AusGroup

Our values. Our people. Your needs.

2016

AusGroup Limited Annual Report

“Supporting our clients to build, maintain and upgrade.”

Contents

About Us

AusGroup

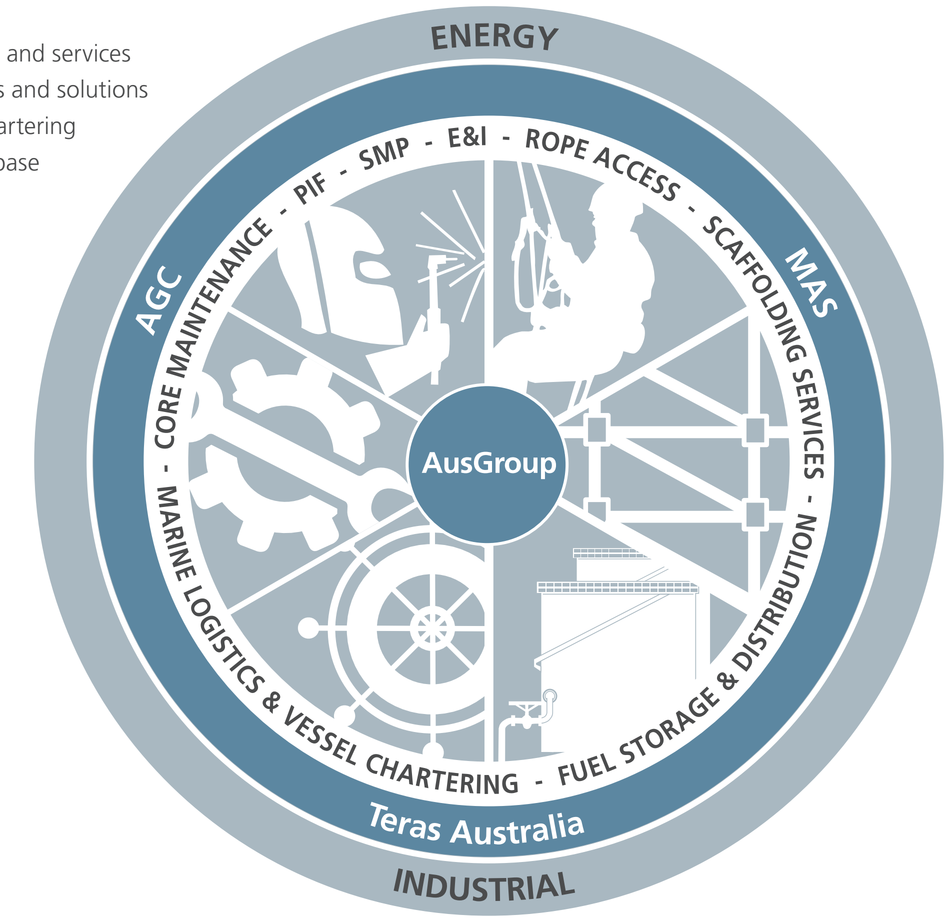
AusGroup offers a range of integrated service solutions to the energy and industrial sectors across Australia and South East Asia. Our diversified service offering supports clients at all stages of their asset development and operational schedule.

Through subsidiaries AGC, MAS and Teras Australia, we provide maintenance, construction, access services, fabrication and marine services. With over 28 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

- Core maintenance
- Shut downs and turnarounds
- Painting, insulation and fireproofing
- Structural, mechanical and piping
- Electrical and Instrumentation
- Complex structural and piping fabrication
- Refractory
- Turnkey access solutions
- Provision of scaffolding assets and services
- Provision of rope access assets and solutions
- Marine logistics and vessel chartering
- Onshore logistics and supply base
- Fuel storage and distribution
- Storage of lubes and water

> "we are committed to helping our clients to build, maintain and upgrade."



Our Values

AusGroup core values are considered in every decision we make as a business, enabling us to optimise service delivery and financial performance.

Safety & Wellbeing

We care about the safety and wellbeing of our people at our workplaces, the impact we have on the environment and the communities in which we work. We engage with, encourage and provide opportunities for our team members as we strive to achieve our goals.

Integrity

We are open, honest, consistent and fair in what we say, what we do and how we work together. We see reflection as a key enabler to making necessary improvements.

Accountability

We are responsible to each other and the teams in which we work.

We rely on each other to do the right thing to achieve our shared goals and aspirations. We are accountable for our words, our work and our actions.

Continuous Improvement

We find continuous improvement in everything we do. We value being the best we possibly can be – as an individual, as a team and as a Company.

Agility

We are value-focused at all times, embrace change, are resilient and agile in our delivery, and efficient and effective in our operations.

Courage

We innovate, we challenge and we improve in everything that we do. We take the initiative to challenge our performance, to push our boundaries and barriers and to continually improve ourselves and our Company.

Current Major Projects >$1M

Legend

Project Locations:

- Maintenance
- Fabrication
- Access Services

Our Locations

LNG Regions

Chairman and Managing Director's Report

Stuart Maxwell Kenny,
Non-Executive Chairman

The 2016 financial year has been challenging for the Group, our shareholders and our employees, with the business experiencing a period of significant transformation. Following a number of difficult decisions regarding unprofitable businesses, outstanding claim values and the size and cost of our operations, we have emerged with a stronger Group structure.

These decisions have been made against an industry background of continued low commodity prices, especially in the oil and gas market, as well as a substantial and rapid shift away from major CAPEX-based projects to the longer-term but very competitive OPEX maintenance and operational support market. We believe these changes will have a material impact, resulting in improved financial and operational performance in FY2017 and beyond.

Financial Performance

Our revenue for 2016 increased to AU$481.8 million, up from AU$427.4 million in the prior period – an increase of 13%. This was mainly driven by the MAS (Access Services) business, which delivered revenue of AU$232.0 million (up 62%) and our Maintenance Services business that contributed AU$137.3 million. The Projects division provided AU$67.7 million (14.1% of the total) with our Fabrication and Manufacturing business being impacted the most by the decrease in capital expenditure, contributing AU$26.7 million (5.5% of the total).

The AGC Group's overheads were reduced during the year, bringing our support costs in line with current industry best practice. This is expected to provide the Group with annualised savings of (48%) in relation to these costs in future years.

The quality of the Group's earnings was significantly impacted by a number of non-cash impairment write-offs, restructuring costs and operating losses from both the Fabrication (particularly Singapore) and the Port and Marine Services businesses.

In response to the Fabrication business losses, the Group has suspended operations at the Singapore facility and re-structured the facility in Kwinana to sustain significantly lower revenue values.

The Port and Marine Services business has been impacted by the delay in the commercialisation of the Port due to delays in environmental and regulatory approval processes and the reduction in oil and gas exploration activity in the region. This resulted in a non-cash impairment of these assets (refer to note 24 of the financial statements).

Despite the continued decline in capital projects across the oil and gas and resources sector, AusGroup's work in hand at 30 June 2016 remained strong at AU$239.7 million. We expect this level to be maintained into FY2017 as we continue to see growth in our maintenance contracts and expansion of scope in our construction contracts.

Eng Chiaw Koon,
Managing Director

Post year end, the Group has completed the previously announced negotiations with Noteholders, which have included an extension of current repayment terms to October 2018. The Group is also in the process of negotiating terms of its longer term banking facilities with its principal banker to ensure appropriate facilities are in place according to forecast business requirements.

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

Operational Review

In parallel with focusing on the close-out of historical claims and reducing our corporate overheads, the Company has also significantly strengthened the senior management team. New appointments include the following roles:

- Chief Operating Officer AGC
- Chief Operating Officer MAS
- Commercial Manager
- Project Services Manager
- Procurement Lead
- Operations Manager Kwinana

MAS achieved its highest revenue to date at AU$232.0 million along with a very solid profit figure. Whilst the markets in which MAS operate are becoming increasingly competitive, we are still forecasting a strong performance from MAS in FY2017.

Work on the INPEX-operated Ichthys LNG Project in Darwin for JKC was slower than expected during the year, due to the timing of the release of work fronts. We do however anticipate that this will change during the course of FY2017-2018 and expect project work with both our joint venture AMJV, and MAS, to be strong contributors to our FY2017 results.

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

Chairman and Managing Director's Report *continued*

> "As the market continues to move from large scale construction projects to smaller, but longer duration maintenance and operational support contracts, AusGroup will continue to transition accordingly."

The maintenance and operational support contracts for Chevron on both the Gorgon and Wheatstone projects have progressed well, albeit slowly, during FY2016.

As site accommodation becomes available during FY2017, we expect both contracts to positively impact our performance for a number of years to come.

The AusGroup Singapore business has underperformed during the financial year due to depressed oil and gas prices, which has had a direct impact on competition in the Singapore fabrication market. As a result, a decision was made to close this facility, which is expected to be completed during the first half of FY2017.

Our Port and Marine Services business was also severely impacted by the downturn in oil and gas prices, which has resulted in a drastic decrease in offshore exploration and production activity in the Northern Territory and surrounds. Whilst AusGroup's strategy for our Port and Marine Services business was, and still is, to commercialise and then refinance the facility, this process is taking longer than originally expected.

From an operational viewpoint, all costs are being reduced to an absolute minimum whilst at the same time not jeopardising our ability to attract work or clients for our already completed facilities.

Health, Safety, Sustainability and Quality

The safety and wellbeing of our people is a core value of everyone from the Board of Directors through to each employee across the Group.

Our Perfect Day philosophy is the means by which we communicate, encourage and recognise our proactive approach to safety. Perfect Day has built awareness that the choices we make at work ultimately impact our families, personal activities, our wellbeing and the community at large.

The Group's overall corporate safety result for the year was 1.7 Total Recordable Injury Frequency Rate per million man-hours worked (TRIFR) against our target of 3.0 which is a pleasing trend.

On the quality front, AusGroup has maintained certification to industry standards ISO9001, 14001, 18001 and AS4801. Compliance against these standards is verified by third party assurance processes and client audits, which we use to ensure continuous improvement.

Strategy and Outlook

As the market continues to move from large scale construction projects to smaller, but longer duration maintenance and operational support contracts, AusGroup will continue to transition accordingly. Some of the implications of this shift will be less reliance on fly-in, fly-out employees with a greater focus on local personnel wherever possible. Equally, the support to each of these longer-term contracts will rely more on local support bases rather than a centralised Perth-based facility. Together with our strategy of focusing on long term maintenance and operational contracts in the process and energy markets, we need to strengthen our balance sheet and reduce the amount of overall debt currently being serviced. During FY2017 we expect to make good progress in this regard.

Our Shareholders and Our People

On behalf of the Board of Directors, we would like to thank our shareholders, employees and suppliers for their continued support, patience and understanding during the challenging 2016 financial year. We believe the actions taken during this period, whilst difficult, were essential in providing the solid base on which to build a more sustainable and profitable future.

Stuart Kenny
Non-Executive Board Chairman

Eng Chiaw Koon
Managing Director

Board of Directors

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

Stuart Maxwell Kenny

Age 64, Australian

Non-Executive Director and Chairman

- Member of the Board of Directors
- Member of the Nominating Committee
- Member of the Remuneration and Human Capital 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

Age 54, Singaporean
DipMechEng

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.

Chew Heng Ching

Age 65, Singaporean
BE(Ind Eng), (Hons Class 1), BA(Econ)

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 and 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, Sinopipe Holdings Limited and Stratech Systems Limited. He also serves on the Board of Thye Hua Kwan Moral Charities and Ang Mo Kio-Thye Hua Kwan Hospital.

Mr Chew was the founding president of the Singapore Institute of Directors and chairman of its Governing Council from 1998 - 2009 and was a council member of Singapore Business Federation. He served on the Board of the Singapore International Chamber of Commerce from 1996 to 2015 and was chairman from 2005 - 2007.

Former Deputy Speaker of the Singapore Parliament and Member of Parliament from 1984 to 2006, Mr Chew was a Colombo Plan scholar and graduated in Industrial Engineering (Honours Class One) and Economics from the University of Newcastle, Australia. He also received an honorary PhD from the university.

Ooi Chee Kar

Age 61, Singaporean
BAcc (Hons), FCA (ISCA), FCA (ICAEW)

Independent Non-Executive Director

- Member of 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).

Wu Yu Liang

Age 56, Singaporean
LLB (2nd Upper Hons)

Independent Non-Executive Director

- Member of 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.

Stuart Maxwell Kenny
Non-Executive Director and Chairman

Eng Chiaw Koon
Executive Director and Managing Director

Chew Heng Ching
Independent Non-Executive Director

Ooi Chee Kar
Independent Non-Executive Director

Wu Yu Liang
Independent Non-Executive Director

Executive Management

Simon High

Age 63
BSc Civil Engineering

Chief Executive Officer

Mr High has over 40 years of experience in many aspects of the oil & gas, mining & industrial and infrastructure industries globally. Mr High was formerly the managing director and CEO of ASX listed Southern Cross Electrical Engineering (SCEE). Prior to that, Mr High held senior management and executive positions within Clough, United Construction and Kvaerner Oil & Gas.

Mr High has Australian and international experience in both project execution and corporate management and has established a proven track record in successful financial delivery, organisational turnaround, development of high performance teams and operating in depressed and highly competitive economic environments.

Mr High is a civil engineer and a Fellow of the Institute of Engineers Australia and Institute of Company Directors in Australia.

Christian Johnstone

Age 43
BAcc (Hons), MBA

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

Age 44
BSc Geology and Business/Marketing

Chief Operating Officer, AGC

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

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

Mr Stokes is responsible for the management of Engineering Service's operational activities including the projects, maintenance services, fabrication and manufacturing businesses.

Captain Chris Litowchak

Age 49
B.A. (Biology),1st Class Marine Pilot, Master 3

Chief Operating Officer, Teras Australia

Captain Chris Litowchak has over 25 years of international experience in the maritime industry. He is a certified Master, qualified to command vessels of up to 3000 tonnes.

Captain Litowchak was chief operations officer for a Tier 1 Marine Logistics Contractor on Chevron's Gorgon Project, located on Barrow Island from 2009-2016. He held the accountability and responsibility for the safety and security of all vessels and crews.

Captain Litowchak has a proven record as an innovative and solutions-based marine logistics professional which has been recognised by clients throughout his career. He has also been recognised for his leadership and mentoring of Indigenous Australian seafarers and cargo handlers on the projects on which he works.

Simon MacLeod

Age 57

Chief Operating Officer, MAS Australasia

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 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.

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

Financial Reports

AusGroup Limited
Annual Report

ABN 200413014R
30 June 2016

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/or 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, Remuneration and Human Capital and Health, Safety and Sustainability Committees, the details of which are set out below. Following the retirement of Barry Alfred Carson and Damien Marian O'Reilly as Directors in October 2015, the Board decided to reconstitute the Health, Safety and Sustainability Committee as a Management Committee. Accordingly, the Heath, Safety and Sustainability Committee no longer exists as a Board Committee.

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 25.

Corporate Governance (continued)

Board Composition and Guidance (Principle 2)

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

- Stuart Maxwell Kenny - Non-Independent and Non-Executive Chairman ("**NC**")
- 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

All Non-Executive Directors, except for Stuart Maxwell Kenny, are independent. The NC confirms that Independent Directors made up at least half of the Board for the financial year ended 30 June 2016.

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 the 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 NC 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 three 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 25. The Chairman is also the Lead Independent Non-Executive Director.

Nominating Committee (Principle 4) (continued)

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.

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	21 Oct 14	√	√
Eng Chiaw Koon	10 Jul 14	21 Oct 14	-	-
Ooi Chee Kar	17 Jan 14	29 Oct 15	-	-
Wu Yu Liang	20 May 14	21 Oct 14	√	√
Chew Heng Ching	14 Nov 14	29 Oct 15	-	-

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

Assessing Board Performance (Principle 5) (continued)

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.

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 so as 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 executive 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.

Corporate Governance

Procedures for Developing Remuneration Policies (Principle 7) (continued)

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 25.

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.

In the April 2016 to June 2016 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 2016, no 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.

Corporate Governance (continued)

Disclosure On Remuneration (Principle 9) (continued)

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 2016 is as follows (based on an average exchange rate of S$1.0087 : 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						
Barry Alfred Carson (1)	100%	0%	0%	0%	0%	100%
Damien Marian O'Reilly (1)	100%	0%	0%	0%	0%	100%
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%
S$500,000 to below S$750,000						
Stuart Maxwell Kenny	16%	12%	72%	0%	0%	100%
Gerard Patrick Hutchinson (2)	0%	88%	0%	0%	12%	100%
S$1,000,000 to below S$1,250,000						
Captain Larry Glenn Johnson (3)	0%	51%	0%	49%	0%	100%
Eng Chiaw Koon	0%	33%	3%	64%	0%	100%

(1) Retired on 29 October 2015

(2) Resigned on 13 February 2016

(3) Resigned on 29 October 2015

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 2016 is as follows (based on an average exchange rate of S$1.0087 : AU$1.00):

Corporate Governance

Disclosure On Remuneration (Principle 9) (continued)

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					
Brian Mark Johns (1)	69%	0%	0%	31%	100%
Michael Hamilton Nesbitt	99%	1%	0%	0%	100%
Paul Robert Birighitti (2)	91%	0%	0%	9%	100%
Christopher John Dargie	100%	0%	0%	0%	100%
Phillip Lodewikus Coetzer (3)	100%	0%	0%	0%	100%
James Nicholas Stokes (4)	61%	39%	0%	0%	100%
S$500,000 to below S$750,000					
Simon Robert High (5)	100%	0%	0%	0%	100%
Anthony John Tomic (6)	72%	28%	0%	0%	100%

(1) Resigned on 18 April 2016 and a termination payment was paid

(2) Resigned on 18 February 2016 and a termination payment was paid

(3) Resigned on 1 August 2016

(4) Appointed on 27 January 2016

(5) Appointed on 11 January 2016

(6) Ceased on 15 September 2016

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 2016 are as follows (based on an average exchange rate of S$1.0087 : AU$1.00) :

Employee	Family relationship	Fixed salary	Allowances & benefits	Total
S$100,000 to below S$150,000				
Matthew Kenny	Son of Stuart Maxwell Kenny (Chairman)	80%	20%	100%

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 14 to 16 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.

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;

Accountability (Principle 10) (continued)

- 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.

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

Corporate Governance

Audit Committee (Principle 12) continued

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 six 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, PricewaterhouseCoopers LLP Singapore, for the financial year ended 30 June 2016, 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 PwC network for audit services for the financial year ended 30 June 2016 were AU$0.5 million. The fees for non-audit services provided by them for the financial year ended 30 June 2016 were AU$1.5 million. PricewaterhouseCoopers Australia had assisted one of the Group's Australian subsidiaries, AGC Australia Pty Ltd with its FY13 and FY14 claim for income tax rebates under the research and development scheme in Australia and the Group incurred a total of AU$1.3 million (included in non-audit fees) for this service.

The total audit and non-audit fees paid/payable by the Group to PricewaterhouseCoopers Australia are insignificant to PricewaterhouseCoopers Australia, and the share of PricewaterhouseCoopers LLP Singapore's fee paid/payable by the Group is insignificant to the audit engagement partner's portfolio and PricewaterhouseCoopers 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.

PricewaterhouseCoopers LLP Singapore had expressed their intention not to seek re-appointment as external auditors at the forthcoming AGM. The Audit Committee has reviewed and deliberated on the proposed change of auditors and has recommended to the Board that KPMG LLP ("**KPMG**") be appointed in place of the retiring auditors, after taking into consideration the suitability and experience of KPMG. The appointment of KPMG is subject to shareholders' approval at the forthcoming Annual General Meeting.

Further information on the proposed change of auditors can be found in the Letter to Shareholders.

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

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 quarterly all cases reported and investigated.

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 following legislative reform in this area which took effect on 3 January 2016, 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.

Corporate Governance

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.

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 2016 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 interestedperson transactions conducted under shareholders' mandate pursuant to Rule 920
Australasian Insulation Supplies Pty Ltd	AU$650,366 (1)*	Not applicable
	USD$2,233,925 (2)*	USD$44,167 (4)**
		USD$6,845,851 (5)**
Ezion Holdings Limited		AUD$1,591,512 (5)**
		AUD$1,081,025 (6)**
		USD$1,045,585 (7)**
Aus Am Pte Ltd	AUD$2,800,000 (3)*	NA

(1) Purchase of specialised insulation materials.

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

(3) 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 29 October 2015.

Corporate Governance (continued)

Conduct Of Shareholder Meetings (Principle 16)

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.

Appendix 1

Summary of meetings of Board and Board Committees held during the financial year from 1 July 2015 to 30 June 2016:

	Board of Directors			Audit Committee ("AC")			Nominating Committee ("NC")			Remuneration And Human Capital Committee ("R&HCC")			Health, Safety and Sustainability Committee ("HSSC") (1)		
		No. of Meetings(2)			No. of Meetings(2)			No. of Meetings(2)			No. of Meetings(2)			No. of Meetings(2)	
	P	H	A	P	H	A	P	H	A	P	H	A	P	H	A
Executive Director															
Captain Larry Glenn Johnson (3)	M	3	2	-	-	-	-	-	-	-	-	-	M	1	1
Gerard Patrick Hutchinson (4)	M	4	4	-	-	-	-	-	-	-	-	-	-	-	-
Eng Chiaw Koon (5)	M	7	7	-	-	-	M	3	3	-	-	-	-	-	-
Non-Executive Director															
Stuart Maxwell Kenny (6)	C	7	6	-	-	-	-	-	-	-	-	-	-	-	-
Barry Alfred Carson (7)	M	2	2	-	-	-	M	2	1	M	2	2	-	-	-
Damien Marian O'Reilly (8)	M	2	2	-	-	-	-	-	-	M	2	1	C	1	1
Ooi Chee Kar (9)	M	7	7	C	6	6	M	1	1	-	-	-	-	-	-
Wu Yu Liang (10)	M	7	7	M	6	6	-	-	-	C	4	4	-	-	-
Chew Heng Ching (11)	M	7	6	M	6	6	C	3	3	M	2	2	-	-	-

Notes:

P - Position held as at 30 June 2016

H - Number of meetings held while a member

A - Number of meetings attended

C - Chairman

M - Member

(1) The HSSC was reconstituted as a Management Committee following the retirement of Mr Barry Alfred Carson and Mr Damien Marian O'Reilly as Directors in October 2015.

(2) Number of meetings held/attended during the financial year from 1 July 2015 (or from date of appointment or till the date of resignation of Director, where applicable) to 30 June 2016.

(3) Captain Larry Johnson resigned as Executive Director on 29 October 2015.

(4) Mr Gerard Patrick Hutchinson resigned as Managing Director on 13 February 2016.

(5) Mr Eng Chiaw Koon was appointed as Managing Director and ceased as NC member on 13 February 2016.

(6) Mr Stuart Maxwell Kenny was re-designated from executive board chairman to non-executive board chairman on 29 October 2015 and appointed as NC member on 13 February 2016.

(7) Mr Barry Alfred Carson retired as Non-Independent Director and Non-Executive Director, ceased as R&HCC chairman and NC member on 29 October 2015.

(8) Mr Damien Marian O'Reilly retired as Independent Director and Non-Executive Director, ceased as R&HCC member on 29 October 2015.

(9) Ms Ooi Chee Kar was appointed as NC member on 29 October 2015.

(10) Mr Wu Yu Liang was appointed as R&HCC chairman on 29 October 2015.

(11) Mr Chew Heng Ching was appointed as Deputy Board Chairman and R&HCC member on 29 October 2015.

Director's Statement

Directors' statement

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 2016.

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 19 to 85 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 2016 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
- 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 01.07.2015 or date of appointment, if later	At 30.06.2016	At 01.07.2015 or date of appointment, if later	At 30.06.2016
The Company				
No. of ordinary shares				
Stuart Maxwell Kenny	-	-	12,908,896	8,908,896

There was no change in the directors' interests in the ordinary shares of the Company between 30 June 2016 and 21 July 2016.

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 360,000 options remaining exercisable 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 the 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.

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 360,768 shares rights outstanding at the balance sheet date. The conditions pursuant to the ASS were not met as of 30 June 2016.

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.

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, 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. Assuming all of Ezion's options are exercised, the Company will receive additional net cash proceeds of S$40,425,000 that will be used to fund proposed expansion (70-80%) and general working capital (20-30%). The value associated with these options granted to Ezion has not been recognised in these financial statements as the Company has 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

4 Share option and share right schemes (continued)

(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
Directors					
Stuart Maxwell Kenny	ASOS	-	100,000	(100,000)	-
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					
Larry Glenn Johnson (1)	NA	-	15,000,000	-	15,000,000
Anthony John Tomic (2)	ESOS ,ASOS & ASS	-	1,495,000	(1,334,000)	161,000
Brian Mark Johns (3)	ASOS & ASS	-	466,000	(466,000)	-

(1) Resigned on 29 October 2015

(2) Ceased on 15 September 2016

(3) Resigned on 18 April 2016

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	-	9,966,000	(9,606,000)	360,000
ASOS	-	3,575,000	(3,575,000)	-
ASS	-	21,554,000	(21,193,232)	360,768
Total	**-**	**35,095,000**	**(34,374,232)**	**720,768**

(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 2016 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, PricewaterhouseCoopers LLP, will not be seeking re-appointment and KPMG LLP has been nominated by the Audit Committee to be the independent auditor for the ensuing year. The appointment is subject to shareholders' approval at the forthcoming Annual General Meeting.

On behalf of the Board of Directors

Stuart Maxwell Kenny
Non-Executive Chairman
Singapore

Eng Chiaw Koon
Managing Director
Singapore

24 November 2016

Independent Auditor's Report to the Members of AusGroup Limited

For the financial year ended
30 June 2016

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of AusGroup Limited (the "Company") and its subsidiaries (the "Group") set out on pages 19 to 85, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 30 June 2016, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

(a) The Group's non-current assets at 30 June 2016 include property, plant and equipment of A$50.7 million (note 11) and intangible assets of A$33.4 million (note 13) relating to the Port and Marine cash-generating-unit ("CGU").

As described in note 24(a) to the financial statements, management has estimated the recoverable amount of the Port and Marine CGU based on a fair-value-less-costs-of-disposal valuation model. We were unable to obtain sufficient appropriate audit evidence regarding the appropriateness of the various critical estimates and assumptions (note 24(b)) made by management in estimating the recoverable amount of the Port and Marine CGU, as the Group was unable to provide sufficient documentary support for these estimates and assumptions. Consequently, we were unable to determine whether any adjustment to the accompanying financial statements was necessary.

(b) The Group incurred a net loss of A$258,922,000 for the financial year ended 30 June 2016 and had net liabilities of A$14,867,000 as at that date. In addition, the Company had net liabilities of A$9,362,000 as at 30 June 2016. Furthermore, as described in note 2(a) to the financial statements, the ability of the Group and the Company to meet the terms and conditions of their borrowings is dependent on the ability of the Group and the Company to generate sufficient cash flow and their ability to successfully implement the various options referred to in the same note. These matters indicate the existence of material uncertainties that cast significant doubt about the ability of the Group and of the Company to operate as going concerns.

We were unable to obtain sufficient appropriate audit evidence regarding the ability of the Group and the Company to generate sufficient cash flow and the likely outcome of the options being considered by the Group and the Company. We were therefore unable to conclude whether the use of the going concern assumption, which has been adopted for the preparation of the accompanying financial statements, is appropriate. If the Group and the Company are unable to continue in operational existence for the foreseeable future, several adjustments would have to be made to the accompanying financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded. In addition, the Group and the Company may have to provide for further liabilities that might arise. The accompanying financial statements do not reflect these adjustments.

(c) Included in the Company's non-current assets at 30 June 2016 is an investment in a subsidiary of A$30.9 million (note 10(a)). The subsidiary holds investments in other subsidiaries that operate the Group's Port and Marine business. As described in note 10(a) to the financial statements, management has estimated the recoverable amount of the investment in subsidiary based on the recoverable amount of 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 as described in (a) above, we were unable to determine whether any adjustment to the accompanying financial statements was necessary.

As a consequence of the standalone materiality of these items and the possible impact upon other balances within the financial statements, we considered the potential impact to be pervasive to the overall financial statements.

Disclaimer of Opinion

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

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 paragraph, 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.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 24 November 2016

Balance Sheets

		Group		Company	
	Notes	**2016 AU$'000**	2015 AU$'000	**2016 AU$'000**	2015 AU$'000
ASSETS					
Current assets					
Cash and cash equivalents	5	**22,095**	38,647	**16**	-
Trade receivables	6	**132,864**	177,609	**-**	-
Other receivables and prepayments	7	**9,995**	11,878	**6,613**	626
Inventories	8	**6,759**	7,856	**-**	-
Due from subsidiaries	9	**-**	-	**-**	12,789
Total current assets		**171,713**	235,990	**6,629**	13,415
		-	-	**-**	-
Non-current assets					
Property, plant and equipment	11	**96,358**	181,642	**-**	-
Goodwill	12	**10,994**	13,530	**-**	-
Other intangible assets	13	**39,970**	94,500	**-**	-
Other receivables	7	**3,627**	2	**-**	-
Due from subsidiaries	9	**-**	-	**49,514**	158,654
Investments in subsidiaries	10	**-**	-	**83,632**	114,212
Deferred income tax assets	14	**-**	17,372	**-**	-
Total non-current assets		**150,949**	307,046	**133,146**	272,866
		-	-	**-**	-
Total assets		**322,662**	543,036	**139,775**	286,281
LIABILITIES					
Current liabilities					
Trade payables	15	**58,776**	77,736	**-**	-
Other payables	16	**65,225**	37,201	**3,357**	2,432
Due to subsidiaries	9	**-**	-	**8,951**	-
Borrowings	17	**139,957**	10,235	**136,736**	8,663
Accruals for other liabilities and charges	18	**21,365**	13,019	**-**	-
Current income tax liability		**-**	2,541	**93**	78
Provisions	19	**1,580**	-	**-**	-
Total current liabilities		**286,903**	140,732	**149,137**	11,173
Non-current liabilities					
Deferred income tax liabilities	14	**1,977**	2,601	**-**	-
Due to subsidiaries	9	**-**	-	**-**	9,740
Borrowings	17	**39,193**	156,823	**-**	121,013
Accruals for other liabilities and charges	18	**2,149**	1,449	**-**	-
Provisions	19	**7,307**	-	**-**	-
Total non-current liabilities		**50,626**	160,873	**-**	130,753
Total liabilities		**337,529**	301,605	**149,137**	141,926
Net assets		**(14,867)**	241,431	**(9,362)**	144,355

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

Balance Sheets (continued)

		Group		Company	
	Notes	**2016 AU$'000**	2015 AU$'000	**2016 AU$'000**	2015 AU$'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	20	**128,040**	128,040	**128,040**	128,040
Capital reserve	21	**(163)**	(163)	**(163)**	(163)
Share based payment reserve	21	**4,395**	3,114	**4,395**	3,114
Foreign currency translation reserve	21	**15,409**	14,058	**24,615**	20,112
(Accumulated losses) / Retained earnings		**(161,449)**	96,821	**(166,249)**	(6,748)
Total equity attributable to owners		**(13,768)**	241,870	**(9,362)**	144,355
Non-controlling interests		**(1,099)**	(439)	**-**	-
Total equity		**(14,867)**	241,431	**(9,362)**	144,355

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 2016

	Notes	Group 2016 AU$'000	2015 AU$'000
Revenue from continuing operations	22	**481,788**	427,412
Cost of sales		**(459,849)**	(368,060)
Gross profit		**21,939**	59,352
Other operating income	23	**3,548**	3,700
Other operating costs		**(37,074)**	(21,728)
Other losses			
- Impairment of trade receivables	6	**(48,388)**	(328)
- Impairment of property, plant and equipment	24	**(90,870)**	(200)
- Impairment of goodwill	24	**(2,535)**	(3,520)
- Impairment of other intangible assets	24	**(54,333)**	(277)
Administrative expenses		**(27,293)**	(19,852)
Marketing and distribution expenses		**(2,756)**	(1,916)
(Loss)/profit from operations	25	**(237,762)**	15,231
Finance costs	26	**(15,783)**	(7,476)
(Loss)/profit before income tax		**(253,545)**	7,755
Income tax expense	27	**(5,377)**	(1,545)
(Loss)/profit for the year		**(258,922)**	6,210
(Loss)/profit is attributable to:			
Equity holders of the Company		**(258,270)**	6,174
Non-controlling interests		**(652)**	36
		(258,922)	6,210
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Currency translation differences arising from consolidation		**1,343**	10,487
Total comprehensive (loss)/income for the year		**(257,579)**	16,697
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(256,919)**	16,704
Non-controlling interests		**(660)**	(7)
		(257,579)	16,697
(Loss)/earnings per share attributable to equity holders of the Company (AU$ cents per share)			
- Basic (loss)/earnings per share	28	**(34.9)**	0.9
- Diluted earnings per share*	28	**-**	0.9

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

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 2016

GROUP	Notes	Share capital AU$'000	Capital reserve AU$'000	Share based payment reserve AU$'000	Foreign currency translation reserve AU$'000	Retained earnings/ (Accumulated losses) AU$'000	Total AU$'000	Non-controlling interest AU$'000	Total equity AU$'000
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	29	-	-	1,281	-	-	1,281	-	**1,281**
		-	-	1,281	-	-	1,281	-	**1,281**
Balance at 30 June 2016		128,040	(163)	4,395	15,409	(161,449)	(13,768)	(1,099)	**(14,867)**
GROUP									
Balance as at 1 July 2014		99,599	(163)	886	3,528	90,647	194,497	-	**194,497**
Profit for the year		-	-	-	-	6,174	6,174	36	**6,210**
Other comprehensive income/(loss)		-	-	-	10,530	-	10,530	(43)	**10,487**
Total comprehensive income/(loss) for the year		-	-	-	10,530	6,174	16,704	(7)	**16,697**
Transactions with owners in their capacity as owners:									
Share issues	20	28,562	-	-	-	-	28,562	(432)	**28,130**
Share issue expenses	20	(121)	-	-	-	-	(121)	-	**(121)**
Employee share and option scheme expense	29	-	-	2,228	-	-	2,228	-	**2,228**
		28,441	-	2,228	-	-	30,669	(432)	**30,237**
Balance at 30 June 2015		128,040	(163)	3,114	14,058	96,821	241,870	(439)	**241,431**

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 2016

	Notes	Group 2016 AU$'000	2015 AU$'000
Cash flows from operating activities			
Net (loss)/profit for the year		**(258,922)**	6,210
Adjustments for:			
Income tax expense	27	**5,377**	1,545
Depreciation of property, plant and equipment	11	**14,144**	9,748
Amortisation of intangible assets	13	**3,563**	2,283
Employee share and share option scheme expense	29	**1,281**	2,228
Impairment of trade receivables	6	**48,388**	796
Impairment of property, plant and equipment	24	**90,870**	200
Impairment of goodwill	24	**2,535**	3,520
Impairment of intangible assets	24	**54,333**	277
Impairment of inventory	8	**5,054**	-
Allowance for foreseeable contract losses	15	**2,002**	-
Onerous lease provision costs	19	**8,154**	-
Re-instatement provision costs	19	**733**	-
Net foreign exchange differences		**(458)**	(149)
Profit on sale of property, plant and equipment	23	**(2,041)**	(1,575)
Interest income	23	**(561)**	(877)
Finance costs	26	**15,783**	7,476
Research and development tax write down/(credits)		**10,014**	(33,797)
Operating cash flows before working capital changes		**249**	(2,115)
Changes in operating assets and liabilities, net of effects from acquisition of business			
Trade receivables		**(3,643)**	(40,054)
Other receivables and prepayments		**(1,741)**	2,684
Trade and other payables		**(10,956)**	26,536
Accruals		**35,650**	(2,665)
Inventories		**(3,956)**	(1,710)
Cash generated from / (used in) operations		**15,603**	(17,324)
Interest paid		**(12,405)**	(7,043)
Interest received	23	**561**	877
Income tax (paid)/received		**(2,049)**	11,007
Net cash generated from / (used in) operating activities		**1,710**	(12,483)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**5,188**	4,685
Purchase of property, plant and equipment		**(25,873)**	(55,246)
Purchase of intangible assets		**(397)**	(1,661)

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

Consolidated Statement of Cash Flows (continued)

AusGroup Limited
For the year ended
30 June 2016

	Notes	**2016 AU$'000**	Group 2015 AU$'000
Release/(withhold) of restricted cash*	5	**13,894**	(25,509)
Net cash outflow on acquisition of subsidiary	32	**-**	(12,188)
Net cash used in investing activities		**(7,188)**	(89,919)
Cash flows from financing activities			
Proceeds from borrowings		**22,459**	121,363
Repayment of borrowings		**(12,656)**	(53,000)
Net repayment of finance leases		**(698)**	(1,070)
Payment for share issue costs		**-**	(122)
Net cash inflow from financing activities		**9,105**	67,171
Net increase / (decrease) in cash and cash equivalents		**3,627**	(35,231)
Effects of exchange rate changes on cash and cash equivalents		**(129)**	1,368
Cash and cash equivalents at the beginning of the financial year		**6,982**	40,845
Cash and cash equivalents at end of year	5	**10,480**	6,982

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

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

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 2016 and the balance sheet of the Company as at 30 June 2016 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 24 November 2016.

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

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 has recognised a net loss after tax of AU$258.9 million for the year ended 30 June 2016 and as at that date, current liabilities exceed current assets by AU$115.2 million and total liabilities exceed total assets by AU$14.9 million. In addition, the Group has breached covenants on its major debt facilities during the year and there are also uncertainties regarding the valuation of the major port assets as explained below.

Notwithstanding the above, 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 is currently discussing its debt arrangements with DBS Bank with the expectation that the current short term facility repayment date will be extended to a mutually agreed repayment date after considering the forecast cashflow projections of the Group.

During the year the Group had been in breach of a number of the financial covenants attached to the S$110m Multi Currency Notes (the "Notes") and facilities from DBS Bank Limited (the "DBS facilities") (refer to note 17). At 30 June 2016, the Group was in breach of three of its financial covenants for each of the Notes and DBS facilities. DBS Bank Limited waived its rights for these covenant breaches in relation to the DBS facilities for the relevant assessment period (refer to notes 17 and 34). The Group is in the process of agreeing appropriate covenants with DBS Bank Limited going forward, however, the Group has received a waiver from DBS for Quarter 1 and Quarter 2 of the 2017 financial year. Subsequent to year end, 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. This will result in these debt obligations being reclassified from current to non-current liabilities (i.e. not due within one year) after the year end. As part of the renegotiation of the Notes facility, the Group agreed to provide security to the Noteholders over the Port and Marine assets. The Notes will be secured, on a shared first ranking basis, against all property and assets of 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, although the first AU$20 million of this security will be reserved for future financing issued to the Port and Marine business from lenders other than the Noteholders.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Going Concern (continued)

In addition, the Group has in issue loans from Ezion Holdings Limited, a substantial shareholder of the Group which are currently due to be repaid not before December 2017 (refer to note 30(g)). The Group is in the process of renegotiating the terms and maturity of these loans and expects to secure an extension of maturity as part of this process.

Valuation of port assets

There have been delays in the Group's plans to fully commercialise its strategically important port facilities due to an ongoing dispute between a local environmental activist group and the Australian Federal Department of Environment (refer to note 34), combined with a prolonged downturn in the oil and gas industry. Consequently, there were impairment indicators present for the assets in the Port and Marine cash-generating-unit ("CGU") at 30 June 2016, and as such the Group engaged an external specialist in the field of Port and Marine Services with specific expertise in the economic forecast for oil and gas developments to perform a fair value less costs of disposal ("FVLCD") valuation on a discounted cash flow basis as at 30 June 2016 for the Port and Marine CGU. In arriving at the valuation of $70.0 million for the Port and Marine CGU at 30 June 2016, management used the external specialist's FVLCD valuation and included additional fair value derived from the existing operations of the Port and Marine CGU and from other sources; which were not included in the external specialist's valuation model.

The range of values assessed for a long life asset (at least 40 years) is wide and, in some cases, may result in no impairments being required for the Port and Marine CGU. Assessing the appropriate carrying value at the early stages of commercialisation of a long life asset is inherently difficult as it is contingent on economic and geo-political forecast conditions over a 40 year life. Whilst the Group acknowledged this wide range of values in considering the appropriate carrying value of the assets at 30 June 2016, an impairment of AU$119.9 million has been recognised in these financial statements (represented by a AU$136.1 million impairment of non-current assets, combined with a reduction of AU$16.2 million in the related deferred tax liability), to write down the recoverable value of Port and Marine CGU to AU$70.0 million (refer to note 24).

By their nature, these assessments make use of a number of assumptions which can have a significant impact on the valuation result as set out in note 24. Due to the uncertainties around the assumptions used in determining the valuation amount, and given the materiality of the carrying amount of these assets to the Group position and debt security, the Group acknowledges that there remains an inherent uncertainty surrounding the Group's ability to realise the Port and Marine assets at the values included in the financial statements for the year ended 30 June 2016, however, the Group considers that there is an equal probability that the Group may be able to realise a value in excess of this carrying amount.

Management's plans to address these uncertainties

In considering the impact of the carrying value of the Port and Marine CGU and the impact of this on the current debt profile of the business, 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 reviewed the Group's cash flow forecasts over the period to October 2018. These indicate that the Group has sufficient cash flows in order to meet its liabilities as they fall due, notwithstanding the uncertainties identified above. These forecasts represent managements' 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 clients through a competitive tender process and whilst uncertain, management remains confident that sufficient new work will be won in order to meet the Group's targets. A number of tenders have recently been entered into and new contacts have been awarded to the Group since the balance sheet date and prior to the date of signing these financial statements. In the event that the Note facility is not extended beyond 20 October 2018, the Group will need to consider the options available to extinguish this liability, which will 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.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Going Concern (continued)

Management's plans to address these uncertainties (continued)

Management have 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 Group is also in ongoing discussions with its principal banker regarding appropriate debt facilities going forward.

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 at the amounts stated in the financial statements. However, after assessing the above factors and the non-cash impairment impact of the carrying value of the Port and Marine CGU, the directors consider that the Group continues to be able to meet its obligations as and when they fall due based on:

1) The forecasted cashflows 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;
2) The current funding facilities available to the Group;
3) The options for the Group to restructure and potentially extend its current debt facilities and the initiatives being pursued, which may include a conversion of some of these debts to equity;
4) The forecasted cashflows being sufficient to service and potentially reduce the Group's debt position over the period to October 2018; and
5) The 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 2015, the Company 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 2016 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)

This standard replaces FRS 18 Revenue and FRS 11 Construction Contracts and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

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

The new standard makes changes to revenue recognition methodology. In particular, the new standard has the potential to materially impact the way revenue is recognised on the Group's construction contracts.

The Group will apply the standard from 1 July 2018. The Group is assessing the impact of FRS 115.

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.

The Group will apply the standard from 1 July 2018. The Group is assessing the impact of FRS 109.

FRS116 Leases (effective for annual periods beginning on or after 1 January 2019)

This standard will 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 standard will primarily affect accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of AU$61.2 million (refer to note 31). However, the Group has not yet determined to what extent 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 will apply the standard from 1 July 2019. The Group is assessing the impact of FRS116.

Certain amendments to accounting standards have been published that are not mandatory for the financial year ended 30 June 2016 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:

- Amendments to FRS7: Disclosure initiative (effective for annual periods beginning on or after 1 January 2017)
- Amendments to FRS12: Recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2017)

(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.

2 Summary of significant accounting policies (continued)

(c) Principles of consolidation (continued)

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

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

(iii) Equity method

Under the equity method of accounting, investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iv) 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.

(v) 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.

2 Summary of significant accounting policies (continued)

(c) Principles of consolidation (continued)

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.

(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.

2 Summary of significant accounting policies (continued)

(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) Fixed asset losses

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.

(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.

2 Summary of significant accounting policies (continued)

(g) Other intangible assets (continued)

(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.

(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 not 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 associated company 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.

(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 leases 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 31). 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.

2 Summary of significant accounting policies (continued)

(r) Revenue recognition (continued)

(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.

(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.

2 Summary of significant accounting policies (continued)

(u) Foreign currency translation (continued)

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.

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 2016, the Group recognised an impairment of AU$147.7 million (2015: AU$4.0 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 not considered to be sufficient certainty over the availability of suitable future taxable profits against which to offset these items and therefore deferred tax assets have been derecognised. 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.

3 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

Construction contracts (continued)

Amounts due from contract customers in the balance sheet includes 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$3.7 million.

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. It is impracticable to reliably calculate the financial impact of this uncertainty due to the number of variables involved.

Provision for loss on construction contracts

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 2016, the Group has estimated the expected loss from onerous customer contracts and recognised a provision of loss on construction contracts of 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.

Provision for onerous leases

Provision has been made for onerous leases in relation to the Group's leased property in Singapore. The provision is estimated, and the amount and timing of future cash flows are dependent on future events. Determining the amount of the provision for onerous leases requires estimating the future net cash flow receivable in respect of the properties, and in particular where the leased property is vacant, this requires assessment of the likely period for which the property will remain vacant and rental income receivable should the property be sublet.

Management has selected the most appropriate assumptions in the calculation of the provision based on assessment of local market conditions relevant to the property and ongoing negotiations with interested parties who may take up a sublease.

Estimated sublease income has been arrived at through external expert analysis of market rentals expected for properties of a similar type and condition, adjusted to make allowance for discount of these rates as part of a sublease process. If the rental achieved on completion of the sublease is +/- 5% of those anticipated by management in the current provision, this would reduce / increase the provision by AU$0.9 million.

The time that the property will be vacant is based on management's best estimate, which is in turn driven by the ongoing negotiations with a number of interested external parties. However, if no sublease were to be agreed on the property for 6 months beyond management's current estimate, the provision required at 30 June 2016 would increase by AU$1.3 million.

Workers compensation insurance

Due to the terms of the Group's workers compensation insurance contracts, which are dependent on the claims history in each financial year, the final assessment for the workers compensation premiums only occurs three years after the close of each financial year. The Group is therefore required to assess the likely charge and accrue the costs accordingly. This estimation is done in conjunction with our insurance brokers who track the current and potential claims and assess the likelihood of success of each claim.

3 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

Estimation of fair value of share options issued to Captain Larry Johnson and Eng Chiaw Koon

The fair value of options was determined using a Binomial Valuation Model.The significant inputs into the model were share price 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 1.32%. 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.

(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 2016 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.

During the year, amounts due from subsidiaries have been impaired by AU$127.4 million, fully writing down those receivables, as a result of the impairment of the Group's Port and Marine assets as set out in note 24. In addition, investments in Port and Marine subsidiaries have been impaired by AU$14.9 million as a result of same assessment. Changes in the impairment recognised by the Group, described in note 3(a) and note 24 which set out the critical accounting estimates and assumptions associated with the Group's impairment of non-current assets, would also have an impact on the impairment of loans due from subsidiary undertakings and investments in Port and Marine subsidiaries in the Company's balance sheet.

Further to the above, an impairment of AU$19.3 million has been recognised against the investment in Fabrication and Manufacturing - Singapore, fully writing down the investment, following the decision to close the business in FY2017.

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.

(a) Currency risk

The Group operates mainly in Australia, with smaller operations in Singapore and Thailand. Group sale and purchase transactions are primarily denominated in Australian dollars with a portion denominated in Singapore dollars, Thai Baht, Euro and US dollars. 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 based on information provided to the Senior Management Team is as follows:

	2016			2015		
GROUP	**Singapore Dollar AU$'000**	**United States Dollar AU$'000**	**Euro AU$'000**	Singapore Dollar AU$'000	United States Dollar AU$'000	Euro AU$'000
Financial assets						
Trade receivables	**-**	**956**	**-**	27	1,611	-
Other receivables and prepayments	**3**	**-**	**-**	-	-	-
Cash and cash equivalents	**23**	**11**	**-**	161	111	-
	26	**967**	**-**	188	1,722	-
Financial liabilities						
Trade payables	**200**	**333**	**6**	436	2,767	1,537
Other payables	**2**	**88**	**-**	5	49	-
Borrowings	**-**	**17,180**	**-**	-	19,245	-
	202	**17,601**	**6**	441	22,061	1,537
Currency exposure on net financial assets / (liabilities)	**(176)**	**(16,634)**	**(6)**	(253)	(20,339)	(1,537)
COMPANY						
Financial liabilities						
Other payables	**-**	**88**	**-**	-	49	-
Borrowings	**-**	**17,180**	**-**	-	19,245	-
	-	**17,268**	**-**	-	19,294	-
Currency exposure on net financial assets / (liabilities)	**-**	**(17,268)**	**-**	-	(19,294)	-

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

	Group		**Company**	
	2016 AU$'000	2015 AU$'000	**2016 AU$'000**	2015 AU$'000
Net foreign exchange (loss)/income	**(470)**	574	**(24)**	31

4 Financial risk management (continued)

(a) Currency risk (continued)

Sensitivity analysis

A change of 10% (2015: 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.

	Group		Company	
	2016 AU$'000	2015 AU$'000	**2016 AU$'000**	2015 AU$'000
SGD against AU$				
- strengthened	**(16)**	(25)	**-**	-
- weakened	**18**	26	**-**	-
USD against AU$				
- strengthened	**(1,512)**	(2,014)	**(1,562)**	(1,750)
- weakened	**1,663**	2,054	**1,718**	1,925
EURO against AU$				
- strengthened	**(1)**	(152)	**-**	-
- weakened	**1**	155	**-**	-

(b) Interest rate risk

The Group's exposure to interest rate risk is related mainly to its syndicated 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% (2015 : 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**
	2016 AU$'000	2015 AU$'000	**2016 AU$'000**	2015 AU$'000
Profit and loss impact	**295**	252	**270**	233

(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 (2015: 8 debtors) that individually represented 5 - 20% of trade receivables.

4 Financial risk management (continued)

(c) Credit risk (continued)

The Group's maximum exposure to credit risk arose mainly from trade receivables, which had a balance at 30 June 2016 of AU$132.9 million (2015: AU$177.6 million). This exposure is further analysed below:

	Group	
	2016 AU$'000	2015 AU$'000
By currency exposure :		
Singapore dollar	**2,973**	10,945
Australian dollar	**112,465**	144,593
Thai Baht	**2,616**	9,252
US dollar	**14,810**	12,819
	132,864	177,609
By type of customer :		
Non-related parties	**132,864**	177,609

The Company's maximum exposure to credit risk arose mainly from amounts due from subsidiaries, which had a balance at 30 June 2016 of AU$49.5 million (2015: AU$171.4 million) (refer to note 9).

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. Deposits includes AU$6.1 million (2015: nil) fund deposit in escrow held by the trustee administrating the note facility. 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 (2015: 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	
	2016 AU$'000	2015 AU$'000
Past due less than 3 months	**6,565**	11,407
Past due 3 to 6 months	**3,690**	3,221
Past due greater than 6 months	**16,708**	1,226
	26,963	15,854

Included in amounts past due greater than 6 months, there 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 2016, there was an allowance for impairment of AU$2.3 million against trade receivables (2015: AU$0.5 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)).

4 Financial risk management (continued)

As at 30 June 2016, the Company is carrying an allowance for impairment of AU$127.4 million (2015: Nil) 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).

	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						
2016						
Trade and other payables	**124,001**	**-**	**-**	**-**	**124,001**	**124,001**
Borrowings	**144,054**	**43,663**	**-**	**-**	**187,717**	**179,150**
Accruals for other liabilities and charges	**21,365**	**2,149**	**-**	**-**	**23,514**	**23,514**
Provisions	**1,849**	**1,396**	**3,013**	**4,179**	**10,437**	**8,887**
	291,269	**47,208**	**3,013**	**4,179**	**345,669**	**335,552**
2015						
Trade and other payables	114,937	-	-	-	114,937	114,937
Borrowings	13,754	114,174	56,695	-	184,623	167,058
Accruals for other liabilities and charges	13,019	1,449	-	-	14,468	14,468
	141,710	115,623	56,695	-	314,028	296,463

	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					
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**
	153,153	**-**	**-**	**153,153**	**149,044**
2015					
Trade and other payables	2,432	-	-	2,432	2,432
Borrowings	11,296	113,597	14,474	139,367	129,676
Due to subsidiaries	-	9,740	-	9,740	9,740
	13,728	123,337	14,474	151,539	141,848

4 Financial risk management (continued)

(d) Liquidity risk (continued)

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

As at 30 June 2016, the Group has net current liabilities of AU$115.2 million (2015: net current assets of AU$95.3 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	
	2016 AU$'000	2015 AU$'000	**2016 AU$'000**	2015 AU$'000
Expiry within one year (bank overdraft and loan facility)	**19,000**	232	**19,000**	-
Expiry beyond one year (bank overdraft and loan facility)	**-**	6,810	**-**	6,810
Accounts receivable purchase facility	**20,549**	-	**20,549**	-
Surety bond facility	**1,366**	12,609	**1,366**	12,609
Guarantee facility	**7,729**	25,798	**7,729**	25,798

The Short Term loan facility available is limited to the extent of 85% of the Group Consolidated Trade Receivables balance (excluding those customers included in the accounts receivable purchase ("ARP") facility) at the balance sheet date.

The ARP facility 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 34 for further details in respect of negotiations with financiers after the financial year end.

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	
	2016 AU$'000	2015 AU$'000	**2016 AU$'000**	**2015 AU$'000**
Net debt / (funds)	**157,055**	128,411	**136,720**	**129,676**
Total equity	**(14,867)**	241,431	**(9,362)**	**144,355**
Total capital	**142,188**	369,842	**127,358**	**274,031**
Gearing ratio	**110.5%**	34.7%	**107.4%**	47.3%

4 Financial risk management (continued)

(f) Financial instruments by category

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

	Group		Company	
	2016 AU$'000	2015 AU$'000	**2016 AU$'000**	2015 AU$'000
Loans and receivables[1]	**167,094**	223,793	**56,133**	172,059
Financial liabilities measured at amortised cost[2]	**335,552**	296,463	**149,044**	141,848

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	
	2016 AU$'000	2015 AU$'000	**2016 AU$'000**	2015 AU$'000
Cash and cash equivalents represented by:				
Cash at bank	**10,480**	13,138	**16**	-
Restricted cash	**11,615**	25,509	**-**	-
	22,095	38,647	**16**	-

Restricted cash was held as term deposits with effective interest rates ranging from 1.45% to 2.2% (2015: 0% to 2.5%) 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	
	2016 AU$'000	2015 AU$'000
Balance as above	**22,095**	38,647
*Restricted cash	**(11,615)**	(25,509)
Less: Bank overdraft (note 17)	**-**	(6,156)
Balance per consolidated statement of cash flows	**10,480**	6,982

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

6 Trade receivables

	Group 2016 AU$'000	2015 AU$'000
Trade receivables		
- Non-related parties	**78,039**	75,015
- Less: Allowance for impairment of receivables (note 6(a))	**(2,286)**	(469)
	75,753	74,546
Construction contracts		
- Due from customers (note 6(b))	**52,111**	91,923
- Retentions	**5,000**	11,140
	132,864	177,609

At 30 June 2016, all amounts included in trade receivables and arising from construction contracts are due for settlement within 12 months (2015: 12 months).

(a) Allowance for impairment of receivables

	Group 2016 AU$'000	2015 AU$'000
Beginning of financial year	**(469)**	(1)
Acquisition of subsidiary	**-**	(177)
Increase in provision	**(2,549)**	(328)
Written off during the year	**732**	37
End of financial year	**(2,286)**	(469)

The extended delay in the full commercialisation of the Port Melville facility, combined with the poor performance of the Fabrication and Manufacturing business in both Australia and Singapore due to the continued tightening in capital spend in the oil and gas industry, resulted in increased pressure on cash reserves. During the year, the Group has taken an aggressive approach on work in progress claims to convert these receivables into cash, occasioning the write down of the recoverability of receivables balances by AU$2.5 million in relation to trade receivables and a further AU$45.9 million in relation to amounts due from customers on construction contracts.

(b) Construction contracts - due from customers

	Group 2016 AU$'000	2015 AU$'000
Aggregate costs incurred plus recognised profit less recognised losses to date on uncompleted construction contracts	**620,816**	799,056
Less: Progress billings	**(589,203)**	(726,754)
	31,613	72,302
Presented as:		
Due from customers on construction contracts	**52,111**	91,923
Advances received (note 15)	**(20,498)**	(19,621)
	31,613	72,302

7 Other receivables and prepayments

	Group		Company	
	2016 AU$'000	2015 AU$'000	**2016 AU$'000**	2015 AU$'000
Current				
Prepayments	**1,487**	4,343	**10**	10
Deposits*	**6,814**	4,346	**6,146**	-
Sundry receivables	**1,409**	3,189	**457**	616
Current income tax receivables	**285**	-	**-**	-
	9,995	11,878	**6,613**	626
Non-current				
Other Non - Current Assets	**2**	2	**-**	-
Deposit	**3,625**	-	**-**	-
	3,627	2	**-**	-

* Deposits includes AU$6.1 million (2015: nil) fund deposit in escrow held by the trustee administrating the Note facility (Refer to note 17(b)).

8 Inventories

	Group	
	2016 AU$'000	2015 AU$'000
Inventory	**6,759**	7,856

The Group's inventory primarily consists of consumables.

During the year, inventories were impaired by AU$5.1 million (2015: Nil) in order to write inventories down to their net realisable value.

9 Due from / (to) subsidiaries

COMPANY	**Total due AU$'000**	**Provision for doubtful debts AU$'000**	**Total AU$'000**
2016			
Due from subsidiaries	**176,936**	**(127,422)**	**49,514**
Due to subsidiaries	**(8,951)**	**-**	**(8,951)**
2015			
Due from subsidiaries	171,443	-	171,443
Due to subsidiaries	(9,740)	-	(9,740)

As at 30 June 2016, advances to subsidiaries amounted to AU$49.5 million (2015: AU$171.4 million) and advances from subsidiaries amounted to AU$9.0 million (2015: AU$9.7 million). Both the receivables and payables bear interest at 5.0% (2015: 5.0%) per annum. There are no advances due from subsidiaries that are due for repayment within the next 12 months. (2015: AU$12.8 million due from subsidiaries). There are AU$9.0 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 (2015: Nil).

During the year, the Group has recognised impairment of non-current assets as discussed in note 24. Further to this process, the Company has also evaluated the recoverability of balances with subsidiaries. Management has assessed the ability of each subsidiary to repay amounts advanced and this has occasioned management to fully impair AU$127.4 million receivable from Port and Marine subsidiaries (2015: Nil).

10 Investments in subsidiaries

	Company	
	2016	2015
	AU$'000	AU$'000
Non-current		
Investment in subsidiaries	**83,632**	114,212

(a) 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)(iv).

(b) Investment in subsidiaries

	Company	
	2016	2015
	AU$'000	AU$'000
Equity investment at cost		
Beginning of financial year	**114,212**	61,465
Acquisition of subsidiaries (note 32)	**-**	41,140
Impairment at cost	**(34,146)**	-
Currency translation movement	**3,566**	11,607
End of financial year	**83,632**	114,212

The Group has announced the planned closure of Fabrication and Manufacturing - Singapore in the coming financial year and provided for impairment of certain of its assets as discussed in note 24. The Company has also reviewed the carrying value of its investment in the subsidiary and has recognised an impairment charge of AU$19.3 million, fully writing down the balance in the year, as a result of the pending closure.

In addition, following the impairment recognised at Group level in relation to its Port and Marine assets (refer to note 24), the Company has performed a review of the carrying value of its investments in relevant subsidiaries. The Company has estimated the recoverable amount of the investment in subsidiary based on recoverable amount of the Group's Port and Marine CGU. As a result, an impairment of AU$14.9 million has been recognised against investments, as well as allowances against receivables from these subsidiaries as described in note 9. At 30 June 2016, the carrying amount (net of impairment allowance) of the relevant subsidiaries amounted to AU$30.9 million.

10 Investments in subsidiaries (continued)

(b) Investment in subsidiaries (continued)

Name of entity	Principal activity	Country of incorporation	Equity holding 2016 %	2015 %
AusGroup Singapore Pte. Ltd [2]	Engineering and service	Singapore	**100**	100
Modern Access Services Singapore Pte. Ltd [2]	Engineering and service	Singapore	**100**	100
Cactus Oil & Gas Sdn Bhd [4]	Dormant	Malaysia	**100**	100
AGC Australia Pty Ltd [1]	Investment holding / property	Australia	**100**	100
AGC Industries Pty Ltd (1)	Engineering and service	Australia	**100**	100
Seagate Structural Engineering Pty Ltd [1]	Property	Australia	**100**	100
MAS Australasia Pty Ltd [1]	Engineering and service	Australia	**100**	100
AusGroup Corporation Co., Ltd [3]	Engineering and service	Thailand	**100**	100
AGC Energy and Infrastructure Pty Ltd [1]	Labour supply	Australia	**100**	100
Resource People Pty Ltd [1]	Labour supply	Australia	**100**	100
Ezion Offshore Logistics Hub Pte Ltd [2]	Investment holding	Singapore	**100**	100
Ezion Offshore Logistics Hub (Tiwi) Pty Ltd [1]	Marine supply base and provision of ship chartering services	Australia	**100**	100
Teras Global Pte Ltd [2]	Chartering services	Singapore	**100**	100
Ezion Offshore Logistics Hub (Exmouth) Pty Ltd [1]	Marine supply base	Australia	**100**	100
Teras Australia Pty Ltd [1]	Ship management and provision of ship chartering services	Australia	**90**	90

11 Property, plant and equipment

	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 2014						
Cost or fair value	3,828	7,855	2,826	113,499	-	128,008
Accumulated depreciation	-	(1,252)	(413)	(65,485)	-	(67,150)
Net book amount	3,828	6,603	2,413	48,014	-	60,858
Year ended 30 June 2015						
Opening net book amount	3,828	6,603	2,413	48,014	-	60,858
Depreciation charge	-	(196)	(480)	(9,072)	-	(9,748)
Acquisition of subsidiary	-	-	40,070	1,227	17,246	58,543
Additions	-	-	2,799	11,747	51,611	66,157
Disposals	-	-	-	(3,110)	-	(3,110)
Impairment loss	-	-	-	(200)	-	(200)
Exchange differences	-	-	4,664	2,537	1,941	9,142
Closing net book amount	3,828	6,407	49,466	51,143	70,798	181,642
At 30 June 2015						
Cost or fair value	3,828	7,855	50,821	126,773	70,798	260,075
Accumulated depreciation and impairment	-	(1,448)	(1,355)	(75,630)	-	(78,433)
Net book amount	3,828	6,407	49,466	51,143	70,798	181,642
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)**
Transfers	**-**	**-**	**78,879**	**-**	**(78,879)**	**-**
Impairment loss	**(1,213)**	**(387)**	**(83,829)**	**(5,441)**	**-**	**(90,870)**
Exchange differences	**-**	**-**	**1,527**	**1,047**	**2,431**	**5,005**
Closing net book amount	**2,615**	**5,824**	**45,983**	**41,936**	**-**	**96,358**
At 30 June 2016						
Cost or fair value	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	2,615	5,824	45,983	41,936	**-**	96,358

(i) Impairment loss

During the year ended 30 June 2016, the Group recognised an impairment loss of AU$90.9 million (2015: $0.2 million) with respect to property, plant and equipment. Refer to note 24 for further details. At 30 June 2016, the carrying amount (net of impairment) of property, plant and equipment relating to the Port and Marine CGU amounted to AU$50.7 million.

11 Property, plant and equipment (continued)

(ii) Assets in the course of construction

Assets under construction relate to leasehold improvements at the Group's Port Melville facility. The construction was deemed ready for use in November 2015 and therefore the balance was transferred to leasehold land and buildings and commenced being depreciated over its useful life. Included in additions above are borrowing costs related to the construction of assets amounting to AU$3.5 million (2015: AU$5.0 million). 75% of the funds raised from the multi currency notes issue were utilised to bring the capital works programme at Port Melville to completion. This proportion of the interest in relation to the multi currency notes issue was capitalised as part of the cost of assets under construction.

(iii) 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$96.4 million (2015: AU$181.6 million) to secure syndicated loan facilities granted to the Group (refer to note 17). Refer to note 34 for details of changes in security after the year end, as a result of the renegotiation of the Group's financing arrangements.

12 Goodwill

	Group	
	2016 AU$'000	2015 AU$'000
Beginning of financial year	**13,530**	16,405
Impairment during the year	**(2,535)**	(3,520)
Exchange difference	**(1)**	645
End of financial year	**10,994**	13,530
Carrying value	**10,994**	13,530

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	
	2016 AU$'000	2015 AU$'000
Access services	**9,859**	9,859
Maintenance services - Painting and insulation	**528**	528
Fabrication and manufacturing - Singapore	**-**	2,536
Projects	**607**	607
	10,994	13,530

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
2015					
Cost					
Beginning of financial year	-	12,192	5,257	1,232	18,681
Additions	-	3,244	-	-	3,244
Business acquisition	77,104	-	-	-	77,104
Exchange differences	8,675	-	151	-	8,826
End of financial year	85,779	15,436	5,408	1,232	107,855
Accumulated amortisation and impairment					
Beginning of financial year	-	(5,074)	(4,767)	(853)	(10,694)
Amortisation charge	-	(1,773)	(263)	(247)	(2,283)
Impairment loss	-	-	(277)	-	(277)
Exchange differences	-	-	(101)	-	(101)
End of financial year	-	(6,847)	(5,408)	(1,100)	(13,355)
Carrying value at 30 June 2015	85,779	8,589	-	132	94,500
GROUP					
2016					
Cost					
Beginning of financial year	**85,779**	**15,436**	**5,408**	**1,232**	**107,855**
Additions	**-**	**397**	**-**	**-**	**397**
Exchange differences	**2,934**	**-**	**(39)**	**-**	**2,895**
End of financial year	**88,713**	**15,833**	**5,369**	**1,232**	**111,147**
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	**35**	**-**	**39**	**-**	**74**
End of financial year	**(55,333)**	**(9,247)**	**(5,369)**	**(1,228)**	**(71,177)**
Carrying value at 30 June 2016	**33,380**	**6,586**	**-**	**4**	**39,970**

13 Other intangible assets (continued)

(i) Leased assets

Included with additions in the consolidated financial statements are computer software acquired under finance leases amounting to AU$Nil (2015: AU$1.6 million).

The carrying amounts of the computer software held under finance leases is AU$0.5 million (2015: AU$1.0 million) at the balance sheet date.

(ii) Impairment loss

During the year ended 30 June 2016, the Group recognised an impairment loss of AU$54.3 million (2015: AU$0.3 million). Refer to note 24 for further details of the charge in 2016. At 30 June 2016, the carrying amount (net of impairment) of intangible assets relating to the Port and Marine CGU amounted to AU$33.4 million.

(iii) Non-current assets pledged as security

Post year end, 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 34.

14 Deferred income tax assets / (liabilities)

(i) Deferred tax assets

	Group	
	2016 AU$'000	2015 AU$'000
The balance comprises temporary differences attributable to:		
Tax losses	**-**	383
Research and development tax credits	**-**	40,054
Property, plant and equipment	**3,700**	342
Provisions and payables	**10,085**	7,106
Other	**1,346**	475
	15,131	48,360
Set-off of deferred tax liabilities pursuant to set-off provisions	**(15,131)**	(30,988)
Net deferred tax assets	**-**	17,372
	-	-
Deferred tax assets expected to be recovered within 12 months	**52**	4,713
Deferred tax assets expected to be recovered after more than 12 months	**15,079**	43,647
	15,131	48,360

14 Deferred income tax assets / (liabilities) (continued)

(i) Deferred tax assets (continued)

Movement in deferred tax assets	Tax losses AU$'000	Research and Development tax credits AU$'000	Property, plant and equipment AU$'000	Provisions and payables AU$'000	Other AU$'000	Total AU$'000
At 1 July 2014	13,596	2,450	1,323	5,483	248	23,100
Utilised against current tax	-	(11,088)	-	-	-	(11,088)
(Charged)/credited:						
- to profit or loss recognised against qualifying expenditure	-	33,797	-	-	-	33,797
- to profit or loss in income tax expense	(13,213)	14,900	(981)	1,615	227	2,548
- to other comprehensive income	-	(5)	-	8	-	3
At 30 June 2015	383	40,054	342	7,106	475	48,360
(Charged) / credited:						
- to profit or loss recognised against qualifying expenditure	-	(10,014)	-	-	-	(10,014)
- to profit or loss in income tax benefit	(383)	(30,040)	3,358	2,979	871	(23,215)
At 30 June 2016	**-**	**-**	**3,700**	**10,085**	**1,346**	**15,131**

See note 14(iii) for disclosure of potential deferred tax assets not recognised in these financial statements.

(ii) Deferred tax liabilities

	Group	
	2016 AU$'000	2015 AU$'000
Property, plant and equipment	**(6,648)**	(6,894)
Intangibles	**(10,408)**	(26,640)
Other	**(52)**	(55)
	(17,108)	(33,589)
Set-off of deferred tax assets pursuant to set-off provisions	**15,131**	30,988
Net deferred tax liabilities	**(1,977)**	(2,601)
Deferred tax liabilities expected to be settled within 12 months	**(52)**	(3,698)
Deferred tax liabilities expected to be settled after more than 12 months	**(17,056)**	(29,891)
	(17,108)	(33,589)

14 Deferred income tax assets / (liabilities) (continued)

(ii) Deferred tax liabilities (continued)

GROUP	Property, plant and equipment AU$'000	Intangibles AU$'000	Other AU$'000	Total AU$'000
At 1 July 2014	(7,646)	(858)	(41)	(8,545)
Acquisition of subsidiary	-	(23,131)	-	(23,131)
(Charged)/credited				
- to profit or loss in income tax expense	(790)	(49)	(14)	(853)
- to other comprehensive income	**1,542**	**(2,602)**	**-**	**(1,060)**
At 30 June 2015	(6,894)	(26,640)	(55)	(33,589)
(Charged)/credited				
- to profit or loss in income tax expense	246	16,232	3	16,481
At 30 June 2016	**(6,648)**	**(10,408)**	**(52)**	**(17,108)**

(iii) Potential deferred tax assets not recognised

During the year, the Group has derecognised deferred tax assets presented in the balance sheet 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	
	2016	2015
	AU$'000	AU$'000
Potential tax benefits from:		
Tax credits		
Unused tax credits for which no deferred tax asset has been recognised	**38,714**	7,906
Tax losses		
Tax losses for which no deferred tax asset has been recognised	**22,920**	-
Other deferred tax assets not recognised		
Other temporary differences	**21,981**	-

15 Trade payables

	Group	
	2016 AU$'000	2015 AU$'000
Trade payables		
- Non-related parties	**17,090**	46,173
- Related parties (note 30e)	**19,186**	11,942
Construction contracts		
- Advances received (note 6b)	**20,498**	19,621
- Provision for foreseeable contract losses	**2,002**	-
	22,500	19,621
	58,776	77,736

16 Other payables

	Group		Company	
	2016 AU$'000	2015 AU$'000	**2016 AU$'000**	2015 AU$'000
Current				
Accrued expenses	**8,173**	15,863	**1,612**	1,563
Employee benefit accruals	**12,752**	13,018	**2**	2
Payroll tax and other statutory liabilities	**40,440**	6,312	**-**	-
Accrued rent	**858**	584	**-**	-
Other payables	**3,002**	1,424	**1,743**	867
	65,225	37,201	**3,357**	2,432

17 Borrowings

	Group		Company	
	2016 AU$'000	2015 AU$'000	**2016 AU$'000**	2015 AU$'000
Current				
Bank overdrafts (note 5)	**-**	6,156	**-**	6,156
Secured loans	**30,457**	2,507	**28,006**	2,507
Finance leases	**770**	1,572	**-**	-
Multi currency notes	**108,730**	-	**108,730**	-
	139,957	10,235	**136,736**	8,663
Non-current				
Secured loans	**-**	14,630	**-**	14,630
Finance leases	**43**	864	**-**	-
Multi currency notes	**-**	106,383	**-**	106,383
Loans from related party (Note 30(g))	**39,150**	34,946	**-**	-
	39,193	156,823	**-**	121,013
Total borrowings (interest bearing)	**179,150**	167,058	**136,736**	129,676

(a) Total current and non-current secured liabilities

	Group		Company	
	2016 AU$'000	2015 AU$'000	**2016 AU$'000**	2015 AU$'000
Bank overdrafts	**-**	6,156	**-**	6,156
Secured loans	**30,457**	17,137	**28,006**	17,137
Finance leases	**813**	2,436	**-**	-
	31,270	25,729	**28,006**	23,293

17 Borrowings (continued)

(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 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. Refer below and to note 34 for the impact of the breach of financial covenants during the year and for details of the renegotiation of the terms of the Notes completed after the year end including extension of the maturity date of the Notes.

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 2016 US$12.8m of this balance had been utilised.

In 4th quarter FY2015 the Group entered into a AU$23m bridge loan facility (Bridge Loan) with DBS Bank Ltd. As at 30 June 2016 the balance had been repaid per the agreed repayment schedule.

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. As at 30 June 2016 AU$2.45m of this balance had been utilised.

In 3rd quarter FY2016 the Group entered into a AU$30m Short Term loan facility with DBS Bank Ltd. As at 30 June 2016, AU$11.0m of this balance was drawn down. The terms of this short term loan include covenant requirements consistent with that of the Group's other DBS facilities (refer below). The scheduled repayment date of the loan balance was 31 August 2016, although this repayment date was not met. Refer to note 34 for details of the renegotiation of the terms of the loan after the year end.

Surety bond facility from Vero

During 4th quarter FY2015 the Group entered into an AU$30m Surety bond facility with Vero to ensure the Group maintains its bonding capacity for bid bonds, performance bonds and financial guarantees.

Loans from related party

On 7 November 2014, the Group acquired 100% of the issued and paid up capital of Ezion Offshore Logistics Hub Pte Ltd and 90% of the issued and paid up capital of Teras Australia Pty Ltd. Loans amounting to AU$29.8 million from Ezion Holdings Limited ("Ezion") (a substantial shareholder of the Company) to the subsidiaries acquired arose from the acquisition (refer to note 30(g)). As part of the acquisition, Ezion agreed not to call on the outstanding loans with Ezion Offshore Logistics Hub Pte Ltd and Teras Australia Pty Ltd as at the date of acquisition. Under the terms of the sale and purchase agreement as approved by shareholders of both Ezion and the Company, these loans accrued interest at 8% per annum capitalised to the loan balance. Repayment of the loans is due on 16 December 2017. Post year end the interest rate applicable on the loans has been revised to 5%.

(i) Security pledged and facilities covenants

Security pledged

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$11.6 million (2015: AU$25.5 million). A fixed and floating charge executed by AusGroup Ltd, AusGroup Singapore and Modern Access Services in favour of The Lender.

17 Borrowings (continued)

(b) Loan and overdraft facilities (continued)

(i) Security pledged and facilities covenants (continued)

Security pledged

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 Group has not provided security in relation to any other facilities and borrowings as at 30 June 2016. Refer to note 34 for details of changes in security after the balance sheet date.

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

	Group	
	2016 AU$'000	2015 AU$'000
Bank facilities	**224,892**	300,443

Facility covenants

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 and a minimum net worth (net asset) balance for both the Programme and DBS facilities. To note, the EBITDA to interest cost covenant applies only to stipulated test periods as outlined in the facility documents.

Multi currency notes

In 2nd quarter FY2016, as at the 31 December 2015 Notes covenant assessment date, the Group was in breach of the EBITDA / Interest Cover covenant. However, pursuant to an extraordinary general meeting of Noteholders held on 29 January 2016, this breach was waived without modification to the resolution presented.

In the days following this resolution, the Group entered into a supplemental trust deed with DBS Bank Ltd, as trustee, to amend various provisions of the Trust Deed and Conditions of the Notes as described in the Extraordinary Resolution announced on 1 February 2016.

During the year, the Group was also in breach of the following financial covenants attached to the Notes for which no waiver was received. At 3rd quarter FY2016 the Group was in breach of the Consolidated Net Assets covenant whereby the Group is required to maintain a minimum net asset balance of AU$160 million. At 4th quarter FY2016 the Group was in breach of the Consolidated Net Assets, Consolidated Debt to Equity and 6 month rolling EBITDA/Interest Cover covenants. Accordingly, the balance was classified as a current liability as at 30 June 2016. However, after the year end the Group has completed renegotiation of the terms of the Notes which includes renegotiation of certain terms of the Notes and secures an extension of the maturity of the Notes until at least October 2018. Refer to note 34 for further details of amended terms.

Loans from DBS Bank Ltd

The Group was also in breach of the following financial covenants attached to its DBS loans and facilities. At 3rd quarter FY2016 the Group was in breach of the Consolidated Net Assets covenant whereby the Group is required to maintain a minimum net asset balance of AU$160 million, but received a waiver from DBS for this breach during the year. At 4th quarter FY2016, the Group was in breach of the Consolidated Net Assets and 12 month rolling EBITDA/ Interest Cover covenants, but also received a waiver for these breaches during the year.

17 Borrowings (continued)

(b) Loan and overdraft facilities (continued)

(i) Security pledged and facilities covenants (continued)

Loans from DBS Bank Ltd (continued)

However, in addition to the above, the Group was also in breach of the Consolidated Debt to Equity covenant at 4th quarter FY2016, for which the Group did not obtain a waiver during the year. Accordingly, the balances were classified as current liabilities as at 30 June 2016. Refer to note 34 for details of the waiver of this financial covenant obtained after the year end.

AusGroup Limited is also required to maintain a minimum consolidated trade debtor balance compared to the current outstanding under the existing Bridge Loan and ARP facilities.

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	7.45%
DBS Term Loan	USD$20 million	1 month LIBOR + 3.85%
DBS Short Term Loan	AUD$30 million	4%
DBS Bridge Loan	AUD$23 million	4%
Account Receivables Purchase Facility	AUD$23 million	1 month LIBOR + 1.5%

(iii) Loans and overdrafts are due as follows:

	Group		Company	
	2016 AU$'000	2015 AU$'000	**2016 AU$'000**	2015 AU$'000
Within one year	**139,187**	8,663	**136,736**	8,663
Between two and five years	**39,150**	155,959	**-**	121,013
	178,337	164,622	**136,736**	129,676

Loans and overdrafts due within one year includes AU$123.2 million for the Group and Company, for which renegotiation of terms has been completed post year end as described in note 34 such that these balances have been extended beyond one year from 30 June 2016.

(c) Obligations under finance leases and hire purchase

	Group			
	Minimum Lease Payments 2016 AU$'000	**Present value of Minimum Lease Payments 2016 AU$'000**	Minimum Lease Payments 2015 AU$'000	Present value of Minimum Lease Payments 2015 AU$'000
Within one year	**776**	**770**	1,596	1,572
Between two and five years	**43**	**43**	870	864
	819	**813**	2,466	2,436
Future finance charges	**(6)**	**-**	(30)	-
Amount due for settlement	**813**	**813**	2,436	2,436

17 Borrowings (continued)

(c) Obligations under finance leases and hire purchase (continued)

The Group leases certain of its plant and equipment under finance leases. For the financial year ended 30 June 2016, the average effective interest rate was 5.5% (2015: 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
	2016 AU$'000	2015 AU$'000
Current		
Annual leave	**8,366**	6,356
Redundancy allowance/rostered day off/sick leave	**12,490**	5,510
Long service leave	**398**	885
Fringe benefit tax payable	**111**	268
	21,365	13,019
Non-current		
Long service leave	**1,543**	1,449
Deferred income	**606**	-
	2,149	1,449

19 Provisions

(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	-	-	-
Additional provision	**733**	**8,158**	**8,891**
Exchange differences	-	**(4)**	**(4)**
Carrying amount at end of year	**733**	**8,154**	**8,887**

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, with commitments ranging from 1 to 9 years.

20 Share capital

	Group and Company	
	2016	2015
	AU$'000	AU$'000
Ordinary shares issued and fully paid:		
Beginning of financial year	**128,040**	99,599
Shares issued for acquisition of subsidiaries, net of transaction costs	**-**	28,441
End of financial year	**128,040**	128,040

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	
	2016	2015
Number of issued shares:		
Opening balance	**740,432,016**	648,276,475
Acquisition of subsidiaries	**-**	92,155,541
Closing balance	**740,432,016**	740,432,016

21 Other reserves

	Group		Company	
	2016	2015	**2016**	2015
	AU$'000	AU$'000	**AU$'000**	AU$'000
Other reserves:				
Capital reserve	**(163)**	(163)	**(163)**	(163)
Share based payment reserve	**4,395**	3,114	**4,395**	3,114
Foreign currency translation reserve	**15,409**	14,058	**24,615**	20,112
	19,641	17,009	**28,847**	23,063
Movements:				
Capital reserve:				
Beginning and end of financial year	**(163)**	(163)	**(163)**	(163)
Share based payment reserve:				
Beginning of financial year	**3,114**	886	**3,114**	886
Option expense net of options exercised (note 29)	**1,281**	2,049	**1,281**	2,049
Share scheme expense (note 29)	**-**	179	**-**	179
At end of financial year	**4,395**	3,114	**4,395**	3,114
Foreign currency translation reserve:				
Beginning of financial year	**14,058**	3,528	**20,112**	4,173
Net currency translation difference of financial statements of foreign subsidiaries	**1,351**	10,530	**4,503**	15,939
At end of financial year	**15,409**	14,058	**24,615**	20,112

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:

	No. of ordinary shares under option						
Group and Company	**Beginning of financial year**	**Granted during financial year**	**Forfeited / lapsed during financial year**	**Exercised during financial year**	**End of financial year**	**Exercise price**	**Exercise period**
2016							
2012 Options (ASOS)	400,000	-	(400,000)	-	-	S$0.42	25.09.2013 to 15.10.2015
2012 Options (ASOS)	200,000	-	(200,000)	-	-	S$0.41	20.02.2013 to 15.10.2015
2011 Options (ASOS)	275,000	-	(275,000)	-	-	S$0.325	30.11.2012 to 15.10.2015
2009 Option 2 (ESOS)	121,000	-	-	-	121,000	S$0.16	25.02.2010 to 24.02.2019
2009 Options 1 (ESOS)	150,000	-	(150,000)	-	-	S$0.22	13.10.2009 to 12.10.2018
2008 Options (ESOS)	423,000	-	(184,000)	-	239,000	S$1.64	24.08.2008 to 23.08.2017
	1,569,000	**-**	**(1,209,000)**	**-**	**360,000**		
Weighted average exercise price (S$)	0.69	0.00	0.56	0.00	1.14		
$1.00							
2015							
2012 Options (ASOS)	500,000	-	(100,000)	-	400,000	S$0.42	25.09.2013 to 15.10.2015
2012 Options (ASOS)	200,000	-	-	-	200,000	S$0.41	20.02.2013 to 15.10.2015

21 Other reserves (continued)

(a) Share options (continued)

2011 Options (ASOS)	275,000	-	-	-	275,000	S$0.325	30.11.2012 to 15.10.2015
2009 Option 2 (ESOS)	121,000	-	-	-	121,000	S$0.16	25.02.2010 to 24.02.2019
2009 Options 1 (ESOS)	150,000	-	-	-	150,000	S$0.22	13.10.2009 to 12.10.2018
2008 Options (ESOS)	428,000	-	(5,000)	-	423,000	S$1.64	24.08.2008 to 23.08.2017
	1,674,000	-	(105,000)	-	1,569,000		
Weighted average exercise price (S$)	0.68	0.00	0.48	0.00	0.69		

Out of the outstanding options at 30 June 2016 of 360,000 (2015: 1,569,000) options, all the options have vested and are exercisable at the balance sheet date.

(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.

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, has been 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.

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. Assuming all of Ezion's options are exercised, the Company will receive additional net cash proceeds of S$40,425,000 that will be used to fund proposed expansion (70-80%) and general working capital (20-30%). The value associated with these options granted to Ezion have not been recognised in these financial statements as the Company has 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 ASS after 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)

	No. of ordinary shares under rights				
Group and Company	**Beginning of financial year**	**Granted during financial year**	**Forfeited during financial year**	**Vested during financial year**	**End of financial year**
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**
	2,258,158	**-**	**(1,897,390)**	-	**360,768**
2015					
2009 rights (ASS)	72,811	-	(12,391)	-	60,420
2010 rights (ASS)	164,226	-	(2,158)	-	162,068
2011 rights (ASS)	1,846,936	-	(266,826)	-	1,580,110
2012 rights (ASS)	477,500	-	(21,940)	-	455,560
	2,561,473	-	(303,315)	-	2,258,158

The number of unissued ordinary shares of the company in relation to the scheme outstanding at the end of the financial year was 360,768 (30 June 2015: 2,258,158).

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 2016 and hence no ordinary shares are expected to be issued under the share scheme.

22 Revenue from continuing operations

	Group	
	2016 AU$'000	2015 AU$'000
Contract revenue	**404,721**	330,798
Sale of goods	**15,011**	50,247
Hire revenue	**43,964**	30,963
Port & Marine services	**18,092**	15,404
	481,788	427,412

23 Other operating income

	Group	
	2016 AU$'000	2015 AU$'000
Interest income	**561**	877
Profit on sale of property, plant and equipment	**2,041**	1,575
Net foreign exchange (loss)/income	**(470)**	574
Other income	**1,416**	674
	3,548	3,700

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 2016 which has led the Group to assess the recoverable value for CGUs:

- The carrying amount of the net assets of the Group (before impairment) is greater than the Company's market capitalisation;
- Market conditions in both Australia and internationally remain challenging as the reduction in capital and maintenance spend across the industry continues;
- The decision has been taken to close the operations of the Fabrication and Manufacturing - Singapore CGU during the 2017 financial year ("FY2017"); and
- Delays in full commercialisation of Port Melville, such that Port and Marine is operating at a significantly reduced capacity.

The Group has evaluated whether the recoverable amount of each CGU exceeds its carrying amount. The recoverable amount is determined to be the higher of value in use ("VIU") or fair value less costs of disposal ("FVLCD"). The Group has assessed all units on the VIU basis with the exception of Port and Marine and Fabrication and Manufacture - Singapore, which have been assessed on a FVLCD basis. This is consistent with the methodologies used in 2015 except for Fabrication and Manufacturing - Australia whose recoverable value was determined under a FVLCD basis and Port and Marine and Fabrication and Manufacturing - Singapore whose recoverable values were determined under a VIU basis in that year.

(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:

		2016		2015	
Impairment based on year end assessment of CGUs	**Class of asset**	**Method**	**Impairment charge**	**Method**	**Impairment charge**
			AU$'000		**AU$'000**
Port and Marine	Property, plant and equipment	FVLCD	**82,030**	VIU	-
Port and Marine	Other intangible assets	FVLCD	**54,037**	VIU	-
Fabrication and Manufacturing – Singapore	Goodwill	FVLCD	**2,535**	VIU	2,888
Fabrication and Manufacturing – Singapore	Property, plant and equipment	FVLCD	**4,282**	VIU	-
Fabrication and Manufacturing – Australia	Goodwill	VIU	**-**	FVLCD	632
			142,884		3,520
Impairment based on prior assessment of individual asset values					
Fabrication and Manufacturing – Australia	Property, plant and equipment	FVLCD	**1,522**	FVLCD	200
Projects	Property, plant and equipment	FVLCD	**1,293**	FVLCD	-
Access Services	Property, plant and equipment	FVLCD	**1,600**	FVLCD	-
Maintenance Services	Property, plant and equipment	FVLCD	**123**	FVLCD	-
Corporate	Other intangible assets	FVLCD	**296**	FVLCD	277
Corporate	Property, plant and equipment	FVLCD	**20**	FVLCD	-
Total			**147,738**		3,997

24 Impairment of non-current assets (continued)

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

(i) Impairment based on year end assessment of CGUs

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 AU$70.0 million on a FVLCD basis. The pre-impairment carrying amount of the CGU at 30 June 2016 was AU$189.9 million resulting in a AU$119.9 million impairment. This impairment has been recognised as a AU$136.1 million reduction in the carrying value of non-current assets on a pro-rata basis, combined with a AU$16.2 million reduction in the deferred tax liability associated with the exclusive right to operate the port at Port Melville.

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

The recoverable amount of the Fabrication and Manufacturing - Singapore CGU is estimated to be AU$10.5 million on a FVLCD basis (2015: AU$21.2 million on a VIU basis). The carrying amount of the CGU at 30 June 2016 was AU$17.3 million (2015: AU$24.1 million) resulting in a AU$6.8 million impairment (2015: AU$2.9 million) of which, AU$2.5 million (2015: AU$2.9 million) has been allocated to write down goodwill held in relation to this CGU in full, and AU$4.3 million (2015: Nil) has been allocated to write down the carrying value of property, plant and equipment to recoverable amount.

The recoverable amount in relation to property, plant and equipment has been determined based on the negotiations completed post year end with regard to the sale of certain items of property, plant and equipment.

Receivables have been carried at book value as it is reasonable to conclude that the fair value of receivables approximate their carrying value as at 30 June 2016 after being assessed for their recoverability.

The fair value measure was categorised as level 3 fair value based on the inputs in the valuation techniques used.

Fabrication and Manufacturing - Australia: Value in use basis

The recoverable amount of the Fabrication and Manufacturing - Australia CGU is estimated to be AU$10.5 million based on VIU (2015: AU$62.5 million based on FVLCD). The carrying amount of the CGU at 30 June 2016 was AU$9.4 million (2015: AU$63.5 million). As a result, no impairment has been recognised (2015: $0.6 million).

Access Services: Value in use basis

The recoverable amount of the Access Services CGU is estimated to be AU$58.7 million based on VIU (2015: AU$58.4 million based on VIU). The carrying amount of the CGU at 30 June 2016 was AU$47.3 million (2015: AU$41.2 million). As a result, no impairment has been recognised (2015: Nil).

(ii) Impairment based on assessment of individual asset values

During the year, management identified impairment indicators for certain items of property, plant and equipment and other intangible assets which were being underutilised due to the ongoing challenges being faced by the Group. This occasioned a write down of AU$4.9 million based on an assessment of the market value of the impacted assets.

(b) Key assumptions

Impairment testing is an area involving 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 following table sets out the significant assumptions used by management in calculating value in use for relevant CGUs where that CGU has either material goodwill or impairments recognised either in 2015 or 2016. Refer to note 12 for details of goodwill allocated to each CGU in the Group.

24 Impairment of non-current assets (continued)

(b) Key assumptions (continued)

(i) Key assumptions in VIU models

	Fabrication and Manufacturing - Australia	Fabrication and Manufacturing - Singapore (4)	Access Services
2016			
Growth rate (1)	**1.3%**	**NA**	**1.3%**
Discount rate (2)	**17.6%**	**NA**	**17.6%**
Gross margin (3)	**1.9%**	**NA**	**8.4%**
2015			
Growth rate (1)	1.9%	2.4%	3.0%
Discount rate (2)	17.4%	14.1%	17.4%
Gross margin (3)	6.4%	21.0%	12.3%

(1) Weighted average growth rate used to extrapolate cashflow beyond the initial forecast period based on management budgets of five years.

(2) Pre-tax discount rate applied to the pre-tax cashflow projection.

(3) Budgeted gross margin.

(4) In 2016 Fabrication and Manufacturing - Singapore has recognised impairments on a FVLCD basis and hence there are no relevant assumptions to disclose in relation to 2016.

(ii) Key assumptions in FVLCD models

In 2016 recoverable amount has been determined on a FVLCD basis for Port and Marine and Fabrication and Manufacturing - Singapore CGUs. Of these, only the valuation for Port and Marine has been 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, but there have been delays in the full commercialisation of the port as a result of the impact of an ongoing uncertainty in the environmental approvals in place for planned operations at the site (refer to note 34 for information regarding the current status of the required environmental approvals) which has led to the temporary suspension of commercial negotiations until this is successfully resolved and the current economic outlook for oil and gas exploration activity has improved. The valuation performed for the CGU as at 30 June 2016 is based on the future expectations for the site once this additional approval has been granted and further development to support expanded activity has been completed.

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 operations for the Port and Marine segment assets. In arriving at the valuation of AU$70.0 million for the Port and Marine CGU at 30 June 2016, management used the external specialist's FVLCD valuation and included additional fair value derived from existing operations of the Port and Marine CGU and from other sources, which were not included in the external specialist's valuation model.

Forecast revenue assumption

Oil and gas revenue

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 has used their own independent risk panel to determine the appropriate market shares in relation to each source of revenue. This was based on various criteria, namely the proximity to the site of competing ports, the service offering at each location and the serviceability of client requirements. The results of this assessment were then discussed with the independent valuation expert's global logistics and marine advisor and an appropriate capture rating was agreed prior to including revenue in the forecast model.

24 Impairment of non-current assets (continued)

(b) Key assumptions (continued)

The independent valuation expert has considered revenue in three broad categories, namely revenues from expected/foreseeable contracts based on the current operations of Port Melville and ongoing discussions with potential customers as advised by management, potential revenues from the top end supply base in Darwin (the "East Arm facility") 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 forms the basis of a view on total capturable 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 table below shows the areas that were assessed and included in the valuation model in this manner.

Revenue item	Revenue stream: currently active/ potential revenue	Remarks
Current level of East Arm Logistics Revenues	Currently active	Revenues are made up of day-to-day supply provisions from East Arm to the people on Tiwi Island and is based on the contracts for this revenue already held in the Group. As there is no significant change in population expected over this time period, there have been no significant amendments to annual revenue in real terms over the assessment period.
East Arm Logistics Revenues – Vessel Charter	Currently active	Revenues are made up of vessel charters for day-to-day supply provisions from East Arm to the people on Tiwi Island and is based on the contracts for this revenue already held in the Group. As there is no significant change in population expected over this time period, there have been no significant amendments to annual revenue in real terms over the assessment period.
Woodchip export	Currently active	It has been assumed that the existing woodchip contract is renewed continuously through the forecast period due to the preferred quality and availability of Tiwi Island woodchip.
Bayu-Udan Development Drilling Support	Potential revenue	Revenue forecast includes potential storage and bunker supply revenues at Port Melville and have been appropriately risked with a chance of capturing the contract. Bunker revenues have also been risked further with the portion of total bunker supply requirement expected to be captured by Port Melville.
Port Revenues Associated with Reloading of Storage Tanks	Potential revenue	Revenue forecast includes revenue expected to be earned when fuel storage tanks are re-filled from berthing of a product tanker. It has been assumed that fuel storage tanks would be re-filled annually. Revenues in this area have been appropriately risked for inclusion in the model.

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

Other revenue

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. Management has arrived at forecast revenue based on estimated contract requirements as determined by the Group's senior management having regard to their extensive experience and knowledge both within the Group and from prior experience in the wider oil and gas sector. The same port tariff has been applied to these sources of revenue as for direct oil and gas revenues described above.

24 Impairment of non-current assets (continued)

(b) Key assumptions (continued)

Discount rate

The discount rate applied to the valuation model was 11.2% post tax nominal (pre-tax equivalent: 16.0%). 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.
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 spend 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.
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.

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 oil and gas industries over the remaining 43 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);
- 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;
- Although, the port is currently trading based on existing contracts with the Tiwi Islanders only, it is not fully commercialised. Full commercialisation is expected to commence following resolution of the environmental approval procedural process which has currently been referred back to the Minister (refer to note 34); and
- 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.

24 Impairment of non-current assets (continued)

(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 2016 $'million
Port and Marine	
Revenue stream for oil and gas revenue increased by 30%	**(9.3)**
Revenue stream for oil and gas revenue decreased by 30%	**9.3**
Revenue streams for non oil and gas revenue increased by 10%	**(7.8)**
Revenue streams for non oil and gas revenue decreased by 10%	**7.8**
Revenue port tariffs increased by 10%	**(3.5)**
Revenue port tariffs decreased by 10%	**3.5**
Capital expenditure increased by 40%	**1.8**
Additional sustaining capital of $100,000 per year incurred	**0.9**
Discount rate increased by 1.5% (in absolute terms)	**9.6**

In addition to the above, the Group has also identified the following reasonably possible changes in key assumptions that would be required for the following CGUs which did not recognise an impairment charge in the year ended 30 June 2016 such that their carrying value would be equal to their recoverable value:

The recoverable amount of the Fabrication and Manufacturing - Australia CGU exceeds its carrying value at 30 June 2016 by AU$1.1 million. The recoverable value of this CGU would equal its carrying amount if revenue forecast in the model were to decrease by 6% or the discount rate was to increase by 1.6% to 19.2%. The Group has not identified any further reasonably possible changes for other key assumptions that could cause the carrying amount of the CGU to exceed its recoverable amount.

The recoverable amount of the Access Services CGU exceeds its carrying value at 30 June 2016 by AU$11.4 million (2015: AU$17.2 million). There are no reasonably possible changes in any of the key assumptions that would have resulted in an impairment charge being recognised for this CGU (2015: None).

25 Expenses by nature

(Loss)/profit from operations has been determined after charging:

	Group	
	2016 AU$'000	2015 AU$'000
Included in cost of sales:		
- Materials	**10,154**	17,524
- Subcontract works	**16,380**	29,467
- Impairment of inventory	**5,054**	-
Depreciation of property, plant and equipment:		
- Included in cost of sales	**10,108**	8,640
- Included in administrative expenses	**4,036**	1,108
Total depreciation charge (note 11)	**14,144**	9,748
Amortisation of other intangible assets		
- included in cost of sales	**128**	491
- included in administrative expenses	**3,435**	1,792
Total amortisation charge (note 13)	**3,563**	2,283

25 Expenses by nature (continued)

	Group	
	2016	2015
	AU$'000	AU$'000
Employee compensation (note 29)	**419,432**	316,866
Operating lease payment (note 31(b)(ii))	**20,564**	20,036
Research and development tax credits reversal/(offset) against qualifying expenditure	**10,014**	(33,797)
Audit fees:		
Auditor of the Company	**144**	140
Other auditors*	**355**	315
Non-audit fees:		
Auditor of the Company	**22**	93
Other auditors**	**1,435**	834

26 Finance costs

	Group	
	2016	2015
	AU$'000	AU$'000
Interest expense and bank fees on:		
Loans	**15,118**	6,617
Bank fees	**440**	683
Bank guarantee fees	**216**	148
Finance leases and hire purchase	**7**	12
Unwinding of earn-out payable	**2**	16
	15,783	7,476

27 Income tax expense

		Group
	2016	2015
	AU$'000	AU$'000
Income tax expense:		
Current tax	**(226)**	4,975
Deferred tax	**6,734**	(1,695)
Over provision of current tax in prior periods	**(1,131)**	(1,735)
	5,377	1,545
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
(Increase) /decrease in deferred tax assets	**23,215**	(2,548)
Increase/(decrease) in deferred tax liabilities	**(16,481)**	853
	6,734	(1,695)

27 Income tax expense (continued)

	Group	
	2016	2015
	AU$'000	AU$'000
Numerical reconciliation of income tax expense to prima facie tax payable:		
(Loss)/profit before taxation	**(253,545)**	7,755
Reconciliation		
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(71,597)**	2,046
Tax effect of non-deductible items :		
- Non-deductible expenses	**3,235**	1,680
- Stock options	**202**	674
- Research and Development derecognised / (recognised) against qualifying expenditure	**3,004**	(10,139)
Deferred tax asset not recognised :		
- Current year tax losses	**17,347**	-
- Research and Development tax credits not recoverable	**30,040**	-
- Other tax benefits not brought to account	**23,759**	-
Non-recoverable withholding tax credits	**518**	451
Over provision of current tax in prior periods	**(1,131)**	(1,735)
Derecognition of tax credits in relation to prior year tax losses resulting from preparation and lodgement of research and development claims	**-**	8,568
	5,377	1,545

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:

	2016 Number of shares	2015 Number of shares
Issued and paid-up ordinary shares as at 30 June	**740,432,016**	740,432,016

	2016 AU$'000	2015 AU$'000
(Loss)/profit attributable to equity holders of the Company	**(258,270)**	6,174

(a) Basic (loss)/earnings per share

	2016 Number of shares	2015 Number of shares
Weighted average number of ordinary shares on issue	**740,432,016**	707,609,495

	2016 Cents	2015 Cents
Basic (loss)/earnings per share (AU$ cents per share)	**(34.9)**	0.9

28 Earnings per share (continued)

(b) Diluted earnings per share

	Number of shares	Number of shares
Weighted average number of ordinary shares on issue	**740,432,016**	707,609,495
Adjustments for calculation of diluted earnings per share:		
Share options	**-**	103,998
Share rights	**360,768**	2,258,158
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**740,792,784**	709,971,651

	2016 Cents	2015 Cents
Diluted earnings per share (AU$ cents per share)*	**-**	0.9

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

29 Employee compensation

	Group	
	2016 AU$'000	2015 AU$'000
Salaries and other short-term employee benefits	**390,031**	293,849
Employer's contribution to defined contribution plans including superannuation and Central Provident Fund	**18,426**	13,493
Employee share option scheme expense (refer to note 21)	**1,281**	2,049
Employee share scheme expense (refer to note 21)	**-**	179
Termination benefits	**9,694**	7,296
	419,432	316,866

Included in the employee compensation cost is an amount of AU$4.1 million (2015: AU$2.0 million) in relation to restructuring costs.

30 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
	2016 AU$'000	2015 AU$'000
Sale of services to entities controlled by Ezion (1)	**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)

30 Related party transactions (continued)

(b) Purchases of goods and services

	Group	
	30 June 2016 AU$'000	30 June 2015 AU$'000
Purchases of material from Australasian Insulation Pty Ltd ("AIS")	**650**	168
an entity related to a director of the Company, Barry Alfred Carson (2) (3)		
Purchase of services from Murcia Pestell Hillard Pty Ltd, Digrevni Investment Pty Ltd and Artemis Corporate Pty Ltd	**-**	109
entities related to a director of the Company, Grant Anthony Pestell (1) (3)		
Management fee and reimbursement of expenses paid on behalf by Ezion Holdings Limited (4)	**61**	10
Charter of vessel from Teras Offshore Pte Ltd (4)	**11,041**	10,158
a subsidiary of Ezion Holdings Limited		
Charter of vessel from Teras Maritime Pty Ltd (4)	**1,081**	1,261
a subsidiary of Ezion Holdings Limited		
Rental of accommodation village from Aus Am Pte Ltd (3)	**2,800**	-

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

(1) Grant Anthony Pestell ceased to be a director on 21 October 2014, the amount represents the transactions up to the date of his resignation.

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

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

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

(c) Acquisition of business

On 7 November 2014, the Group acquired 100% of the issued and paid up share capital of Ezion Offshore Logistics Hub Pte Ltd and 90% of the issued and paid up share capital of Teras Australia Pty Ltd. In accordance with the approved sale and purchase agreement, the Group issued a total of 92,155,541 ordinary shares in the Company and paid S$14.0 million in cash. Please refer to note 32 for further details.

(d) Key management personnel

	Group	
	2016 AU$'000	2015 AU$'000
Salaries and other short-term employee benefits	**4,594**	4,356
Termination benefits	**176**	66
Employer's contribution to defined contribution plans including superannuation and Central Provident Fund	**173**	157
Employee share option scheme expense	**1,147**	2,049
	6,090	6,628

Included in the above is total compensation to executive directors and non-executive directors of the Company of AU$2.8 million (2015: AU$ 3.7 million).

30 Related party transactions (continued)

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

	Group	
	2016 **AU$'000**	2015 AU$'000
Current payable relating to supply of materials from AIS	**-**	(110)
Current payable relating to service received from entities controlled by Ezion	**(16,986)**	(11,832)
Current payable relating to rental of accommodation village from Aus Am Pte Ltd	**(2,200)**	-

(f) Advances (from) / to subsidiaries

Company			
2016	**Total due AU$'000**	**Provision for doubtful debts AU$'000**	**Total AU$'000**
Due from subsidiaries	**176,936**	**(127,422)**	**49,514**
Due to subsidiaries	**(8,951)**	**-**	**(8,951)**
2015			
Due from subsidiaries	171,443	-	171,443
Due to subsidiaries	(9,740)	-	(9,740)

During the year ended 30 June 2016, the Company recognised a provision for doubtful debts of AU$127.4 million (2015 : Nil). Refer to note 9 for further details of the charge in 2016.

(g) Loans from related party

	Group	
	2016 **AU$'000**	2015 AU$'000
Beginning of the year	**34,946**	-
Loan arising on the acquisition of subsidiaries	**-**	29,841
Interest charged	**3,086**	1,688
Currency translation differences	**1,118**	3,417
End of the year	**39,150**	34,946

The Group has an unsecured loan with Ezion Holdings Limited, a substantial shareholder of the Company which is denominated in United States Dollars. The amount outstanding as at 30 June 2016 in United States Dollars was US$29.1 million (2015: US$26.8 million). This loan accrues interest at 8% per annum capitalised to the loan balance. Repayment of the loan is due on 16 December 2017. Post year end the interest rate applicable on the loan has been revised to 5% per annum.

31 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	
	2016	2015
	AU$'000	AU$'000
Property, plant and equipment / Intangible assets	**285**	2,811

(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	
	2016	2015
	AU$'000	AU$'000
Within one year	**10,693**	19,929
Later than one year but not later than five years	**34,580**	42,564
Later than five years	**15,986**	21,499
	61,259	83,992

Subsequent to year end, the Group entered into a variation agreement with one of its lessors, who is a related party of the Group, to suspend a non-cancellable lease, with minimum lease payments included above of AU$8.4 million (2015: AU$10.8 million), with effect from 1 October 2016.

(ii) Amounts recognised in profit or loss

	2016	2015
	AU$'000	AU$'000
Total rental expense relating to operating leases	**20,564**	20,036

(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	
	2016	2015
	AU$'000	AU$'000
Within one year	**432**	8,010
Later than one year but not later than five years	**1,459**	1,891
	1,891	9,901

31 Commitments and contingent liabilities (continued)

(d) Bank guarantees

Bank guarantees to a total of AU$43.9 million (2015: AU$50.8 million) and surety bonds to a total of AU$28.6 million (2015: AU$18.3 million) have been issued on behalf of the Group by banks to secure contractual performance obligations.

32 Business combination

Business combination for the year ended 30 June 2015

On 7 November 2014 the Group had acquired 100% of the issued and paid up share capital of Ezion Offshore Logistics Hub Pte Ltd ("EOLH") and 90% of the issued and paid up share capital of Teras Australia Pty Ltd ("Teras"). The principal activity of EOLH and Teras is that of a marine supply base. As a result of the acquisition, the Group is expected to expand into the business of the provision of onshore and off-shore marine services, including but not limited to, marine logistics and related support services in Australia.

Details of the consideration paid, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, are as follows:

	AU$'000
Cash on date of acquisition	12,578
Shares in the Company[1]	28,562
	41,140

[1] A total of 92,155,541 ordinary shares of the Company were issued. The fair value of the shares was determined based on the closing share price on 7 November 2014 of SGD$0.3450 per share. This transaction represents non-cash investing activity of the Group for the year.

(b) Effect on cash flows of the Group

	2015 AU$'000
Effect on cash flows of the Group	
Cash paid (as above)	12,578
Less: cash and cash equivalents in subsidiary acquired	(390)

Cash outflow on acquisition	12,188

32 Business combination (continued)

(c) Identifiable assets acquired and liabilities assumed

Group	At fair value[1] AU$'000
Cash and cash equivalents	390
Receivables	3,084
Property, plant and equipment	58,543
Investments in subsidiaries and associates	7
Intangible assets	77,104
Total assets	139,128
Payables	(12,610)
Current income tax liability	(26)
Borrowings	(62,653)
Deferred tax liability	(23,131)
Total liabilities	(98,420)
Total identifiable net assets	**40,708**
Non-controlling interest @ 10%	432
Consideration transferred for the business	**41,140**

[1] As at acquisition (7 November 2014)

(d) Acquisition related costs

Acquisition related costs of AU$0.2 million are included in administration expenses in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.

(e) Fair values

The fair value of acquired identifiable intangible assets of AU$77.1 million (being the right to operate the Port Melville operations) has been valued by independent valuers at the date of acquisition.

(f) Revenue and profit contribution

The acquired business contributed revenue of AU$15.4 million and a net loss of AU$3.8 million to the Group for the period from 7 November 2014 to 30 June 2015.

Had EOLH and Teras been consolidated from 1 July 2014 to 30 June 2015, the Group's revenue and profit after tax for the year ended 30 June 2015 would have been approximately AU$435.1 million and AU$5.6 million respectively. These amounts are calculated as follows:

	Revenue	Profit after tax
As per statement of comprehensive income	427,412	6,210
Results excluding EOLH and Teras	412,008	9,974
Pro-forma full year results of EOLH and Teras	23,076	(4,395)
Pro-forma group results with EOLH and Teras included for 12 months	435,084	5,579

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 comprises the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer - AGC, Chief Operating Officer - Teras Australia & Ezion Offshore Logistics Hub, Chief Operating Officer - MAS and Group Manager - Sales & Marketing.

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 design, 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.
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. This segment was established following the acquisition of Ezion Offshore Logistics Hub Pte Ltd and Teras Australia Pty Ltd in November 2014.

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$'000	Fabrication & Manufacturing - Singapore AU$'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	**50,154**	**249,518**	**15,742**	**10,968**	**137,314**	**18,092**	**-**	**-**	**481,788**
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	(7,747)	17,901	(27,253)	(34,625)	4,945	(161,069)	(45,697)	-	(253,545)
ASSETS									
Total segment assets	**39,502**	**106,469**	**14,509**	**10,478**	**21,894**	**97,770**	**32,040**	**-**	**322,662**
Additions to non-current assets (other than financial assets and deferred tax)	**1,002**	**7,215**	**-**	**259**	**-**	**9,258**	**535**	**-**	**18,269**
LIABILITIES									
Total segment liabilities	**18,206**	**58,846**	**1,499**	**17,257**	**3,631**	**61,866**	**176,224**	**-**	**337,529**

Group 2015	Projects AU$'000	Access Services AU$'000	Fabrication & Manufacturing - Australia AU$'000	Fabrication & Manufacturing - Singapore AU$'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	38,822	143,211	55,217	31,425	143,333	15,404	-	-	427,412
Inter-segment revenue	42,645	4,495	-	-	-	-	-	(47,140)	-
Revenue	81,467	147,706	55,217	31,425	143,333	15,404	-	(47,140)	427,412
RESULTS									
Adjusted EBITDA	7,427	20,140	(11,717)	995	2,501	(2,436)	13,472	-	30,382
Depreciation and amortisation	(1,534)	(4,297)	(1,389)	(1,669)	(110)	(354)	(2,678)	-	(12,031)
Interest income	194	769	-	329	-	3,665	16,960	(21,040)	877
Interest expense	(184)	(320)	(5,625)	(80)	(1,204)	(4,204)	(16,899)	21,040	(7,476)
Impairment losses	-	-	(3,997)	-	-	-	-	-	(3,997)

33 Segment information (continued)

(a) Segment information provided to the Senior Management Team for the reportable segments for the year ended 30 June (continued)

GROUP 2016	Projects AU$'000	Access Services AU$'000	Fabrication & Manufacturing - Australia AU$'000	Fabrication & Manufacturing - Singapore AU$'000	Maintenance Services AU$'000	Port & Marine Services AU$'000	Corporate/ Unallocated AU$'000	Elimination AU$'000	Total AU$'000
Profit / (Loss) before tax	5,903	16,292	(22,728)	(425)	1,187	(3,329)	10,855	-	7,755
ASSETS									
Total segment assets	42,122	86,795	54,136	27,738	43,876	225,221	63,148	-	543,036
Additions to non-current assets (other than financial assets and deferred tax)	778	8,565	25	3,223	85	188,537	3,835	-	205,048
LIABILITIES									
Total segment liabilities	18,371	43,660	5,417	7,391	14,616	56,139	156,011	-	301,605

* As a result of changes in the information provided to the Senior Management Team in its regular reporting based on a review of current business requirements, the Group has changed the composition of its reportable segments. Accordingly, the Group has restated the operating segment information for the year ended 30 June 2015.

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.

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

	Group	
	2016 AU$'000	2015 AU$'000
Segment assets for reportable segments	**290,622**	479,888
Cash and cash equivalents	**16,716**	32,836
Other receivables and prepayments	**7,954**	1,559
Property, plant and equipment	**791**	3,868
Intangible asset	**6,579**	7,513
Deferred tax assets and tax recoverable	**-**	17,372
	322,662	543,036

33 Segment information (continued)

(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	
	2016 **AU$'000**	2015 AU$'000
Segment liabilities for reportable segments	**161,305**	145,594
Bank overdrafts	**-**	6,156
Trade payables	**4,797**	4,565
Other payables	**27,258**	11,936
Borrowings	**139,763**	124,588
Accruals for other liabilities and charges	**3,093**	4,511
Deferred tax liabilities and current tax payable (including set off of deferred tax pursuant to set-off provisions)	**1,313**	4,255
	337,529	301,605

(d) Other segment information

	Revenue AU$'000	%	Segment assets AU$'000	%	Non-current assets (Exclude deferred tax assets) AU$'000	%
2016						
Australia	**437,984**	**90.9%**	**276,706**	**85.8%**	**135,316**	**89.7%**
Singapore	**30,453**	**6.3%**	**41,742**	**12.9%**	**15,439**	**10.2%**
Thailand	**13,351**	**2.8%**	**4,214**	**1.3%**	**194**	**.1%**
Total	**481,788**	**100.0%**	**322,662**	**100.0%**	**150,949**	**100.0%**
2015						
Australia	354,518	82.9%	476,130	87.7%	263,954	91.1%
Singapore	44,875	10.5%	56,179	10.3%	25,633	8.8%
Thailand	28,019	6.6%	10,727	2.0%	87	.1%
Total	427,412	100.0%	543,036	100.0%	289,674	100.0%

34 Events occurring after the reporting period

(i) Renegotiation of terms of borrowings

As stated in note 17, the Group breached certain externally imposed banking and Notes covenants during the financial year ended 30 June 2016. As at the date of this report the Group has obtained a waiver for breaches relating to facilities from DBS Bank Limited, and has successfully renegotiated terms with the Noteholders securing a minimum extension of maturity to 20 October 2018 as set out below.

34 Events occurring after the reporting period (continued)

(i) Renegotiation of terms of borrowings (continued)

DBS Bank Limited negotiation

As reported in note 17, the Group was in breach of the Consolidated Debt to Equity covenant in relation to its DBS banking facilities at 4th quarter FY2016. A waiver of this breach has been received post year end.

The short term loan, of AU$11.0 million, in issue from DBS was due for repayment in August 2016 as at the balance sheet date. Following negotiations with the bank after year end, the maturity of the short term loan has been extended to November 2016. This loan is being extended on a month by month basis by DBS, whilst negotiations to arrive at a long term arrangement with an agreed repayment schedule are ongoing.

Renegotiation of terms attached to S$110 million loan notes

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

- An upfront partial redemption of the Notes of at least S$4 million was to be completed on 20 October 2016. Subsequent to this, settlement of S$4.0 million has been agreed;
- Maturity of the Notes has been extended to 20 October 2018, with an option to extend the maturity further to 20 October 2019 upon Extraordinary Resolution being passed in accordance with the Trust Deed;
- Interest will be paid monthly at a rate of 7.95%pa for the year ended 19 October 2017 and 8.45%pa for the year ended 19 October 2018;
- Upon redemption of the Notes, a make-whole premium will be payable 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 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 pursuant to a share charge; and
- Financial covenants previously in place with regard to the Notes as identified in note 17 are removed.

(ii) Developments in the Group's Port and Marine Services' business

A local environmental activists group challenged the legitimacy of the government's environment permit approval on one of the Group's projects, namely Port Melville, claiming that it was approved without proper environmental assessment. Management is of the opinion that it has complied with the local laws and regulations, but these legal proceedings have had an impact on the commercialisation of Port Melville facilities.

The case which was scheduled to be heard before the Federal Court of Australia on 27 October 2016, was concerned with and was related to the procedural process adopted by the Commonwealth Government only, as opposed to any substantive issues related to the port operations, will not now proceed.

During October 2016, the Group has since been advised by the Australian Minister for Environment and Energy that pursuant to a consent order entered into between the Minister and the local environmental activists, the current decision will be quashed and referred back to him for further consideration according to law, on the basis that his original decision lacked certainty in some respects. This process is expected to take between four to six weeks. During this period, the facilities at Port Melville will continue to operate at current historical levels.

35 Litigation and claims

(i) Teras Cargo Transport (America) LLC

As at 30 June 2016, 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.

35 Litigation and claims (continued)

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

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 an 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 has until the 11 December 2016 to serve the amended Statement of Reply. The matter is on-going at the date of approval of these financial statements. 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 ("Karara") by AGC Industries Pty Limited ("AGCI"), a wholly owned subsidiary of the Group, in relation to its contracted works completed in 2013. Most recently on 26 March 2016, AGCI has submitted a claim to the court for an amount of A$23.8 million for amounts AGCI consider due under the contract. The case is currently scheduled to be heard in March 2017. Included in amounts due from customers on construction contracts is management's best estimate of the amounts expected to be recovered. Refer to note 3a for consideration of critical accounting estimates and assumptions in relation to revenue recognised in construction contracts.

Shareholdings Statistics as at 10 November 2016

Class of equity securities	:	Ordinary share
Number of equity securities	:	740,432,016
Number of treasury shares	:	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	135	1.73	127,288	0.02
1,001 - 10,000	2,975	38.08	21,706,664	2.93
10,001 - 1,000,000	4,645	59.47	353,884,512	47.79
1,000,001 and above	46	0.59	364,713,354	49.26
	7,811	**100.00**	**740,432,016**	**100.00**

Top 20 Shareholders

No.	Name of Shareholders	No. of Shares	%
1	Ezion Holdings Limited	132,055,541	**17.83**
2	CIMB Securities (S) Pte Ltd	20,683,060	**2.79**
3	Barry Alfred Carson and Jennifer Margaret Carson	20,651,518	**2.79**
4	DBS Nominees Pte Ltd	18,829,052	**2.54**
5	Maybank Kim Eng Securities Pte Ltd	17,848,386	**2.41**
6	Citibank Nominee Singapore Pte Ltd	17,724,978	**2.39**
7	OCBC Securities Pte Ltd	17,096,500	**2.31**
8	UOB Kay Hian Pte Ltd	11,511,000	**1.55**
9	Phillip Securities Pte Ltd	11,031,200	**1.49**
10	United Overseas Bank Nominees Pte Ltd	9,451,300	**1.28**
11	Emerald River Pty Ltd	8,908,896	**1.20**
12	OCBC Nominees Singapore Pte Ltd	6,926,400	**0.94**
13	HL Bank Nominees (S) Pte Ltd	6,115,100	**0.83**
14	Raffles Nominees (Pte) Ltd	6,044,823	**0.82**
15	Tan Bee Hoe	4,600,000	**0.62**
16	DBS Vickers Securities (S) Pte Ltd	4,037,000	**0.55**
17	Lee Chien Shih	3,750,000	**0.51**
18	DB Nominees (S) Pte Ltd	3,451,700	**0.47**
19	Ng Cheng Choh	3,390,000	**0.46**
20	Lim Siew Bee	2,765,000	**0.37**
		326,871,454	**44.15**

Shareholdings Statistics as at 10 November 2016 (continued)

Shareholdings Held in Hands of Public

Based on information available to the Company and to the best knowledge of the Company as at 10 November 2016, approximately 81% 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.

There are no treasury shares held in the issued capital of the Company.

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 10 November 2016)

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	132,055,541	17.83	-	-

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Company Information

Board of Directors

Mr Stuart Maxwell Kenny
Non-Executive Director and Chairman

Mr Eng Chiaw Koon
Managing Director 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

Company Secretaries

Mr Lee Tiong Hock
Ms Ngiam May Ling

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E info@agc-ausgroup.com

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Public Accountants and Chartered Accountants
8 Cross Street
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Singapore 048424
Partner-in-Charge: Peter Low Eng Huat
Date of Appointment: 21 October 2014

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