the external valuer. We also read the terms of the engagement of the valuer with the Group to determine whether there were any matters that might have affected the valuer's objectivity or limited the scope of their work.</p> <p>Our procedures also included an assessment over the reasonableness of the valuation model, key assumptions used by management and the independent valuer in developing the cash flow forecasts and the discount rates used in computing the recoverable amounts, which included but are not limited to:</p> <ul style="list-style-type: none"> • Considering management's expectations of the future business developments and corroborated certain information with market data; • Challenging the appropriateness of the cash flow forecasts used; • Comparing the discount rates and terminal growth rates to observable market data; and • Performing a sensitivity analysis of the key assumptions used to determine which reasonable changes to assumptions would change the outcome of the impairment assessment; and • Evaluating the Group's disclosures in the financial report against the requirements of the accounting standards.
Findings	
We found the identification of the CGUs to be reasonable and appropriate	
We found the model, key assumptions and estimates used by management and the external valuer to be within a supportable range.	

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in

the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report to the members of AusGroup Limited (continued)

Report on the audit of the financial statements (continued)

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 Act and SFRS(I)s, 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent auditor's report to the members of AusGroup Limited (continued)

Report on the audit of the financial statements (continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, 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

28 September 2021

Appendix 2 – Relevant extracts from the financial statements for the year ended 30 June 2021

2 Summary of significant accounting policies (extract)

(a) *Basis of preparation*

Preparation of the financial statements on a going concern basis

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.

During the year, the Group repaid all of its bank borrowings, continues to service its current debts and at 30 June 2021 there were no borrowings due to be repaid within one year from the balance sheet date or the date of authorisation of the financial statements; and at 30 June 2021, the cash balance of the Group was AU\$8.7 million. The Group's net current assets was AU\$31.2 million.

Non-current borrowings due after one year

The non-current borrowings of AU\$39.2 million relate to the Notes which have an expiry date of 3 December 2022 which is 17 months from the reporting date of 30 June 2021 and 14 months from the date of authorisation of the financial statements. The Group had on two past occasions, extended the Note repayment maturity date. The options to meet the repayment date include the extension of the Notes by agreement with the noteholders in 14 month's time, a re-financing of the Notes and/or a repayment of the Notes through an equity injection and / or asset sale.

The capital management options being pursued by the Group to efficiently manage its working capital requirements and non-current debt obligations include: non-core asset/business sales; financing secured by core assets; equity injection and debt facilities (collectively, the "fund raising transactions") however at the date of this report there could be some uncertainty whether these can be finalised over the next 14 months.

Inherent in cash flow forecasts there is inevitably some uncertainty that may cast doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. However due to the quantum of current secured contracts underpinned by a number of multi-year maintenance contracts across a diversified customer base, the Group will be able to generate positive operating cash flows in the next 12 months from the reporting date. These forecasts represent management's best estimate of revenues and costs in the coming periods and include cash inflows from secured contracts and new contracts from existing and new clients respectively.

Notwithstanding the uncertainties set out in the above paragraphs, the directors believe that the Group will be able to meet its obligations as and when they fall due. The directors are of the opinion that the preparation of the financial statements on a going concern basis remains appropriate.

11 Property, plant and equipment (extract)

Group	Freehold land AU\$'000	Freehold buildings AU\$'000	Leasehold land, buildings & infrastructure AU\$'000	Plant & equipment AU\$'000	Total AU\$'000
Cost					
At 1 July 2019	2,593	7,462	151,954	73,999	236,008
Additions	-	-	159	561	720
Disposals	-	-	(225)	(4,708)	(4,933)
Effect of movements in exchange rates	-	-	-	(99)	(99)
At 30 June 2020	2,593	7,462	151,888	69,753	231,696
Additions	-	-	628	1,124	1,752
Disposals	-	-	(90)	(3,390)	(3,480)
Effect of movements in exchange rates	-	-	-	(791)	(791)
At 30 June 2021	2,593	7,462	152,426	66,696	229,177
Accumulated depreciation and impairment losses					
At 1 July 2019	(1,213)	(2,499)	(93,378)	(53,834)	(150,924)
Depreciation	-	(177)	(1,853)	(3,093)	(5,123)
Disposals	-	-	204	4,128	4,332
Effect of movements in exchange rates	-	-	-	93	93
Impairment loss	-	-	(30,255)	-	(30,255)
At 30 June 2020	(1,213)	(2,676)	(125,282)	(52,706)	(181,877)
Depreciation	-	(177)	(1,253)	(2,627)	(4,057)
Disposals	-	-	77	2,762	2,839
Effect of movements in exchange rates	-	-	-	594	594
At 30 June 2021	(1,213)	(2,853)	(126,458)	(51,977)	(182,501)
Carrying amounts					
At 1 July 2019	1,380	4,963	58,576	20,165	85,084
At 30 June 2020	1,380	4,786	26,606	17,047	49,819
At 30 June 2021	1,380	4,609	25,968	14,719	46,676

At 30 June 2021, the carrying amount (net of impairment) of property, plant and equipment relating to the Port and Marine CGU amounted to AU\$25.1 million (2020: AU\$26.2 million).

14 Other intangible assets (extract)

Group	Exclusive right to operate port facility AU\$'000	Internally developed software and software licences AU\$'000	Customer contracts, relationships acquired via business combinations AU\$'000	Other intangible assets AU\$'000	Total AU\$'000
2020					
Cost					
Beginning of financial year	93,523	13,867	5,369	1,232	113,991
Additions	-	553	68	-	621
End of financial year	93,523	14,420	5,437	1,232	114,612
Accumulated amortisation and impairment					
Beginning of financial year	(60,506)	(12,763)	(5,369)	(1,232)	(79,870)
Amortisation charge (note 25)	(799)	(384)	-	-	(1,183)
Impairment loss	(19,745)	-	-	-	(19,745)
End of financial year	(81,050)	(13,147)	(5,369)	(1,232)	(100,798)
Carrying value at 30 June 2020	12,473	1,273	68	-	13,814
Group					
2021					
Cost					
Beginning of financial year	93,523	14,420	5,437	1,232	114,612
Additions	-	1,097	-	-	1,097
End of financial year	93,523	15,517	5,437	1,232	115,709
Accumulated amortisation and impairment					
Beginning of financial year	(81,050)	(13,147)	(5,369)	(1,232)	(100,798)
Amortisation charge (note 25)	(309)	(535)	-	-	(844)
End of financial year	(81,359)	(13,682)	(5,369)	(1,232)	(101,642)
Carrying value at 30 June 2021	12,164	1,835	68	-	14,067

18 Borrowings (extract)

	Group		Company	
	2021	2020	2021	2020
	AU\$'000	AU\$'000	AU\$'000	AU\$'000
Current				
Secured loans	-	4,996	-	4,996
Insurance premium funding	2,071	2,218	-	-
Lease liabilities	2,771	1,853	-	-
	4,842	9,067	-	4,996
Non-current				
Multi currency notes	39,282	41,270	39,282	41,270
Loan from substantial shareholder (note 31(f))	24,669	26,481	24,669	26,481
Insurance premium funding	27	431	-	-
Lease liabilities	11,426	12,349	-	-
	75,404	80,531	63,951	67,751
Total borrowings (interest-bearing)	80,246	89,598	63,951	72,747

Facility covenants

Multi currency notes

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

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

The Group has complied with the financial covenants on its Multi Currency notes.