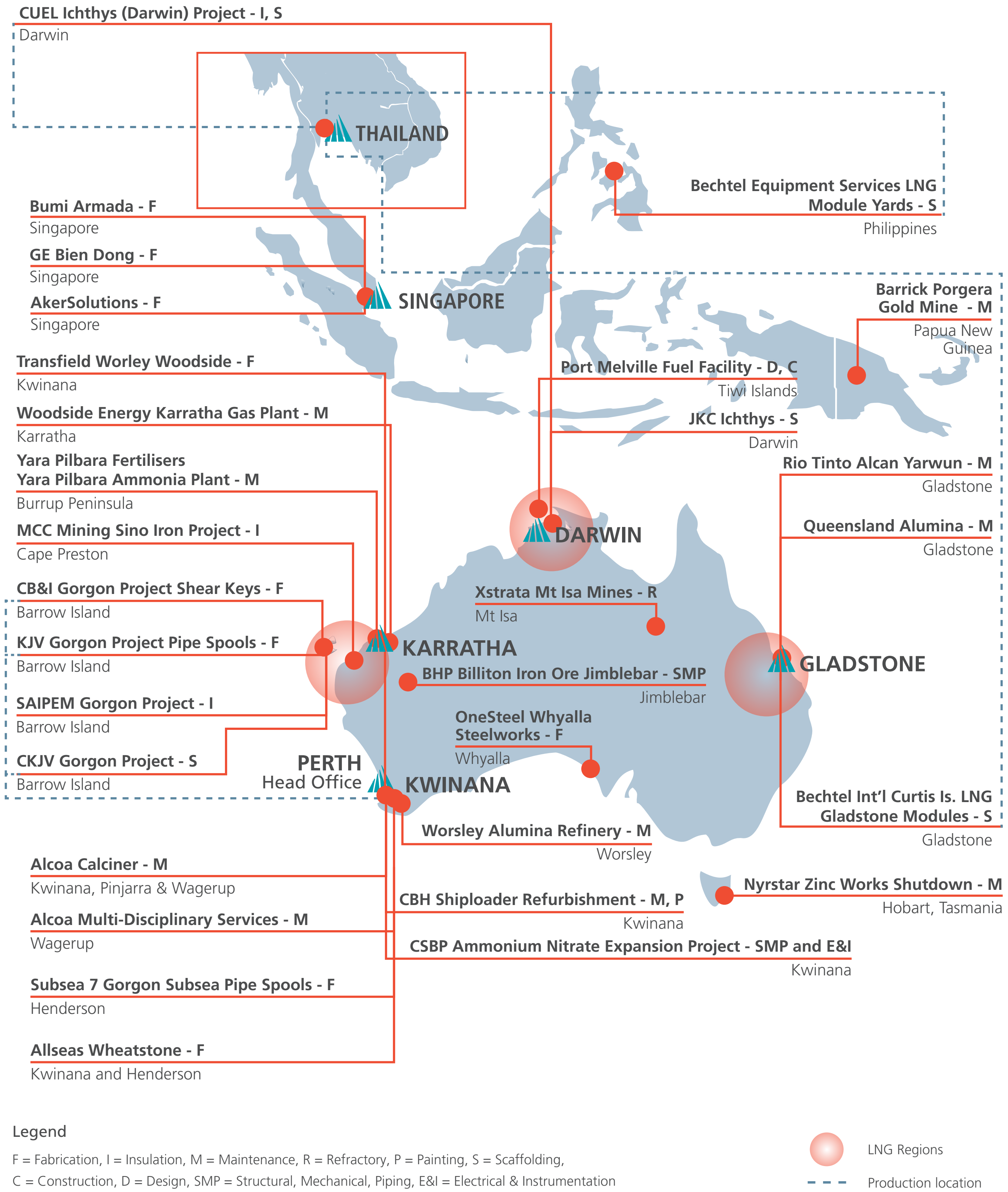
AusGroup

Innovative Integration

AusGroup Limited
Annual Report 2014

Our Recent Projects



Contents

AusGroup Limited is a growth-orientated fabrication, construction and integrated services company in Australia and South East Asia, that strives for performance excellence in everything we do.

We provide a range of fabrication and manufacturing, construction, scaffolding, insulation, painting, refractory and maintenance services.

Today we are helping our clients both large and small to build, maintain and upgrade some of the world's most challenging oil and gas, mineral resource and infrastructure development projects.

Our primary objective is to deliver a satisfactory return to our shareholders. We do this through:

- Our clear and focused strategy
- Our people
- Our approach and our attitude to safety, the environment and the community we work in.

AusGroup aims to optimise service delivery and financial performance through an engaged and collaborative approach to client, workforce and supplier relationships that is driven by a committed leadership team.

Financial Performance

FOR THE YEAR (AUS$'000)	2014	2013	% Change
Revenue	302,447	582,706	-48%
Earnings before interest, tax, depreciation and amortisation	(6,271)	33,069	-119%
Earnings before interest and tax	(20,552)	17,651	-216%
Profit before tax	(23,252)	14,285	-263%
Profit after tax	(11,871)	9,709	-222%

AT YEAR END (AUS$'000)	2014	2013	% Change
Shareholders' equity	196,129	173,200	13%
Total assets	301,303	305,791	-1%
Net debt / (funds)	(21,216)	18,288	-216%
Cash used in operations	(30,479)	(11,468)	-62%
Free cash flow	10,243	(25,409)	-348%

FINANCIAL RATIOS	2014	2013	% Change
Earnings per share (AUS$ cents)	(2.3)	2.0	-215%
Return on equity (%)	(6.1)%	5.6	-209%
Return on assets (%)	(3.9)%	3.2	-222%
Interest cover (times)	(5.8)	4.6	-225%

PRODUCTIVITY (AUS$'000)	2014	2013	% Change
Economic value added	(31,253)	(7,725)	-75%

REVENUE (AUS$'000)	
2014	302,447
2013	582,706
2012	632,033
2011	602,026
2010	366,714

EBIT (AUS$'000)	
2014	(6,271)
2013	17,651
2012	38,483
2011	20,407
2010	9,178

PROFIT AFTER TAX (AUS$'000)	
2014	(11,871)
2013	9,709
2012	23,313
2011	12,397
2010	2,366

TOTAL ASSETS (AUS$'000)	
2014	301,303
2013	305,791
2012	281,469
2011	255,702
2010	214,926

SHAREHOLDERS' EQUITY (AUS$'000)	
2014	196,129
2013	173,200
2012	163,950
2011	139,082
2010	116,369

Fugro-TSM Subsea Pipe Spools, Australian Marine Complex, Henderson, Western Australia

Chairman's Report

Dear Shareholders,

AusGroup's operating results for FY14 were not as pleasing as hoped after being impacted by disappointing Quarter 1 results and the rapid softening of mining service opportunities. Since that time, the Company has been busy responding to the challenging economic environment in our major markets and refocusing our strategy and structure, which has not only resulted in improved performance over the balance of the financial year, but also created a solid platform for FY15.

The Group's yearly recorded revenue was AU$306 million (FY13: AU$583 million), reflecting the significant decrease in activity across the mining and resources industry over the past year.

Emerging from a demanding 12 months, AusGroup has been working to rebuild confidence with its clients, bankers, shareholders and employees. The business has invested in its revised focus towards the oil and gas sector, while reducing and refining overhead costs so that they align with emergent market conditions.

Despite the early setbacks faced during the year, I am pleased with our achievements which were only possible through the commitment and efforts of all employees.

Of particular importance, I am pleased to report that our safety performance has once again exceeded expectations through our peer leading Perfect Day initiative which continues to demonstrate its outstanding success.

Recovering from the challenges of last year, the focus for the year ahead will include; continuing to improve the order book, maintaining a reduction in our cost base and supporting our clients and shareholders with delivery assurance.

As we move forward with these goals in mind, I would like to welcome Mr Stuart Kenny back to the role of CEO and Managing Director. His wealth of experience and intimate knowledge of the Company is instrumental in leading the success of the business during this time.

Fortunately, AusGroup has been focused on further developing our extensive maintenance capabilities over the past several years, positioning the Company for success in rapidly changing market conditions which will focus on increasing operating expenditure (OPEX) rather than capital expenditure (CAPEX) opportunities of recent years.

With OPEX expected to last for 30 years or more, the Group is now focused on identifying opportunities for maintaining assets in an operation focused market.

While uncertain times remain ahead, the Group is very pleased with the growing order book which includes LNG construction as well as maintenance of LNG and industrial projects across Australia. Our client base in Singapore continues to grow as we focus on securing subsea component contracts.

I am pleased to announce that our shareholders enabled the passing of all four resolutions presented at our Extraordinary General Meeting in June with an acceptance level of over 95% for all items. These resolutions solidified our partnership with Ezion Holdings Limited (Ezion), a leader in the development, ownership and chartering of strategic offshore assets. AusGroup's partnership with Ezion will continue to open up a number of short term and potential long term opportunities for the business.

Further to this, we announced in July a Sales and Purchase Agreement (SPA) with Ezion for the purchase of their interests in Ezion Offshore Logistics Hub Pty Ltd (EOLH) and Teras Australia Pty Ltd. This transaction, once approved, will further the Company's stated strategy to extend our service offering through the development of port and supply base on Melville Island and the provision of onshore and offshore marine services to the oil & gas industry, both in Australia and beyond. These companies are uniquely positioned at Australia's top end as the country strives to become an oil and gas centre. They will also support the Group in supplying an extended service offering through our existing fabrication, manufacturing, construction and maintenance services to the sector.

AusGroup had previously announced its intention to list on the Australian Securities Exchange (ASX) however this decision has now been postponed indefinitely. It is disappointing to see the time it has taken to progress the initiative, though I would like to thank the Singapore investors for their ongoing support. Satisfied with our current position, AusGroup will maintain its listing on the Singapore Exchange Securities Trading Limited (SGX) for the foreseeable future, with no plans to reconsider an ASX listing.

During the year our Board experienced a number of changes, with new members bringing varied and extensive experience to the Company.

On behalf of the Board, I would like to take this opportunity to bid farewell to independent non-executive directors Mr Kok Pak Chow and Mr Kelvin Lee Kiam Hwee. In particular, I would like to thank Mr Kok Pak Chow for his longstanding commitment to the Company and wish him well in his future endeavours.

Also on behalf of the Board, I would like to welcome four new directors to the Board: Ms Ooi Chee Kar, Captain Larry Johnson, Mr Wu Yu Liang and Mr Eng Chiaw Koon. The profiles of the new directors are contained in the annual report. Each of the new directors brings varying and extensive business, commercial and professional experience to the Board. Captain Larry Johnson and Mr Eng Chiaw Koon from Ezion have joined the Board to provide essential guidance, as we work with our new largest shareholder to craft and implement our strategic expansion into onshore and offshore marine logistics services to the oil and gas industries.

I would like to express my deepest gratitude to my fellow Board members for their wise counsel and guidance in the past years.

Finally, I would like to thank you, our share-holders for your ongoing trust and support.

Dr Chew Kia Ngee
Chairman - AusGroup Limited

Drawing on our extensive history and experience in the maintenance space, we are able to readily deliver, adapting to the changing demands of our clients as their projects move into operations.

CBH Shiploader Refurbishment, Kwinana, Western Australia

CEO's Report

This year has seen AusGroup adopt a number of initiatives to address challenges facing the business in response to softening market conditions and a first quarter loss.

The focus over the past 12 months has been to refinance the group while working to strengthen our order book and at the same time provide confidence to our internal and external stakeholders in our ability to perform in a changing market. These challenges have opened up new opportunities for the business, as we implement improvements to key operating areas for the year ahead.

With a shift in the market from a CAPEX focused environment towards a focus on operations as new mines and LNG facilities become operational, AusGroup is very well positioned, especially within our Integrated Services business unit , to take advantage of the increasing maintenance and brownfields modifications and upgrade opportunities. Drawing upon long term experience in the provision of maintenance services which began at the inception of the company, we are able to readily deliver, adapting to the changing demands of our clients as requirements vary from start-up of new facilities to plants where operations are quite mature.

Our MAS scaffolding business has experienced great success, securing contracts on the Chevron-operated Gorgon Project and the INPEX-operated Ichthys LNG Project during the financial year. We have secured a AU$174 million contract for the provision of scaffolding assets comprising management, design and engineering, scaffolding material supply and installation services to the LNG process and inlet areas at the Ichthys Project Onshore LNG Facilities in Darwin. We have also been awarded an initial AU$34.5 million contract for the installation of multi-purpose scaffolding which will be used to provide access for insulation, painting, installation and other works undertaken on Barrow Island for the Gorgon Project.

Alcoa Multi-Discipline Services (MDS) Contract, Wagerup, Western Australia

Australian Marine Complex (AMC), Henderson, Western Australia

CEO's Report continued

The Projects business unit has finalised a number of projects during the year as well as building project teams to undertake new works in Thailand and on Barrow Island including the upgrade of management systems, incorporating lessons learned from past projects. Offering our clients a varying suite of services, Projects is continuing to focus on securing future construction and installation work, particularly LNG construction opportunities.

AusGroup's Fabrication & Manufacturing services span Australia and Singapore, providing the Group with diverse, although changing opportunities and capabilities. Building on current contracts, this business unit continues to respond to the softening market through engaging with clients in order to assist with the development of solutions, along with extending our service offering as required. Our Singapore operations continue to develop, with the expansion of their premises to include a new workshop.

In support of the growth and development of our maintenance business, I would like to welcome Paul Birighitti, Executive General Manager – Maintenance Services to the Group. Paul brings a wealth of experience in the oil & gas, utilities and mining & mineral processing industries within Australia and internationally. Focusing on the delivery of our contracts with Woodside and the Yara chemicals shutdown, Paul will also be looking to expand AusGroup's operational footprint to include South Australia, Tasmania and Papua New Guinea. We will continue to provide our clients with specialist skills, particularly in the delivery of shutdowns, with approximately 25 in the pipeline for the year ahead.

To further enhance our commitment to providing a truly integrated service offering, we have entered into a Collaborative Agreement with Ezion Holdings Limited. Ezion, through their operating company Teras Australia and Ezion Offshore Logistics Hub (Tiwi), provide offshore marine and logistics solutions locally and internationally. This includes an Australian Government gazetted port facility on Melville Island. This facility and their marine assets will provide future opportunities, allowing us to deliver an integrated end to end solution to our clients.

I believe this will provide growth prospects for the group as we confront a rapidly changing market environment as well as offering new career pathways for our workforce.

CSBP Ammonium Nitrate Expansion Project, Kwinana, Western Australia

People

We are driving improvement throughout all aspects of the business, including investment in our people. We are focused on retaining and developing personnel through a number of initiatives.

Up-skilling and providing training opportunities to our people, supports our business through an increased breadth of knowledge, skills and experience, allowing us to deliver projects for our clients.

Health, Safety, Sustainability & Quality

The safety and wellbeing of our people is at the forefront of everything we do. Essential to the success of our business, our Perfect Day philosophy works in support of our values, encouraging our team to work safely.

Our lead indicators show an improvement in our HSE performance over the past 12 months, with a reduction on our Total Recordable Injury Frequency Rate (TRIFR) by 41% to 2.37. Our Projects business unit recorded a zero TRIFR for the financial year, an outstanding result for the business. Together, we aim to achieve zero injuries across our business with one Perfect Day at a time.

In line with our drive for a Perfect Day from a safety perspective, our Business Improvement and Quality processes and systems are constantly reviewed and developed to ensure continuous improvement across all aspects of the business.

Strategy & Outlook

As much of the focus has been on construction and engineering for the past decade, many companies find themselves entering the maintenance industry for the first time. AusGroup are proud to be recognised as an established service provider with an ability to offer integrated skills for structural mechanical piping, fabrication, refractory lining, cryogenic insulation, protective coating and scaffolding. We have the ability to provide clients with everything they may require in-house, offering them the option of utilising one or several of our services across all business sectors, particularly LNG operations.

By early 2017 Australia will have 20 LNG trains producing 89 MTPA, positioning them as the world's largest producer. As a result, Australia will be home to the largest LNG maintenance market, a position that allows AusGroup the opportunity to further develop our broad array of skills, building on extending our services to the expanding industry sector. We will also continue to develop our long-standing maintenance relationship with Alcoa of Australia. A similar growth in maintenance requirements in the mining market is also predicted due to the culmination of the CAPEX boom in Iron Ore and Coal. We will also look to expand our service offering to clients within this sector.

Focusing on our strengths, particularly within a changing market, our strategy will continue to support the company in further developing and diversifying our service offering across the industry.

Stuart Kenny

Stuart Maxwell Kenny
Chief Executive Officer and Managing Director

AusGroup aims to optimise service delivery and financial performance through an engaged and collaborative approach to client, workforce and supplier relationships that is driven by a committed leadership team.

CBH Shiploader Refurbishment, Kwinana, Western Australia

Over the last 12 months AusGroup has executed a growing number of contracts on sites throughout Australia, with an average of one shutdown per fortnight.

Karratha Gas Plant, North West Shelf Project, Western Australia, *image courtesy of Woodside*

Alcoa Multi-Discipline Services (MDS) Contract, Wagerup, Western Australia

Sandblasting on the CBH Shiploader Refurbishment Project, Kwinana, Western Australia

Operations Overview - Integrated Services

As many construction projects in Australia approach completion there are an increasing number of production and infrastructure assets requiring efficient and effective maintenance services, which AusGroup is ideally positioned to execute.

AusGroup's Integrated Services business unit delivers a broad range of multidiscipline capabilities for complex production assets, using solutions which are tailored to suit the needs of the client. As a key part of the business, Integrated Services provides a growing annuity income stream to the Group through the establishment of long-term, relationship-based asset support contracts and preferred supplier status.

As an established contractor in the industrial, mining and mineral processing sector and with a growing track record in the hydrocarbon sector, we are able to diversify into both stable and long term growth markets.

Over the last 12 months AusGroup has executed a growing number of contracts on sites throughout Australia, with an average of one shutdown per fortnight. In particular, AusGroup's Refractory business now services more than 70% of the nation's alumina refineries, executing projects for clients across Australia and Papua New Guinea with 20% year on year growth for the last several years. Increased Refractory activity with the ammonia, steel manufacturing and glass industries has also allowed AusGroup to offer the Group's broader range of capabilities to additional markets.

2014 has seen increased activity in the growing Queensland market, through an integrated services contract (scaffolding, refractory and mechanical) with Rio Tinto's Gladstone alumina refinery, Queensland Alumina Limited and maintenance services to Rio Tinto's Yarwun alumina refinery.

Project Highlights

Woodside Energy Limited - Karratha Gas Plant Life Extension Program – Multi Discipline Service Contract

AusGroup provides a full range of disciplines to client Woodside Energy Limited under a two year agreement (with options to extend).

AusGroup is one of the contractors responsible for the safety, quality and execution of planned outages, shutdowns and asset rejuvenation projects.

The scope includes maintenance and construction capabilities for mechanical, insulation, painting, scaffolding, rigging, electrical and insulation and subcontractor management.

Alcoa Multi-Discipline Services (MDS) Contract, Wagerup, Western Australia


CBH Shiploader Refurbishment, Kwinana, Western Australia

Alcoa Multi-Discipline Services (MDS) Contract, Wagerup, Western Australia

Project Highlights continued

Yara Pilbara Plant Turnaround

Yara Pilbara is responsible for the operation and management of one of the world's largest ammonia production facilities, located on the Burrup Peninsula near Karratha in Western Australia.

AusGroup is executing a turnkey contract through the provision of personnel, tooling and equipment for the Yara Pilbara 2014 Plant Turnaround. Utilising AusGroup's broad range of internal capabilities, the scope includes installation of scaffolding, removal and replacement of insulation, repairs to refractory linings, manufacture of piping at our Kwinana facility, installation of piping during the turnaround, valve servicing and replacement, vessel inspections and removal of existing equipment for installation of replacement pressure vessels. Manning is expected to peak at 350 personnel.

Alcoa Australia Limited - Integrated Refractory Services, Calciner Maintenance contract

AusGroup has been providing refractory maintenance services works across Alcoa WA operations since 1996. Recently awarded an additional three year calciner maintenance contract, AusGroup will continue to execute an integrated refractory, mechanical and scaffold access service to Alcoa's Kwinana, Pinjarra and Wagerup Alumina Refineries.

This contract will see the relationship between Alcoa and AusGroup extend through to 2017, solidifying a 21 year partnership.

Recognised for their calciner shutdown capability, Alcoa require the successful delivery of a range of significant cost saving initiatives throughout the life of our contracts.

Alcoa Australia Limited - Multi Discipline Services (MDS)

AusGroup has been appointed by Alcoa Australia Limited to carry out the management and execution of core multi disciplinary services (MDS) to Alcoa's Wagerup Refinery, located in Western Australia. The five year contract covers a range of mechanical, electrical and scaffolding services.

AusGroup is pleased to be associated with Alcoa's Wagerup alumina refinery which is a notable model of sustainability. It is part of Alcoa's three-refinery system in Western Australia that is among the most technologically advanced systems in refinery operations.

Queensland Alumina Limited - Integrated Maintenance Services

AusGroup were engaged by QAL to perform a 42 day shutdown including all associated mechanical maintenance, access disciplines and refractory services utilising existing in-house capabilities on the Alumina refinery located in Gladstone, Queensland.

Our unique service integration provided QAL the benefits of a combined management infrastructure and execution strategy – providing increased levels of accountability, eliminating workgroup interface delays and delivering the client a substantial reduction in total costs.

This shutdown was completed three days ahead of schedule (permit to plan).

JKC Australia LNG Pty Ltd - INPEX-operated Ichthys LNG Project

In March 2014, MAS was awarded a AU$174 million scaffolding works contract for the INPEX-operated Ichthys LNG Project.

MAS will be providing scaffolding assets comprising management, design and engineering, scaffolding material supply and installation services to the LNG process and inlet areas at the Ichthys Project Onshore LNG Facilities at Blaydin Point in Darwin, Northern Territory for lead onshore contractor JKC Australia LNG Pty Ltd (JKC).

JKC has been contracted to deliver the engineering procurement and construction of the onshore LNG facilities including the gas processing plant at Blaydin Point.

CKJV - Chevron-operated Gorgon Project

In June 2014, MAS was awarded a contract for the supply of scaffolding material by CB&I and Kentz Joint Venture (CKJV), for works on the Chevron-operated Gorgon Project.

MAS will be providing 6,100 tonnes of scaffolding material for the project, which will be used to provide access for the completion of modules, ancillary structures and equipment for all trades services being carried out on Barrow Island.

Expected to create approximately 50 local jobs, this award builds on the work MAS has already undertaken with CKJV on the project. In June 2013, MAS was commissioned by CKJV to provide ongoing scaffolding services, including the provision of key MAS management personnel and planning, design, engineering and coordination assistance.

AusGroup Singapore manufacturing facilities

Subsea products manufactured at AusGroup, Singapore

Fabrication of Subsea 7 pipe spools at our Australian Marine Complex facility in Henderson, Western Australia for the Chevron-operated Gorgon Project

Operations Overview - Fabrication & Manufacturing

AusGroup's Fabrication and Manufacturing business unit provides turnkey capabilities through our strategically located fabrication and manufacturing facilities in Perth's high-wide load corridor in Kwinana, including tenured facilities at the Australian Marine Complex in Henderson.

Our specialist workshops set us apart from our competitors by reducing the need for onsite assembly and providing time and cost savings to our clients.

In response to the increasingly competitive oil & gas environment, improved levels of documentation and testing have been developed using the experience gained from our involvement in high profile oil & gas projects, such as the Chevron-operated Gorgon and Wheatstone Projects and a continuing program of work for Woodside.

AusGroup is currently undertaking work on the largest subsea spools ever welded on the Australian coastline at the Australian Marine Complex, including 100 tonne spreader bars and a load out of 550 tonnes of pipe spools requiring a 1600 tonne crane.

External conditions proved to be challenging during the fabrication of the pipe spools, however these were overcome through the implementation of various solutions, built specifically for the job. These included weather proof work enclosures, removal of exotic coatings to prevent contamination and increased testing and training to ensure specific welding techniques were used.

In South East Asia, AusGroup Singapore - an engineering service provider to the upstream oil & gas, marine and renewable energy industries - has another 30,000m² of enclosed fabrication facilities, including a machine shop and staging and storage areas with barge loadout access in the Tuas industrial area in Singapore.

This year saw the addition of a new workshop with waterfront access to service Singapore's blowout preventer and accumulator repair and manufacturing business. The workshop boasts a specialised pressure testing bunker for the longest risers in utilisation and a S$1.5 million electrical substation upgrade.

Furthermore, a new 40 tonne crane facility has been earmarked for 2015.

Operationally, AusGroup Singapore has experienced a major transformation in the last 12 months with a focus on refining safety and quality practices to exceed customer expectations including the development of AIMS (AusGroup Information Management System) for improved process control and audits for American Petroleum Institute (API) accreditation.

Project Highlights

Chevron-operated Gorgon Project Adjustable Pipe Supports

In 2013 AusGroup was awarded an extension to the fabrication package from Chevron Australia to fabricate and supply the adjustable pipe support structures for the Chevron-operated Gorgon Upstream Project.

Scope of work included the fabrication, supply, testing, inspection, storage and delivery of 12 adjustable pipe support structures weighing in excess of 900 metric tonnes. All work including factory acceptance testing has been executed at our fabrication facilities in Kwinana.

This contract was further extended to include associated Pig Launchers and Subsea Tees taking the total contract value to AU$25 million.

Subsea 7 (Heavy Lift & Tie-ins Scope) Gorgon Project* Subsea Pipe Spools

AusGroup secured fabrication work with Subsea 7 Australia in 2013 for the Chevron-operated Gorgon Project.

The contract involves the fabrication of pipe spool assemblies with all work performed at the Australian Marine Complex quay side facility in Henderson, south of Perth, Western Australia.

Allseas Chevron-operated Wheatstone Project Pipelay Fabrication Allotment 2

AusGroup was awarded the supply and fabrication contract for offshore pipeline and subsea construction by Allseas as part of the Chevron-operated Wheatstone Project in 2013.

The scope of work includes the supply and fabrication of the Allotment 2 Wheatstone Infield Subsea Pipeline End Terminations, In Line Tees, Pig Launchers/Receivers and Abandonment/Recovery Heads.

The work will play a critical role in the delivery of gas and condensate to the Wheatstone Platform, prior to being transferred to the onshore LNG facility.

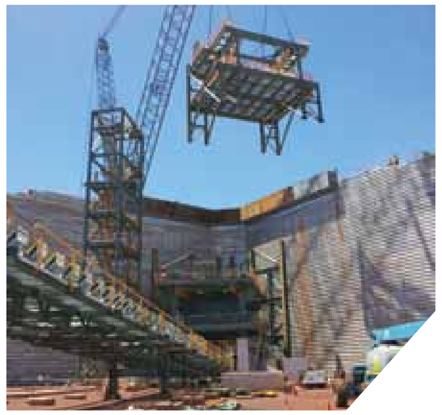
AkerSolutions – Global Services Agreement

In 2013, AusGroup was awarded a seventh fabrication package from Aker Solutions to manufacture drilling riser tools for various drilling rigs.

The scope of work includes the supply of materials, fabrication, machining, assembly, testing, inspection, storage and delivery of items such as Riser Spiders, Termination Adaptors, Running Tools, Tensions Rings and Telescopic Joints. All work is executed at our fabrication facility in Singapore that is ideally situated for turnkey solutions to customers, with immediate waterfront access.

This project showcases AusGroup's flexibility and capability in the delivery of complex and sophisticated subsea tools packages and equipment.

*The Gorgon Project is operated by an Australian subsidiary of Chevron and is a joint venture of the Australian subsidiaries of Chevron (47.3 percent), ExxonMobil (25 percent), Shell (25 percent), Osaka Gas (1.25 percent), Tokyo Gas (1 percent) and Chubu Electric Power (0.417 percent).


BHP Billiton Iron Ore Jimblebar Project, Western Australia


CBH Shiploader Refurbishment, Kwinana, Western Australia


CSBP Ammonium Nitrate Expansion project, Kwinana, Western Australia

Operations Overview - Projects

AusGroup's Projects business unit is responsible for delivering the Group's construction and installation works for the oil & gas, industrial, mining and infrastructure sectors.

During the year several major projects were completed allowing the business unit to regroup and refine our focus for the upcoming year. The knowledge and experience gained through the delivery of these projects has enabled further improvements to our project delivery capability. AusGroup provides a holistic construction service offering including; structural, mechanical and piping construction, electrical and instrumentation, insulation and painting, surface protection and fireproofing.

Supported by our ability to provide access services through our scaffolding business MAS, Projects offers a flexible combination of services which is a key differentiator for us in the marketplace.

Our strategic collaboration with offshore oil & gas service provider Ezion Holdings Limited, via its subsidiary Teras Australia allows AusGroup to target both onshore and offshore opportunities. By extending our geographical reach and diversifying our service offering we are targeting both construction of new assets and deconstruction of retired facilities.

The business continued to maintain an excellent safety record throughout the year. Achieving incident-free days - one day at a time - is the foundation of the company's Perfect Day philosophy. At the conclusion of FY14 Projects achieved an LTIFR of 0.47 and TRIFR of 2.37 with a total of 352,464 manhours.

With overall quality performance for the year below expectations, corrective action was taken. We applied our Lessons Learned process to identify root causes, enabling a refinement and improvement of project procedures as part of our continuous improvement.

Projects completed for our clients during the year included CSBP's Kwinana AN3 Expansion Project, BHP Billiton's Jimblebar Iron Ore Project and CBH Group's Kwinana Grain Terminal Refurbishment.

Ongoing projects include CUEL Thailand's Ichthys Module Insulation and new projects include Saipem's (Chevron-operated) Gorgon LNG Project Insulation and Ezion's Port Melville Fuel Facility.

The outlook for the next 12 months includes oil & gas opportunities both within Australia and internationally, and building on the company's regional presence in Queensland and the Northern Territory.

Project Highlights

CSBP - Ammonium Nitrate Expansion Project

In November 2012, AusGroup was awarded a contract with CSBP for construction and installation of all structural, mechanical, piping, electrical and instrumentation works associated with the prilling plant expansion within CSBP's Ammonium Nitrate Expansion Project. The contract included debottlenecking works to the existing prilling plant at the Kwinana site.

AusGroup carried out the expansion work while the existing plant remained fully operational, assisting with commissioning and tie in of the new works during several short round-the-clock shutdowns. The contract works were completed in January 2014 with many challenges overcome, bringing significant project learnings to the business.

BHP Billiton Iron Ore - Jimblebar Iron Ore Project

AusGroup successfully delivered the construction of structural, mechanical and piping works associated with the Jimblebar Iron Ore Project for BHP Billiton Iron Ore. At peak, AusGroup had a direct workforce of 140 people located on the remote site 39km east of Newman, in Western Australia.

The new 35mtpa ore handling facility at Jimblebar involves construction of a primary crusher to run-of-mine ore and a 3.4km overland conveyor system to transfer primary crushed ore to the coarse ore stockpile. The contract was completed successfully in September 2013.

Perfect Day encourages our people to be empowered and engaged positively with personal and authentic discussions around attitudes, behaviours and outcomes.

Health, Safety, Sustainability & Quality

Pleasingly, our people have continued to perform and deliver year on year improvements in Health, Safety and Environment (HSE) performance for the period. Our systems and processes have continued to be developed and matured to enable operations to deliver on objectives.

The HSE culture within AusGroup is embedded into the everyday behaviour of our people through the simplicity of our values, principles of leadership, coaching and mentoring programs, data analysis and the monitoring and review of our systems and processes.

The safety and wellbeing of our employees is paramount, and the HSE cornerstone initiative, Perfect Day continues to be a focal point for the business. Perfect Day encourages our people to be empowered and engaged through a positive and personal connection, with authentic discussions around attitudes, behaviours and outcomes. Where opportunity exists for improvement, Perfect Day provides the personal context for change.

The simplicity of the Perfect Day message allows all employees to think continuously about the behaviours and processes that affect them and those around them. Increased awareness around actions in the workplace has resulted in a 4% increase in AusGroup Perfect Days this financial year.

The Group has sustained great performance within many business areas with particularly good performance in our fabrication, manufacturing and machining facilities in Australia and Singapore. Our teams were able to achieve zero injuries over extended periods of time whilst working on complex projects, with our Projects (SMP) business unit recording zero TRIFR – a commendable result. MAS have continued to perform at consistently high levels of performance and continue to drive change through engineering designs; whilst our Integrated Services business unit continues to develop their people and build management structures to support the delivery of HSE excellence, with significant improvements achieved over the last quarter.

Our HSE lead and lag indicators continue to improve year on year across specific HSE categories with an overall 41% reduction in frequency rates, achieving 2.37 TRIFR for the period. We have also seen an 85% increase in participation and value-adding lead indicating activities throughout the business, with significant improvements around origins of actions and their duration.

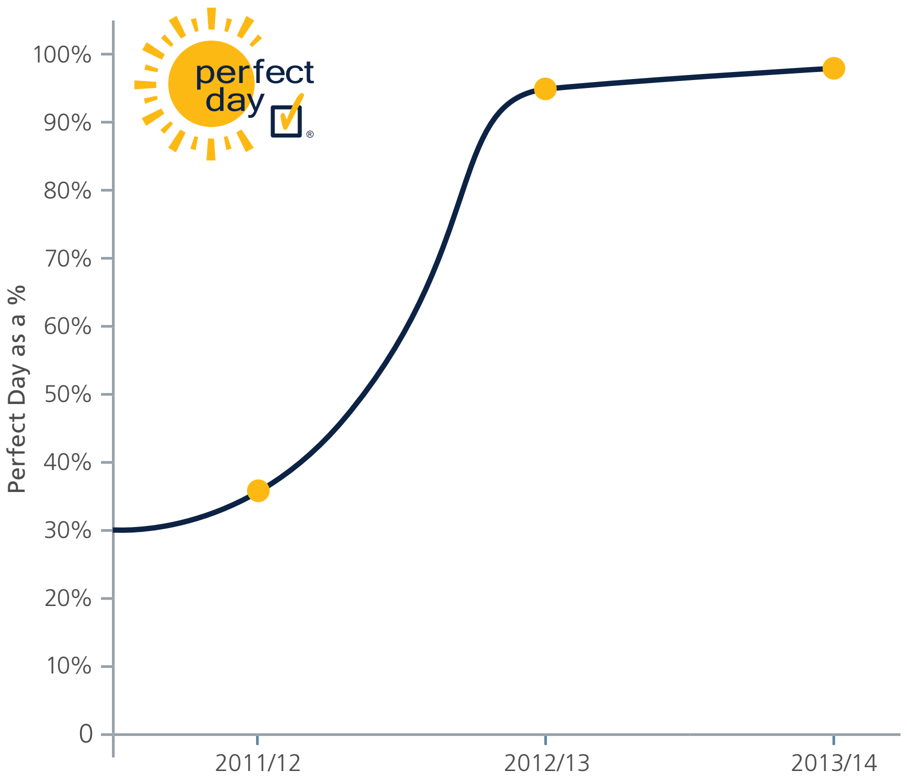

AusGroup Singapore Fabrication Facility


Quality testing on the CBH Shiploader Refurbishment Project, Kwinana, Western Australia

Health, Safety, Sustainability & Quality continued

We have been recognised by our clients for sustained HSE performance on a number of sites and projects. The Multi Discipline Services Contact (MDSC) team at Wagerup was awarded contractor of the month for their continued focus and HSE results, whilst the team on the Saipem Jetty project have maintained an incident free work front since mobilisation.

AusGroup continues to develop its leaders around HSE accountabilities and responsibilities through the AusGroup Board's Health, Safety and Sustainability Committee, established in 2013. The Committee provides a platform for visibility and communication of HSE performance across the business. Operational KPI's continue to be monitored, analysed and developed to drive actions and improve performance.




Celebrating an incident free work place, the AGC team on Barrow Island for the Cold Insulation Works Offshore Contract for our client Saipem Portugal, as part of the Chevron Australia Gorgon LNG Project.

Third party client audits and assurance processes ensure our systems remain validated and transparent, allowing for the ongoing development of our processes, systems and our people. AusGroup has maintained certification to the 9001, 14001, 18001 and 4801 suite of standards and continues to deliver high quality projects while maintaining exemplary safety performance.

AusGroup Singapore has commenced the process for API certification of their facilities at Tuas Road, Singapore, which will further assist the Group in driving continuous improvements into the business.

In line with our focus on continuous improvement, we recognise the importance of investing in the development of our HSE employees. This financial year saw two members of our HSE team complete qualifications including; Lead Auditing Training and a Diploma of Occupational Health and Safety.

In tandem with our HSE culture, AusGroup's Business Improvement and Quality practices remain a critical component to our business. An established foundation for benchmarking allows us to measure performance and develop improvement methodologies across our operations. Through open and transparent assurance and governance processes, we are able to identify opportunities to eliminate waste.

This year saw an increase in subsea fabrication activities for the company away from our traditional structural steel fabrication activities. Through our AGControl – Fabrication (AGFab) database, we have been able to continue to deliver a high quality product to our clients while refining and tailoring our processes to suit the project. This was ultimately achieved through real time project information, traceability of inventory, reporting, design and specification cataloguing.

With a strong focus on improving business processes to achieve improved results, there has been an 18% reduction in overdue Correction, Prevention and Improvement (CPI) actions, a 6% increase in improvements and a 38% increase in reporting of CPIs.

Our focus into 2015 and beyond is to support our clients who manage major hazardous facilities. This requires strategic focus, planning and resourcing particularly around engineering controls, integrated pre-planning models and the delivery of targeted education and training programs. These are designed specifically to address risks associated with reducing occurrences of low frequency high consequence events.

Elizabeth Drage, Trainee of the Year Finalist 2013

Peter Namok, ATSI Program mentor

MAS Rope Access Training at our facility in Bayswater, Western Australia

People, Culture & Values

AusGroup's values; Safety & Wellbeing, Integrity, Mutual Accountability, Excellence and Courage are specific behaviours that define the 'AusGroup way'.

Our values provide a guideline for professional and personal interaction, business dealings and decision making and play a key role during the recruitment process and throughout an employee's career. Alignment with our values enables personnel to feel a sense of belonging; gives commonality of purpose and translates into engagement and ultimately employee retention.

Our core values are considered in every decision we make as a business, enabling AusGroup to deliver projects of excellence to our clients.

AusGroup's values also play a key role in the annual Performance Appraisal Development Process (PADP). This process provides a platform for managers and staff to discuss the past years' performance against key performance indicators and the Group's values. Professional development objectives and strategies are also defined during this process.

The PADP provides a framework for differentiating, recognising and rewarding individual performance and ensuring that employees have development plans in place. Information from these plans is then used in the development of the AusGroup Training Needs Analysis for the coming year.

AusGroup continues to support fabrication apprenticeships through our Kwinana Fabrication and Manufacturing facility. Currently, AusGroup has 18 apprentices based in Kwinana including two female apprentices, one apprentice at Wagerup and two female trainees in Perth.

The apprentices are pursuing qualifications in Heavy Duty Boilermaking, Welding, Carpentry and Joinery as well as Human Resources.

In addition, eight Varanus Island Painters completed an apprenticeship program in Certificate III in Engineering – Production Systems (Surface Finishing) in 2013.

Elizabeth Drage, HSE Administrator within AusGroup's Fabrication and Manufacturing team, was nominated as one of three finalists for the Trainee of the Year Award in the Group Training Australia - WA 2013 Awards.

Elizabeth began her traineeship in 2012 and completed her on-the-job training for the Certificate III in Business at our Kwinana Fabrication and Manufacturing facilities.

AusGroup is continuing to develop employment and traineeship opportunities for Aboriginal & Torres Strait Islander candidates across the country, through our participation in the Aboriginal and Torres Strait Islanders (ATSI) Traineeship Program.

ATSI graduate Peter Namok joined AusGroup subsidiary MAS on the Pluto Project in 2010 as a Scaffolder. Peter was promoted to Supervisor and then Superintendent. Today, Peter is a Superintendent on Barrow Island for our contract with CKJV on the Gorgon Project, where he leads a team of over 100 scaffolders.

AusGroup has continued to roll out new initiatives, including interactive on-boarding modules which ensure that all new employees are fully informed in the AusGroup process and procedural requirements as well as professional expectations that align with AusGroup's code of conduct and values.

The AusGroup internal Leadership Program continues to produce high calibre team leaders via the E-Colors®, Supervisor Development, and Leadership Development programs.

AusGroup is heavily invested in the growth and development of personnel, as we provide opportunities for our workforce and focus on continuous improvement throughout the business.

As an innovative solution provider, AusGroup follows a strict risk management model that has been designed to integrate risk and opportunity management into every decision making process.

CBH Shiploader Refurbishment, Kwinana, Western Australia

Alcoa Calciner Maintenance Contract, Kwinana, Western Australia

Fugro-TSM Subsea Pipe Spools, Australian Marine Complex, Henderson, Western Australia

Risk Management

As an innovative solution provider, AusGroup follows a strict risk management model that has been designed to integrate risk and opportunity management into every decision making process. Through early identification and management of risks and opportunities, we are able to successfully deliver projects and services to our clients. Risk management is considered by all divisions at every level of the business.

Our approach is based on AS/NZS ISO 31000:2009, with customised risk assessment tools and a comprehensive consultation and reporting regime.

Furthermore, Risk Management is a core management competency within AusGroup which has resulted in improvements to our operational and organisational effectiveness. We can safely pursue new opportunities with the assurance that our Risk Management Model within the tender, project and support teams will result in winning projects that fit our risk parameters, providing certainty around project outcomes. A Project Management Office (PMO) has been established to ensure the consistent success of project execution across the business.

The introduction of AusGroup's Insurance Program supports our Risk Management Model and changes the way the business identifies risks, allowing increased planning and foresight. By embedding our Risk Management Model into the way we operate, we are creating a risk-aware culture throughout the organisation.

The Peer Review Process which was introduced in 2013 continues to be developed and consolidated as a key tool to assist management in gauging how a project is delivering against the expectations and objectives set at the project initiation phase. Over the past 12 months, the Peer Review Process has identified several projects that required involvement from senior management to assist the project teams in overcoming some unique technical and contractual difficulties. Through this process, the team has been able to identify challenges and develop efficiencies which allow us to better support the delivery of our projects.

AusGroup is committed to supporting the communities in which we operate across Australia and South East Asia through providing both our time and resources.

Rafiki Surgical Missions - Dr James Savundra operating with a local nurse

Damien Parfitt, experienced Dogman through the ATSI program

AusGroup staff with members of the Pertapis Children's Home, Singapore

Communities

AusGroup is committed to supporting the communities in which we operate across Australia and South East Asia through providing both our time and resources.

Rafiki Surgical Missions

AusGroup are proud supporters of the Annual Rafiki Ball, an event that helps fund Rafiki Surgical Missions. Established in 2004, Rafiki Surgical Missions is a non-profit charity that sends teams of qualified surgeons, anaesthetists, nurses and allied therapists to Tanzania to provide free surgical treatment and medical training. The 2014 Rafiki Ball was held on Saturday 14 June 2014 at Crown Perth. With over 430 people in attendance, this year's event raised over AU$120,000.

Local Communities

AusGroup's ATSI program is now in its fifth year. The program allows AusGroup to contribute to local communities through training and employment opportunities, particularly for Indigenous Australians.

Our office in Singapore contributed generously to the Pertapis Children's Home, with the donation of a new refrigerator as well as toys and cakes for the children to enjoy.

AusGroup has provided a stage to the LIONS Club for use annually since 2010, including engineered certification and drawings to meet the shire requirements. Materials, labour and transport are all provided free of charge for these community events.

In line with supporting the communities in which we work, the Group also contributes to the NAIDOC Celebrations each year and has supported local community events including the opening of the Karratha Leisureplex and the Hampton Harbour Yacht Club Billfish Shootout.

Perth City To Surf

The 2013 Chevron City to Surf event was supported by a team from AusGroup's Perth office. All proceeds from the event were donated to Melanoma WA, providing awareness and support for those who are affected by a Melanoma diagnosis. The running/walking event included a number of categories ranging from a 4km walk through to a 42km marathon.

Board of Directors

The AusGroup Board of Directors is committed to ensuring that the highest standards are practised throughout the company and its subsidiaries. A fundamental part of the Board's responsibilities is to protect and enhance shareholder value and the financial performance of the Group.

Dr Chew Kia Ngee

Age 68, Singaporean
BEc (Hons), MCom, PhD, FCA (Australia), FCPA (Australia), FCA (Singapore)

Independent Non-Executive Director and Chairman

- Chairman of Board of Directors
- Chairman of Nominating Committee
- Member of Audit Committee

Dr Chew was a partner of Coopers & Lybrand, Singapore from 1978 and was appointed Senior Partner and Executive Chairman of the firm in 1996. Following the merger of Price Waterhouse and Coopers & Lybrand on 1 July 1999, he was appointed Deputy Chairman of PricewaterhouseCoopers in Singapore and stepped down in 2004. He retired from the firm in 2005.

Dr Chew is a Director of Haw Par Corporation Ltd., he also sits on the Board of the Singapore Eye Foundation and is a member of the audit committee of Kong Meng San Phor Kark See Monastery.

Dr Chew has a Bachelor of Economics (Honors) from the University of Malaya, a Master of Commerce from the University of Melbourne and a PhD in Business and Management from the University of South Australia.

Dr Chew is a Fellow of the Singapore Institute of Chartered Accountants and was Chairman of its Auditing and Assurance Standards Committee and a member of the Professional Development Committee for many years. He is also a Fellow of the Institute of Chartered Accountants Australia and CPA Australia.

Stuart Maxwell Kenny

Age 62, Australian

Chief Executive Officer and Managing Director

- Member of Board of Directors

Mr Kenny has more than 40 years of experience in commercial, mining, oil and 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.

Originally CEO and Managing Director from December 1997 until January 2008 Mr Kenny was re-appointed to this position in an acting capacity from June 2011 until March 2012. Remaining on the Board as a non-executive director from January 2008, Mr Kenny once again resumed his role as CEO and Managing Director in December 2013.

Barry Alfred Carson

Age 69, Australian

Non-Independent Non-Executive Director

- Member of Board of Directors
- Chairman of Remuneration and Human Capital Committee
- Member of Nominating Committee
- Member of Health, Safety & Sustainability Committee

Mr Carson has almost 50 years of experience in the building and industrial industries. From 1964 to 1991, he was employed by CSR Limited, and rose to be the State Manager for CSR Bradford Insulation, a large Australian insulation manufacturer.

Since 1995, Mr Carson has been the Managing Director of Australasian Insulations Supplies Pty Ltd, dealing in its technical insulation markets such as LNG plants and refineries process. He has served in the Australian Defence Force, where he earned the rank of Army Major and was awarded the National Medal and Reserve Forces Decoration. Mr Carson graduated from the West Australian Institute of Technology with an Associateship in Business Administration (Marketing Option) in 1974.

Damien Marian O'Reilly

Age 60, Australian
BA (Hons), MSc, FAusIMM (Chartered Professional: Mngt), GAICD, FIQ

Independent Non-Executive Director

- Member of Board of Directors
- Member of Remuneration and Human Capital Committee
- Chairman of Health, Safety & Sustainability Committee

Mr O'Reilly has more than 20 years of high level experience within the resources sector and has held key positions with two of Australia's leading industry bodies, the Minerals Council of Australia (MCA) where he was a Director for three years including Chairman of the Standing Committee for Health and Safety, and the Chamber of Minerals and Energy Western Australia where he is currently an Executive Council member and Chairman of the People Strategies Committee.

He has been involved in the establishment of more than 100 mines and associated infrastructure across the minerals spectrum.

Mr O'Reilly holds a BA (Honours 1st Class) from the University of Adelaide, an MSc Mineral Economics from the WA School of Mines and has completed the GSM / AIM / Harvard Joint Executive Development Program. He is a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM), a Graduate of the Australian Institute of Company Directors (GAICD), and a Fellow of the Institute of Quarrying (FIQ).

Grant Anthony Pestell

Age 43, Australian
LLB

Independent Non-Executive Director

- Member of Board of Directors
- Member of Audit Committee
- Member of Nominating Committee
- Member of Health, Safety & Environment Committee

Mr Pestell holds a Bachelor of Law from the University of Western Australia and has 20 years of experience in commercial and corporate law and in commercial litigation.

As Managing Director of legal firm Murcia Pestell Hillard since 2002, Mr Pestell has extensive experience advising both listed and private companies particularly in the ICT, energy & resources and mining services industries. He is regularly involved in and advises on complex commercial disputes, strategic contract negotiations, mergers and acquisitions, risk management and large scale financing. He is a winner of the Leading Lawyers Global 250 list for 2014 by Lawyer Monthly Magazine. He is also an independent non-executive director of ASG Group Limited (ASX listed).

Ooi Chee Kar

Age 59, Singaporean
BA (Hons), FCA (ICAEW), FCA (ISCA)

Independent Non-Executive Director

- Member of Board of Directors
- Chairman of Audit Committee
- Member of the Remuneration and Human Capital 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 and audit committee member of Pacific Radiance, independent director and audit committee member of Singapore Eye Research Institute, Member of Audit Committee of National Council of Social Services and Honorary Treasurer of MILK (Mainly I Love Kids) Fund.

Qualified as a UK Chartered Accountant, Ms Ooi's experience is broad-based, covering a wide range of industries from financial services to shipping and oil trade. She was an audit partner at PricewaterhouseCoopers, Singapore until the end of 2012 where she was a lead partner of a number of large audit clients, whose businesses are spread over many countries in the Asia-Pacific region and beyond.

Ms Ooi is a fellow of the Institute of Chartered Accountants in England and Wales (UK) (ICAEW) and a fellow of the Institute of Singapore Chartered Accountants (ISCA).

Board of Directors

Capt Larry Glenn Johnson

Age 61, American

Non-Independent Non-Executive Director

- Member of Board of Directors

Captain Larry Johnson is a seasoned Marine Professional with more than 38 years of experience in the maritime industry and holds a valid USCG Masters License with 22 years of management experience, which includes 14 years of P&L responsibilities.

Captain Johnson has worked on numerous projects in varying capacities on behalf of ExxonMobil, Chevron, Aker Kvaerner, ConocoPhillips, KBR, Clough, Technip, CBI and Bechtel. For the past five years, based in Australia, he has been instrumental in building the Ezion business locally with recent successes on flagship LNG projects on Barrow and Curtis Islands.

Wu Yu Liang

Age 54, Malaysian, Singapore Permanent Resident
LLB (2nd Upper Hons)

Independent Non-Executive Director

- Member of Board of Directors

Mr Wu brings more than 28 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, China Environment Limited and Pan Asian Holdings Limited.

Eng Chiaw Koon

Age 52, Singaporean
DipMechEng

Non-Independent Non-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 Director, Special Projects with Ezion Group, Mr Eng was previously Managing Director and 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 process audit, vendor quality and management, in 1996 Mr Eng set up Aero-Green Technology (S) Pte Ltd to pioneer 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.

Fabrication of the Fugro-TSM subsea pipe spools for the Woodside's Greater Western Flank (GWF) Project

Executive Management Team

Gerard Hutchinson

(Age 46)
MBA, MBL, MSc(IS), BEc, MA (research), FCA, FAICD, FAIM

Chief Financial Officer & Executive General Manager - Group Services

Mr Hutchinson is a qualified chartered accountant and has also completed a Master of Business Administration (MBA) and Master of Business Law (MBL). He has 20 years of experience in the contracting and engineering industry, including 14 years working for Leighton in Asia (including Malaysia, Singapore, Indonesia, Hong Kong, China, Taiwan, Vietnam and the Philippines) and five years as Executive Director, Finance for AECOM across Australia and New Zealand.

In addition to his extensive finance and operational experience, Mr Hutchinson has led the due diligence and integration across a number of mergers and acquisitions as well as significant experience in the roll-out of Oracle suite of systems, particularly the project management module, and improving management reporting systems.

Mr Hutchinson is a fellow of the Institute of Chartered Accountants, Australian Institute of Company Directors and Australian Institute of Management.

Michael Bourke

(Age 52)
BEng (chem.), BEcon, MBA, GAICD, MIEAust, CPEng

Executive General Manager - Operations

Mr Bourke brings more than 25 years of experience in the construction and resource industry. His previous roles include, General Manager – Technical Services at Iluka Resources, President Emeco Canada, and prior to joining AGC was Managing Director of ASX- listed Nomad Building Solutions, managing a turnaround and capital restructuring.

Commencing with AusGroup in October 2013, Mr Bourke and his team have been instrumental in the integration of AGC services across the business, including the Australian and Singaporean fabrication and machining operations. This integration allows AusGroup to more effectively meet the growing needs of customers and the wider market, including support services for subsea and onshore oil and gas.

Of special mention is the excellent improvement in safety performance across these operations and notably the achievement of zero TRIFR in the Australian operations in April of 2014.

Michael Nesbitt

(Age 51)
BEng (civil), MScPM

Executive General Manager - Projects

Mr Nesbitt has more than 28 years of experience, having worked in the resources, oil & gas and infrastructure sectors across Australia and internationally. With a Bachelor of Engineering (Civil, Honours) and a Masters of Project Management, he has worked in design engineering, project engineering, project management, construction management, business development and general management.

Mr Nesbitt's career has seen him successfully deliver business outcomes in the roles of Project Manager, Construction Manager, Project Director, Industry Director and Vice President Operations for major corporations such as Kellogg Brown & Root, across the Asia Pacific region.

The AusGroup Executive Committee (EXCO) comprises the most senior and permanent standing members of the management team. EXCO are charged with monitoring Group performance and identifying key issues and opportunities within the business. They are responsible for providing strategic direction to the Board based on these internal and external business changes, for discussion and deliberation.

Paul Birighitti

(Age 45)
BEng (Hon), BSc (Chem)

Executive General Manager - Maintenance Services

Paul has over 20 years of experience leading and delivering services in the oil & gas, utilities and mining & mineral industries. With Bachelor degrees in Science and Engineering (Hons), Mr Birighitti's responsibilities have included the development, implementation and management of engineering, project and construction services for greenfield and brownfield process facilities.

Mr Birighitti's career has seen him successfully deliver business outcomes in the roles of Operations Director, State Manager, Executive General Manager and National Manager for major corporations across the Asia Pacific region. In recent years Mr Birighitti has been instrumental in securing and delivering projects and service support contracts across Australia and internationally.

Mark Johns

(Age 49)

Group Manager Health, Safety, Sustainability and Quality

Mark Johns has over 15 years of experience in the resources industry, working on major oil & gas and mining projects.

With AusGroup for over a decade, Mr Johns is responsible for the ongoing strategic planning, maintenance and continuous improvement of the HSSQ management system, including risk management, team performance and leadership development management, workforce negotiation and liaison.

Mr Johns is focused on introducing dynamic measures of performance, seeking to support AusGroup in achieving HSSQ excellence through active and visible engagement at all levels within the company. This includes providing sound strategic, tactical and policy advice to the management team on HSSQ and related matters.

Tony Tomich

(Age 55)
TRC NZ, Dip PM Aust

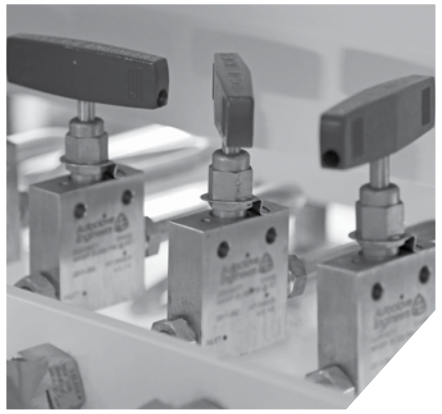
Group Manager People Capital

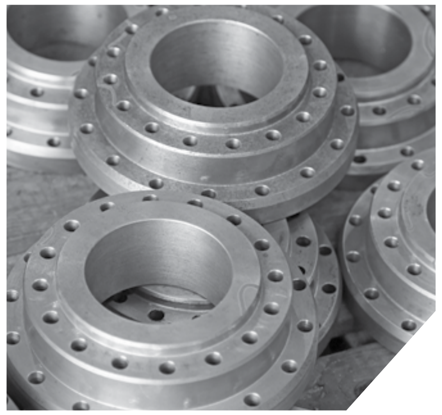
Mr Tomich manages the development and implementation of the Group's People Capital strategy.

The People Capital team is responsible for human resources operations including employee relations and industrial relations, HR governance, performance reviews, remuneration, retention and international employees, recruitment including staff and workforce and learning and employee development.

Mr Tomich commenced with AusGroup in 2000. With diplomas in Project Management and Economics, Mr Tomich has over 25 years of experience in supporting major projects both onshore and offshore, for recruitment, human resources, industrial relations and local content outcomes.

AusGroup provides turnkey manufacturing and fabrication for the oil and gas and marine industries.





Financial Reports

Corporate Governance

The Board of Directors ("**the Board**") is committed to ensure that the highest standards of corporate governance are practised throughout AusGroup Limited ("**the Company**") and its subsidiaries ("**the 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 ("**the Code**") issued in May 2012.

Set out below are the policies and practices adopted and practised by the Group to comply with the principles and guidelines of the Code. The Board confirms that the Group has complied with the best practices of the Code throughout the financial year ended 30 June 2014, with the following exceptions:

- Barry Alfred Carson is the Remuneration and Human Capital Committee Chairman but is not an Independent Director.
- Grant Anthony Pestell is a managing director of a legal entity, Murcia Pestell Hillard Pty Ltd ("**Murcia**") which rendered professional services in excess of S$200,000 during the year. As a result of the services delivered by Murcia, the Nominating Committee reviewed Grant Anthony Pestell's independence and it was concluded that he would still be regarded an Independent Director on the basis that he is independent in character, judgment and the Group's relationship with Murcia is unlikely to affect or appear to affect his judgment as a Director.

The Code

The Code is divided into four main sections, namely:

- Board matters
- Remuneration matters
- Accountability and audit
- Shareholder rights and responsibilities

Board Matters

The Board currently comprises:

- Dr Chew Kia Ngee (Independent Non-Executive Director and Chairman)
- Stuart Maxwell Kenny (Chief Executive Officer (**"CEO"**) and Managing Director (**"MD"**))
- Barry Alfred Carson (Non-Independent Non-Executive Director)
- Damien Marian O'Reilly (Independent Non-Executive Director)
- Grant Anthony Pestell (Independent Non-Executive Director)
- Ooi Chee Kar (Independent Non-Executive Director)
- Captain Larry Glenn Johnson (Non-Independent Non-Executive Director)
- Wu Yu Liang (Independent Non-Executive Director)
- Eng Chiaw Koon (Non-Independent Non-Executive Director)

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 social responsibilities of the Group.

Matters which are specifically reserved for decision of the full 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 four Committees (Audit, Nominating, Remuneration and Human Capital and Health, Safety and Sustainability), the details of which are set out below. These Committees have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

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 to 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. Four new Directors recently joined the Board.

The Board meets at least four times a year, with additional meetings convened as necessary. The Articles of Association allow 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. The matrix on the position, the frequency of meetings and the attendance of Directors at these meetings is enclosed as Appendix 1 on Page 53.

Board Composition And Guidance (Principle 2)

Currently, the Board comprises nine members, eight of whom are Non-Executive Directors (including the Chairman). All Non-Executive Directors, except for Barry Alfred Carson, Captain Larry Glenn Johnson and Eng Chiaw Koon, are independent. One of the Independent Non-Executive Directors, Grant Anthony Pestell, is a managing director of a legal entity which renders professional services to the Group from time to time. Nevertheless, the Nominating Committee and the Board (with Grant Anthony Pestell abstaining) has considered Grant Anthony Pestell to be independent as he is capable of maintaining his objectivity and independence at all times in the carrying out of his duties and responsibilities as an independent Director. Together, the Directors contribute wide ranging business, industry knowledge and financial experiences relevant to the direction of the Group. A brief description of the background of each Director is presented in the "Board of Directors" section.

The Board considers the current board size as adequate for its present operations. 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. 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 executive 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 many stakeholders of the Group.

Chairman And Chief Executive Officer (Principle 3)

The roles of the Chairman and CEO are separate. The Chairman, Dr Chew Kia Ngee is an Independent Non-Executive Director responsible for leading the Board and is free to act independently in the best interests of the Group. The CEO and MD, Stuart Maxwell Kenny, is an Executive Director and is responsible for the strategic directions, and operational decisions of the Group. The Chairman and the CEO are not related.

Chairman And Chief Executive Officer (Principle 3) (continued)

The Chairman ensures that Board meetings are held as and when it is necessary. He also prepares the Board meeting agenda in consultation with the CEO. The Chairman ensures that Board members are provided with complete, adequate and timely information. Management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the paper or attend at the relevant time during the Board meeting. The Chairman assists to ensure procedures are introduced to comply with the Code.

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

Nominating Committee (Principle 4)

The Nominating Committee comprises the following Directors:

- Dr Chew Kia Ngee (Chairman)
- Barry Alfred Carson
- Grant Anthony Pestell

The Nominating Committee had four meetings during the financial year. The matrix on the position, the frequency of meetings and the attendance of Directors at these meeting is enclosed as Appendix 1 on Page 15. A majority of the members of this Committee, including the Chairman, are Independent Non-Executive Directors.

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 executive 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;
- Assessing the effectiveness of the Board as a whole and the contribution by each Director to the Board; and
- Determining annually 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 re-nomination as Director.

New Directors are appointed by the Board, upon their nomination from the Nominating Committee. In accordance with the Company's Articles of Association, 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 taps 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, as well as directorships/chairmanships in other listed companies and other principal commitments, are as follows:

Director	Date of first appointment	Date of last re-election	Principal commitments	Directorship / Chairmanship in other listed companies (existing and for the preceding 3 years)	Due for re-election at the coming AGM
Dr Chew Kia Ngee	08 Nov 06	17 Oct 13	-	Haw Par Corporation Limited	-
Stuart Maxwell Kenny	13 Dec 04	24 Oct 12	-	-	√
Barry Alfred Carson	13 Dec 04	17 Oct 13	-	-	-
Damien Marian O'Reilly	02 Jun 11	17 Oct 13	-	Vector Resources Ltd (up to November 2012)	-
Grant Anthony Pestell	02 Jun 11	21 Oct 11	Managing Director of Murcia Pestell Hillard Pty Ltd	-	√
Ooi Chee Kar	17 Jan 14	-	-	Pacific Radiance Ltd	√
Captain Larry Glenn Johnson	20 May 14	-	Chief Executive Officer of Teras Australia Pty Ltd	Ezion Holdings Limited	√
Wu Yu Liang	20 May 14	-	Managing Director of law corporation, Wu LLC	China Environment Ltd Jiutian Chemical Group Limited Pan Asian Holdings Limited See Hup Seng Limited (up to September 2013)	√
Eng Chiaw Koon	10 Jul 14	-	Director of projects of Ezion Holdings Limited	Aqua-Terra Supply Co. Limited (up to December 2013)	√

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, Dr Chew Kia Ngee, who is 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, the quality of intervention and special contributions.

The Nominating Committee also assesses the effectiveness of the Board as a whole (taking into consideration the Board's discharge of its principal responsibilities, earnings of the Group, return on equity and the share price performance of the Company) and the Committees of the Board 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.

Assessing Board Performance (Principle 5) (continued)

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.

Directors' training

As an integral element of the process of appointing new Directors, the Nominating Committee ensures that there is an orientation and education programme for the new Board members to ensure incoming Directors are familiar with 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)

All Directors review a Board report prior to the Board meeting. This is issued in sufficient time prior to the meeting to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board report includes, among others, the following details:

- Minutes of meeting of all Committees of the Board;
- Performance report of the Group (both financial and operational);
- Internal audit reports
- Major operational and financial issues;
- Product and service quality; and
- Acquisition opportunities.

The Board also approved a procedure for Directors, whether as a full 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 Secretary. The Company Secretary attends meetings of the Board, and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also attends meetings of the Audit, Nominating, Remuneration and Human Capital and Health, Safety and Sustainability Committees. The appointment and removal of the Company Secretary 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, level of responsibilities undertaken by the Non-Executive Directors and the compensation levels in Australia.

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.

Remuneration and Human Capital Committee

The Remuneration and Human Capital Committee comprises the following Directors:

- Barry Alfred Carson (Chairman)
- Ooi Chee Kar
- Damien Marian O'Reilly

Barry Alfred Carson is appointed Chairman of the Remuneration and Human Capital Committee to utilise his extensive knowledge of the Australian labour market and compensation practices as a major portion of the Group's operations is in Australia.

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

This Committee had six 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 position, the frequency of meetings and the attendance of Directors at these meetings is enclosed as Appendix 1 on Page 53. All members of this Committee except for Barry Alfred Carson are Independent Non-Executive Directors.

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 entire Board.

Remuneration policy and principles

The Company's Executive Director and key management personnel remuneration framework 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.

Additionally the Remuneration and Human Capital Committee aligns executive rewards with achieving strategic objectives, creating value and returns for shareholders, and conforms to market best practices for reward delivery.

The Remuneration and Human Capital Committee's aim is to ensure the executive rewards reflect good governance practices of:

- Competitiveness and reasonableness;
- Accountability to shareholders;
- Performance linkage and alignment of executive compensation; and
- Transparency.

In the April 2014 to June 2014 period, the Remuneration and Human Capital Committee reviewed the existing structured remuneration framework against external salary surveys and other Australian peer company's remunerations levels to ensure that the remuneration was still market competitive 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 which are primarily developed from:

- Having Company performance as a cornerstone of the remuneration and reward plan;
- Sustaining share price growth;
- Delivering peer leading returns on capital employed;

Disclosure On Remuneration (Principle 9) (continued)

- Focus on important non financial value drivers; quality and safety, etc.; and
- Attracting and retaining high calibre executives.

In particular, the Remuneration and Human Capital Committee also seeks to ensure the alignment of remuneration and reward plans with those of the employee's interests, which are developed from:

- Rewarding capability and contribution;
- Reflecting competitive rewards for contributing to shareholder returns; and
- Providing a clear structure for earnings rewards.

Remuneration structure

The remuneration and reward framework for executives consists of a competitive fixed remuneration comprising of 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 are competitive when reviewed versus similar positions in companies of comparable size in turnover, staffing levels, responsibility, etc. This is reviewed annually and is completed by the end of the 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 2014, no short-term incentive bonuses have been provided for based on the failure to meet Board agreed annual targets.

Service contracts

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

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

Taking note of the competitive pressures in the industry and the talent market, the Board has on review decided to disclose the remuneration of the Directors and the key management personnel, in bands with a breakdown of the components in percentage. The remuneration of the Directors and key management personnel of the Group for the financial year ended 30 June 2014 is as follows (based on an average exchange rate of S$1.1572 : AU$1.00):

	Fee	Fixed salary	Variable salary & bonus	Value of share options and share rights granted (13)	Termination benefits	Total
Below S$250,000						
Directors						
Dr Chew Kia Ngee	97%	0%	0%	3%	0%	100%
Barry Alfred Carson	97%	0%	0%	3%	0%	100%
Kok Pak Chow (1)	93%	0%	0%	7%	0%	100%
Kelvin Lee Kiam Hwee (2)	88%	0%	0%	12%	0%	100%
Damien Marian O'Reilly	97%	0%	0%	3%	0%	100%
Grant Anthony Pestell	97%	0%	0%	3%	0%	100%
Ooi Chee Kar (3)	100%	0%	0%	0%	0%	100%
Captain Larry Glenn Johnson (4)	100%	0%	0%	0%	0%	100%
Wu Yu Liang (5)	100%	0%	0%	0%	0%	100%
Key Management Personnel						
Paul Robert Birighitti (6)	0%	100%	0%	0%	0%	100%
Anthony Hugh Nicol (7)	0%	83%	17%	0%	0%	100%
Tom Butler Vorster (8)	0%	77%	0%	0%	23%	100%
S$250,000 to below S$500,000						
Key Management Personnel						
Brian Mark Johns (9)	0%	95%	5%	0%	0%	100%
Michael Hamilton Nesbitt	0%	94%	6%	0%	0%	100%
Leo Matthew Crohan	0%	100%	0%	0%	0%	100%
Michael Anthony Hardwick (10)	0%	86%	14%	0%	0%	100%
S$500,000 to below S$750,000						
Directors						
Stuart Maxwell Kenny	3%	97%	0%	0%	0%	100%
Laurie McGegor Barlow (11)	0%	60%	2%	0%	38%	100%
Key Management Personnel						
Gerard Patrick Hutchinson (12)	0%	100%	0%	0%	0%	100%
Anthony John Tomic	0%	93%	7%	0%	0%	100%
Michael James Bourke	0%	100%	0%	0%	0%	100%

(1) Resigned on 17 January 2014
(2) Resigned on 31 October 2013
(3) Appointed on 17 January 2014
(4) Appointed on 20 May 2014
(5) Appointed on 20 May 2014
(6) Joined on 3 February 2014
(7) Resigned on 31 October 2013
(8) Resigned on 30 September 2013, AU$39,249 was paid for termination
(9) Joined on 16 August 2013
(10) Resigned on 1 November 2013
(11) Resigned on 11 October 2013, AU$233,333 was paid for termination
(12) Appointed as Chief Financial Officer on 1 November 2013
(13) Valued at the date of grant (refer to note 21 to the Financial Statement

Disclosure On Remuneration (Principle 9) (continued)

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 2014 are as follows (based on an average exchange rate of S$1.1572 : AU$1.00) :

Employee	Family relationship	Fixed salary	Variable salary & bonus	Total
S$300,000 to below S$350,000				
Matthew Kenny	Son of Stuart Maxwell Kenny (MD and CEO)	97%	3%	100%

Share option and share right schemes

The Group currently has the following schemes in operation. Information on these schemes has been provided in the Directors' Report and Note 21 to the financial statements. The details of the respective grants under each of these schemes are listed below:

1. Employee Share Option Scheme 2007 (**"ESOS"**)

- On 24 August 2007, 3,236,000 options to subscribe for ordinary shares of the Company were granted to employees at an exercise price per share of S$1.64. As of 30 June 2014, 428,000 options were vested and available to be exercised in terms of this grant. The rest of the options were forfeited.
- On 13 October 2008, 6,550,000 options to subscribe for ordinary shares of the Company were granted to a director and employees at an exercise price per share of S$0.22. As of 30 June 2014, 150,000 options were vested and available to be exercised in terms of this grant. The rest of the options were either exercised or forfeited.
- A further 180,000 options were granted to an employee on 25 February 2009 at an exercise price per share of S$0.16. As of 30 June 2014, 121,000 options have vested and are available to be exercised in terms of this grant. The rest of the options were exercised.

2. AusGroup Share Option Scheme 2010, which superseded the ESOS in October 2010

- On 30 November 2011, 2,475,000 options to subscribe for ordinary shares of the Company were granted to employees at an exercise price per share of S$0.325. As of 30 June 2014, 275,000 options have vested and available to be exercised under the terms of the grant. The rest of the options were either exercised or forfeited.
- On 20 February 2012, 400,000 options to subscribe for ordinary shares of the Company were granted to directors at an exercise price per share of S$0.41. As of 30 June 2014, 200,000 options have vested and available to be exercised under the terms of the grant. The rest of the options were forfeited.
- On 25 September 2012, 700,000 options to subscribe for ordinary shares of the Company were granted to directors at an exercise price per share of S$0.42. As of 30 June 2014, 500,000 options remain unvested. The rest of the options were forfeited.

3. AusGroup Share Scheme 2010 (**"ASS"**)

- On 24 November 2010, directors and employees were issued rights for 17,149,000 ordinary shares in the Company under the ASS. As of 30 June 2014, the conditions pursuant to the share scheme were met and as such 1,243,887 share rights qualified for the issuing of ordinary shares under the ASS. As of 30 June 2014, 237,037 share rights remain unvested.
- On 30 November 2011, employees were issued rights for 2,345,000 shares in the Company under the ASS. As of 30 June 2014, the conditions pursuant to the share scheme were met and as such 76,452 share rights qualified for the issuing of ordinary shares under the ASS. As of 30 June 2014, 1,846,936 share rights remain unvested.
- On 25 July 2012, employees were issued rights for 2,340,000 ordinary shares in the Company under the ASS. As of 30 June 2014, none of the outstanding share rights are entitled to vest as per the rules of the ASS. As of 30 June 2014, 477,500 share rights remain unvested.

The group has issued options to Ezion Holdings Limited (**"Ezion"**), Captain Larry Glenn Johnson and Eng Chiaw Koon. 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 was held in trust for future award to employee 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.
- As approved by Shareholders at the EGM held on 19 June 2014, the 110,000,000 options issued to Ezion were 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 recognized in these financial statements as the Company has treated the transaction as a capital raising exercise with a shareholder of the Company

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 have:

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

The 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, business and financial risk management.

Risk Management and Internal Controls (Principle 11) (continued)

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 executive management adopts appropriate actions to address and rectify these weaknesses. The Board, together with executive management, then subsequently reviews the outcomes of such actions.

The Board has received assurance from the CEO and the Chief Financial Officer ("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 executive management, the Audit Committee and the Board.

Internal control opinion

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 30 June 2014.

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.

Health, Safety and Sustainability Committee

The Health, Safety and Sustainability ("HSS") Committee comprises the following Directors:

- Damien Marian O'Reilly (Chairman)
- Barry Alfred Carson
- Grant Anthony Pestell

This Committee had four meetings during the financial year to ensure systems, procedures and the right culture are in place in respect of HSS. The matrix on the position, the frequency of meetings and the attendance of Directors at these meetings is enclosed as Appendix 1 on Page 53. All members of this Committee except for Barry Alfred Carson are Independent Non-Executive Directors.

The Committee's principal responsibilities are, among others:

- Consider and assist the Group in discharging HSS statutory and corporate responsibilities on HSS matters;
- Monitor implementation of HSS strategy;
- Advise the Board on AusGroup's HSS internal controls and effectiveness;
- Review and advise the Board on the Group's HSS lead and lag performance;
- Review and report to the Board on injuries and illness of statutory reporting severity;
- Review HSS management system independent audit performance;
- Review and provide feedback on lost time injury, major environmental incidents and high potential incidents;
- Examine strategic HSS issues including relations with stakeholders, new legislation and new government and industry initiatives;
- Review and monitor key HSS risks and opportunities impacting the Group;
- Commission HSS studies to address issues of concern or to verify information; and
- Review HSS initiatives and programs, and their success.

Audit Committee (Principle 12)

The Audit Committee comprises the following Directors:

- Ooi Chee Kar (Chairman)
- Dr Chew Kia Ngee
- Grant Anthony Pestell

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

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

All members of this Committee are Independent Non-Executive Directors.

The 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.

The duties and functions of the Audit Committee, on an on-going basis, include the following:

- Reviews 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);
- Reviews with the internal auditors, the scope and the results of internal audit procedures and their evaluation of the overall internal control systems;
- Reviews any significant findings of internal investigations and management's response;
- Makes recommendations to the Board on the appointment of external auditors, the audit fee and report any issues concerning the resignation of external auditors or their proposed dismissal;
- Reviews and approves the appointment, replacement, reassignment or the dismissal of the internal auditors;
- Monitors 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;
- Reviews incidents of whistle-blowing;
- Reviews risk management policies and procedures;
- Reviews quarterly reporting to Singapore Exchange Securities Trading Limited ("SGX-ST") and year end annual financial statements of the Group before submission to the Board, focusing on:
    - (i) Going concern assumption;
    - (ii) Compliance with accounting standards and regulatory requirements;
    - (iii) Any changes in accounting policies and practices;
    - (iv) Significant issues arising from the audit;
    - (v) Major judgmental areas; and
    - (vi) The effectiveness of the Group's risk management framework to ensure that a robust risk management system is implemented in order to effectively identify, evaluate, and manage significant risk; and
- Any other functions which may be agreed by the Audit Committee and the Board.

The Audit Committee has presented a report to the Board in respect of:

- The co-operation given by the Company's officers and whether the Audit Committee in the course of carrying out its duties, was obstructed or impeded by management;

Audit Committee (Principle 12) (continued)

- The adequacy of the Group's internal accounting controls and its internal control procedures relating to interested person transactions;
- Compliance with legal and other regulatory requirements; and
- Any other matter which in the Audit Committee's opinion, should be brought to the attention of the Board.

The Audit committee has conducted an annual review of non-audit services provided by the independent auditor ("PricewaterhouseCoopers Singapore") to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity provided by the independent auditor before confirming their re-nomination.

The total fees paid to the external auditors of the Group for the financial year ended 30 June 2014, are as disclosed in note 24 in the financial statements.

The aggregate amount of fees paid/payable to the external auditors of the Group for audit services for the financial year ended 30 June 2014 were AU$0.4 million. The fees for non-audit services provided by them for the financial year ended 30 June 2014 were AU$0.8 million. PricewaterhouseCoopers Australia assisted the Group (through one of its Australian subsidiaries "AGC Australia Pty Ltd") with its FY13 claim for income tax rebates under the research and development scheme in Australia, the Group has accrued a total of AU$0.5 million(included in non-audit fees) for this service.

The total audit and non-audit fees paid/payable by the Group to Australia are insignificant to PricewaterhouseCoopers Australia, and the share of PricewaterhouseCoopers Singapore's fee paid/payable by the Group is insignificant to the audit engagement partner's portfolio and PricewaterhouseCoopers 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 audit engagement team. The Audit Committee has reviewed the nature of all non-audit services provided by the external auditors to the Company and the Group during the year and is of the view that the provision of these services would not affect the independence of the external auditors.

The Audit committee has nominated PricewaterhouseCoopers LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

The Company confirms that it has complied with Rules 712 and 715 or 716 of the SGX-ST Listing Manual in relation to auditing firms.

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 the management or staff of the Group.

A whistle blowing policy unit has been set up to review all matters reported to the Group Manager People Capital. 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 reports 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 three year 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. A private conversation is held between the Audit Committee and internal auditors without management being present at least once a year.

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.

Communication With Shareholders (Principle 15)

The Group does not practise selective disclosure. In line with continuous disclosure obligations of the Group pursuant to the SGX-ST Listing Rules, the Board's policy is that all shareholders should be provided identical and timely information of all major developments that impact the Group. 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 due to the losses incurred during the financial year.

Conduct Of Shareholder Meetings (Principle 16)

At each AGM, the Board presents the financial performance of the Group and encourages shareholders to participate in the question and answer session. The CEO, CFO and the respective Chairman of the Audit, Nominating, Remuneration and Human Capital and Health, Safety and Sustainability 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. Results of the general meeting are also released as an announcement via SGXNET.

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.

Interested person transactions (continued)

Particulars of interested person transactions of the Group during the financial year ended 30 June 2014 required to be disclosed under Rule 907 of the SGX-ST Listing Manual are as follows:

Name of interested person	Aggregate value of all interested person transactions (excluding transactions conducted under shareholders' mandate pursuant to Rule 920	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920
Australasian Insulation Supplies Pty Ltd	AU$151,358*	Not applicable #
Ezion Offshore Logistics Hub (Tiwi) Pty Ltd	AU$111,185**	Not applicable #

* Purchase of specialised insulation materials.
** Sale of service
# The Company has not sought any shareholders' mandate for interested person transactions pursuant to Rule 920.

Except as noted above there were no material contracts entered into by the Group involving the interest of the CEO, any Director or controlling shareholder, either still subsisting at the end of the year or entered into since the end of the previous financial year.

Use of Placement Proceeds

The net proceeds received by the Company of approximately S$15.6 million and approximately S$25.2 million from the issuance of 96,100,000 shares and 70,000,000 shares pursuant to a placement exercise made on 22 January 2014 and 27 June 2014 respectively have not been fully utilised. The details of the use of proceeds were disclosed in the announcements made on 7 May 2014 and 29 August 2014. The following is the summary of the use of proceeds:

	70 million Placement Shares S$'000	96.1 million Placement Shares S$'000
Net Proceeds from placement	25,244	15,658
Less:		
Cash collateralisation of bonding facilities	-	7,829
Working capital purposes	-	7,829
Balance proceeds	25,244	-

The proposed use of the second proceeds is as follow:

Use of proceeds	Percentage Allocation (%)
Proposed expansion	Approximately 70% - 80%
General working capital of the Group	Approximately 20% - 30%

Appendix 1

Summary of Board and Committee meetings held during the financial year from 1 July 2013 to 30 June 2014:

	Board of Directors			Audit Committee ("AC")			Nominating Committee ("NC")			Remuneration and Human Capital Committee ("R&HCC")			Health, Safety and Sustainability Committee		
		No. of Meetings(1)			No. of Meetings(1)			No. of Meetings(1)			No. of Meetings(1)			No. of Meetings(1)	
	P	H	A	P	H	A	P	H	A	P	H	A	P	H	A
Executive Director															
Laurie McGregor Barlow (2)	-	2	2	-	-	-	-	-	-	-	-	-	-	-	-
Stuart Maxwell Kenny (3)	M	8	8	-	-	-	-	-	-	-	-	-	-	-	-
Non-executive Director															
Dr Chew Kia Ngee (4)	C	8	8	M	2	2	C	4	4	-	-	-	-	-	-
Barry Alfred Carson	M	8	7	-	-	-	M	4	4	C	6	6	M	4	4
Kok Pak Chow (5)	-	5	5	-	2	2	-	2	2	-	-	-	-	-	-
Kelvin Lee Kiam Hwee (6)	-	3	3	-	1	1	-	-	-	-	2	2	-	-	-
Damien Marian O'Reilly	M	8	8	-	-	-	-	-	-	M	6	6	C	4	4
Grant Anthony Pestell (7)	M	8	8	M	4	4	M	2	2	-	-	-	M	4	4
Ooi Chee Kar (8)	M	3	3	C	2	1	-	-	-	M	3	2	-	-	-
Captain Larry Glenn Johnson (9)	M	1	1	-	-	-	-	-	-	-	-	-	-	-	-
Wu Yu Liang (10)	M	1	1	-	-	-	-	-	-	-	-	-	-	-	-
Eng Chiaw Koon (11)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes:
P - Position held as at 30 June 2014
H - Number of meetings held while a member
A - Number of meetings attended
C - Chairman
M - Member

(1) Number of meetings held/attended during the financial year from 1 July 2013 (or from date of appointment or till the date of resignation of director, where applicable) to 30 June 2014.
(2) Resigned as CEO and MD on 11 October 2013.
(3) Appointed CEO and MD on 11 October 2013.
(4) Appointed AC member on 17 January 2014.
(5) Resigned as Director on 17 January 2014 and ceased as AC Chairman and NC member on 17 January 2014.
(6) Resigned as Director on 31 October 2013 and ceased as AC member and R&HCC member on 31 October 2013.
(7) Appointed NC member on 17 January 2014.
(8) Appointed as Director, AC chairman and R&HCC member on 17 January 2014.
(9) Appointed as Director on 20 May 2014.
(10) Appointed as Director on 20 May 2014.
(11) Appointed as Director on 10 July 2014.

Your directors present their report 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 2014.

1 Directors

The directors of the Company in office during the financial year and/or until the date of this report are as follows:

- Dr Chew Kia Ngee
- Mr Stuart Maxwell Kenny
- Mr Barry Alfred Carson
- Mr Damien Marian O'Reilly
- Mr Grant Anthony Pestell
- Ms Ooi Chee Kar (appointed 17 January 2014)
- Captain Larry Glenn Johnson (appointed 20 May 2014)
- Wu Yu Liang (appointed 20 May 2014)
- Eng Chiaw Koon (appointed 10 July 2014)
- Kok Pak Chow (resigned on 17 January 2014)
- Kelvin Lee Kiam Hwee (resigned on 31 October 2013)
- Laurie Barlow (resigned on 11 October 2013)

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 01.07.2013 or date of appointment, if later	At 30.06.2014	At 01.07.2013 or date of appointment, if later	At 30.06.2014
The Company				
No. of ordinary shares				
Stuart Maxwell Kenny	-	-	14,908,896	12,908,896
Barry Alfred Carson	20,651,518	20,651,518	-	-

There was no change in the directors' interests in the ordinary shares of the Company between 30 June 2014 and 21 July 2014.

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.
- A further 699,000 options remain 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 ASOS and ASS on 15 October 2010 from which all share based employment compensation has been / will be issued under AusGroup Share Option Scheme 2010 or the AusGroup Share Scheme 2010.

(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.
- A further 975,000 options remain exercisable at the balance sheet date.

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

- There were 1,320,339 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.
- All of the outstanding 2,561,473 shares rights were unvested at the balance sheet date. However, the conditions pursuant to the ASS were met as of 30 June 2014 and as such it is expected that 167,033 share rights qualified for the issuing of ordinary shares under the ASS on 1 July 2014.

In addition to the three schemes above, the Group has issued options to Ezion Holdings Limited ("Ezion"), Captain Larry Glenn Johnson and Eng Chiaw Koo. 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 was held in trust for future award to employee of the Group). As at 30 June 2014 none of the options were exercisable as the vesting conditions had not been met. These option will vest over 4 years, 25% will vest at each anniversary date.
- 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 have not been recognized 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 the Corporate Governance Report (page 46) and Note 21 to the financial statements (page 105).

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:

- Barry Alfred Carson (Chairman)
- Ooi Chee Kar
- Damien Marian O'Reilly

(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 since commencement of the schemes to end of financial year	Aggregate options / share rights outstanding as at end of financial year
Directors					
Dr Chew Kia Ngee	ASOS	-	200,000	-	200,000
Barry Alfred Carson	ASOS	-	200,000	-	200,000
Stuart Maxwell Kenny	ASOS	-	100,000	-	100,000
Damien Marian O'Reilly	ASOS	-	100,000	-	100,000
Grant Anthony Pestell	ASOS	-	100,000	-	100,000
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					
Anthony John Tomich	ESOS,ASOS & ASS	-	1,495,000	(1,059,000)	436,000
Mark Johns	ASOS & ASS	-	466,000	(300,000)	166,000

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 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	(9,267,000)	699,000
ASOS	-	3,575,000	(2,600,000)	975,000
ASS	-	21,554,000	(18,992,527)	2,561,473
Total	**-**	**35,095,000**	**(30,859,527)**	**4,235,473**

(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 2014 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;
- Barry Alfred Carson received remuneration from Australasian Insulation Supplies Pty Ltd (a related party) in his capacity as director of that company; and
- Grant Anthony Pestell received remuneration from Murcia Pestell Hillard Pty Ltd (a related party) in his capacity as managing director of that entity.

6 Audit Committee

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

- Ooi Chee Kar (Chairman)
- Grant Anthony Pestell
- Dr Chew Kia Ngee

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.

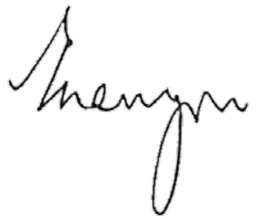
The duties and functions of the Audit Committee have been included in the Corporate Governance Report.

The Audit Committee has nominated PricewaterhouseCoopers LLP for re-appointment as auditor of the Company at the forthcoming Annual General Meeting. The Audit Committee has conducted an annual review of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditor before confirming their nomination.

7 Independent Auditor

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

On behalf of the Board of Directors



Dr Chew Kia Ngee
Director
Singapore

Stuart Maxwell Kenny
Managing Director and Chief Executive Officer
Singapore

1 September 2014

Statement By Directors

For the financial year ended 30 June 2014

In the opinion of the directors,

(a) the balance sheets of the Company and the consolidated financial statements of the Group as set out on pages 60 to 123 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 2014 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.

On behalf of the Board of Directors

Dr Chew Kia Ngee
Director

Stuart Maxwell Kenny
Managing Director and Chief Executive Officer

Singapore

1 September 2014

Independent Auditor's Report to the Members of AusGroup Limited

For the financial year ended 30 June 2014

Report on the Financial Statements

We have audited the accompanying financial statements of AusGroup Limited (the "Company") and its subsidiaries (the "Group") set out on pages 60 to 123, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 30 June 2014, 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 (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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2014, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries 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, 1 September 2014

Consolidated Balance Sheet

AusGroup Limited
As at 30 June 2014

	Notes	Group 2014 AU$'000	Group 2013 AU$'000	Company 2014 AU$'000	Company 2013 AU$'000
ASSETS					
Current assets					
Cash and cash equivalents	5	**40,845**	11,722	**16,519**	1,645
Trade receivables	6	**137,071**	160,566	**-**	-
Other receivables and prepayments	7	**14,031**	7,362	**516**	1,187
Inventories	8	**6,146**	1,797	**-**	-
Due from subsidiaries	9	**-**	-	**425**	24,003
Other assets	10	**117**	1,012	**-**	-
Assets classified as held for sale	11	**-**	18,397	**-**	-
Total current assets		**198,210**	200,856	**17,460**	26,835
Non-current assets					
Property, plant and equipment	12	**60,858**	75,986	**-**	-
Goodwill	13	**16,405**	16,421	**-**	-
Intangible assets	14	**7,987**	10,867	**-**	-
Other receivables	7	**1,453**	-	**-**	-
Due from subsidiaries	9	**-**	-	**23,611**	8,571
Other assets	10	**-**	-	**61,465**	37,438
Deferred income tax assets	15	**16,390**	1,661	**-**	-
Total non-current assets		**103,093**	104,935	**85,076**	46,009
Total assets		**301,303**	305,791	**102,536**	72,844
LIABILITIES					
Current liabilities					
Trade payables	16	**29,198**	42,527	**-**	-
Other payables	17	**41,235**	41,861	**1,331**	1,947
Borrowings	18	**1,916**	30,010	**-**	-
Accruals for other liabilities and charges	19	**10,024**	12,306	**-**	-
Current income tax liability		**2,025**	780	**-**	361
Total current liabilities		**84,398**	127,484	**1,331**	2,308
Non-current liabilities					
Deferred income tax liabilities	15	**1,835**	2,406	**-**	-
Other payables	17	**-**	1,252	**-**	-
Borrowings	18	**17,713**	-	**-**	-
Accruals for other liabilities and charges	19	**1,228**	1,449	**-**	-
Total non-current liabilities		**20,776**	5,107	**-**	-
Total liabilities		**105,174**	132,591	**1,331**	2,308
Net assets		**196,129**	173,200	**101,205**	70,536

	Notes	Group 2014 AU$'000	Group 2013 AU$'000	Company 2014 AU$'000	Company 2013 AU$'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	20	**99,599**	64,309	**99,599**	64,309
Capital reserve	21	**(163)**	(163)	**(163)**	(163)
Share based payment reserve	21	**886**	1,052	**886**	1,052
Foreign currency translation reserve	21	**3,528**	3,852	**4,173**	5,018
Retained earnings / (Accumulated loss)		**92,279**	104,150	**(3,290)**	320
Total equity		**196,129**	173,200	**101,205**	70,536

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

Consolidated Statement of Comprehensive Income

AusGroup Limited
For the year ended
30 June 2014

	Notes	Group 2014 AU$'000	2013 AU$'000
Revenue from continuing operations	22	**302,447**	582,706
Cost of sales		**(297,503)**	(519,218)
Gross profit		**4,944**	63,488
Other operating income	23	**21,357**	3,945
Other operating costs		**(17,954)**	(21,927)
Administrative expenses		**(25,995)**	(25,058)
Marketing and distribution expenses		**(2,162)**	(2,705)
Share of profit from associate company and joint venture	10	**-**	524
(Loss)/Profit from operations	24	**(19,810)**	18,267
Finance costs	25	**(3,442)**	(3,982)
(Loss)/Profit before income tax		**(23,252)**	14,285
Income tax benefit/(expense)	26	**11,381**	(4,576)
(Loss)/profit for the year		**(11,871)**	9,709
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss:			
Currency translation differences arising from consolidation		**(324)**	5,622
Total comprehensive (loss)/ income for the year		**(12,195)**	15,331
(Loss)/profit is attributable to:			
Equity holders of the Company		**(11,871)**	9,709
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(12,195)**	15,331
(Loss)/earnings per share attributable to equity holders of the Company (AU$ cents per share)			
- Basic (loss)/earnings per share	27	**(2.3)**	2.0
- Diluted (loss)/earnings per share	27	**(2.3)**	2.0

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 2014

	Attributable to equity holders of the Company						
Group	**Share capital AU$'000**	**Treasury reserve AU$'000**	**Capital reserve AU$'000**	**Share based payment reserve AU$'000**	**Foreign currency translation reserve AU$'000**	**Retained earnings AU$'000**	**Total AU$'000**
Balance at 1 July 2013	64,309	-	(163)	1,052	3,852	104,150	**173,200**
Loss for the year	-	-	-	-	-	(11,871)	**(11,871)**
Other comprehensive loss	-	-	-	-	(324)	-	**(324)**
Total comprehensive loss for the year	-	-	-	-	(324)	(11,871)	**(12,195)**
Transactions with owners in their capacity as owners:							
Shares issued net of transaction cost	35,011	-	-	-	-	-	**35,011**
Shares issued under the Company's employee share scheme	279	-	-	(279)	-	-	**-**
Employee share and option scheme expense	-	-	-	113	-	-	**113**
	35,290	-	-	(166)	-	-	**35,124**
Balance at 30 June 2014	**99,599**	**-**	**(163)**	**886**	**3,528**	**92,279**	**196,129**
Balance at 1 July 2012	64,170	-	-	3,337	(2,159)	98,602	163,950
Profit for the year	-	-	-	-	-	9,709	9,709
Other comprehensive income	-	-	-	-	5,622	-	5,622
Dissolution of subsidiaries	-	-	-	-	389	(389)	-
Total comprehensive income for the year	-	-	-	-	6,011	9,320	15,331
Transactions with owners in their capacity as owners:							
Shares issued net of transaction cost	139	-	-	-	-	-	139
Employee share and option scheme expense reversal	-	-	-	(747)	-	-	(747)
Purchase of treasury shares	-	(1,701)	-	-	-	-	(1,701)
Transfer of treasury shares	-	1,701	(163)	(1,538)	-	-	-
Dividends paid	-	-	-	-	-	(3,772)	(3,772)
	139	-	(163)	(2,285)	-	(3,772)	(6,081)
Balance at 30 June 2013	64,309	-	(163)	1,052	3,852	104,150	173,200

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 2014

	Notes	Group 2014 AU$'000	Group 2013 AU$'000
Cash flows from operating activities			
Net (loss) / profit for the year		**(11,871)**	9,709
Adjustments for:			
Income tax (benefit) / expense	26	**(11,381)**	4,576
Depreciation of property, plant and equipment	12	**10,606**	12,848
Amortisation of intangible assets	14	**3,675**	2,570
Employee share and share option scheme expense reversal		**(166)**	(747)
Impairment of trade receivables		**26**	43
Profit on sale of property, plant and equipment	23	**(4,202)**	(2,249)
Profit on sale of asset held for sale	23	**(14,760)**	-
Share of profit of joint venture		**-**	(524)
Interest income	23	**(742)**	(616)
Finance costs	25	**3,442**	3,982
Operating cash flows before working capital changes		**(25,373)**	29,592
Changes in operating assets and liabilities, net of effects from acquisition of business			
Trade receivables		**23,430**	(42,975)
Other receivables and prepayments		**(7,695)**	(1,251)
Trade and other payables		**(13,988)**	14,217
Accruals		**(2,504)**	(11,846)
Inventories		**(4,349)**	795
Cash used in operations		**(30,479)**	(11,468)
Interest paid		**(3,316)**	(3,722)
Interest received	23	**742**	616
Income tax paid		**(3,049)**	(12,394)
Net cash used in operating activities		**(36,102)**	(26,968)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**13,548**	4,673
Proceeds from disposal of asset held for sale	11	**33,000**	-
Purchase of property, plant and equipment	12	**(4,619)**	(10,064)
Payments for acquisition of subsidiary, net of cash acquired		**-**	(3,514)
Payments for acquisition of business, net of cash acquired	17	**(1,303)**	(565)
Distributions from joint venture		**895**	754
Purchase of intangible assets	14	**(799)**	(5,225)
Net cash from / (used in) investing activities		**40,722**	(13,941)

	Notes	Group 2014 AU$'000	Group 2013 AU$'000
Cash flows from financing activities			
Dividends paid	31	**-**	(3,772)
Proceeds from loans		**20,000**	22,556
Repayment of bank loans		**(25,306)**	-
Net repayment of finance leases		**(1,455)**	(1,658)
Proceeds from issue of share capital	20	**36,308**	139
Payment for share issue costs	20	**(1,297)**	-
Payment for borrowing costs		**(649)**	-
Purchase of treasury shares		**-**	(1,701)
Net cash inflow from financing activities		**27,601**	15,564
Net increase / (decrease) in cash and cash equivalents		**32,221**	(25,345)
Effects of exchange rate changes on cash and cash equivalents		**(128)**	1,277
Cash and cash equivalents at the beginning of the financial year		**8,752**	32,820
Cash and cash equivalents at end of year	5	**40,845**	8,752

The above consolidated statement of cash flows 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 36 Tuas Road, Singapore 638505 and its principal place of business is Level 1, 18-32 Parliament Place, West Perth, Western Australia, 6005.

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

The consolidated financial statements of the Group for the financial year ended 30 June 2014 and the balance sheet of the Company as at 30 June 2014 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 1 September 2014.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial reports are for the consolidated entity consisting of AusGroup Limited and its subsidiaries.

(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.

(b) New accounting standards and interpretations

On 1 July 2013, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

FRS 113 Fair Value Measurement

FRS 113 Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Singapore Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Singapore Accounting Standards. The impact of this change was immaterial to the Group.

FRS 19 Employee Benefits

The revised standard has also changed the accounting for the group's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety.

This did change the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change was immaterial since the majority of the leave is still expected to be taken within a short period after the end of the reporting period.

(b) New accounting standards and interpretations (continued)

The group also chose to early adopt and has applied the following standards and amendments for first time for their annual reporting period commencing 1 July 2013:

FRS 110 Consolidated Financial Statements (effective 1 January 2014), FRS 111 Joint Arrangements (effective 1 January 2014), FRS 112 Disclosure of Interests in Other Entities (effective 1 January 2014), FRS 28 Investments in Associates and Joint Ventures (effective 1 January 2014), FRS 27 Separate Financial Statements (effective 1 January 2014)

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the group. The Group's and the Company's assessment of the impact of these new standards and interpretations is set out below.

FRS 9 Financial Instruments (effective from 1 January 2017)

FRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The new hedging rules align hedge accounting more closely with the group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation. The group has not yet assessed how its own hedging arrangements would be affected by the new rules, and it has not yet decided whether to adopt any parts of FRS 9 early.

(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 income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

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

(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 (iv) below), after initially being recognised at cost.

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

2 Summary of significant accounting policies (continued)

(c) Principles of consolidation (continued)

(iii) Joint arrangements

Under FRS 111 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has determined that it has no joint operations and that a joint venture operated in the financial year ending 30 June 2014.

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

Please refer to Note 2(g) for the accounting policy on investments in joint ventures in the separate financial statements of the Company.

(iv) Equity method

Under the equity method of accounting, the 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.

(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.

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 of 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 intangible assets and 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 the cost amount 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 12 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 within 'Other operating income' in the consolidated statement of comprehensive income.

(g) Investments in subsidiaries, associated companies and interests in joint ventures

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

(h) Impairment of non-financial assets

Goodwill

Goodwill is tested for impairment annually and whenever there is an indication that the 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 ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGUs fair value less cost to sell 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.

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

Property, plant and equipment and investments in subsidiaries

Property, plant and equipment 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 cost to sell 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.

(i) 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 a 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 two to four years.

2 Summary of significant accounting policies (continued)

(i) 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. The intangible assets arising were acquired through a business combination. These assets 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) 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 5 years.

The carrying amount of software development costs capitalised as intangible assets is tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

(j) Assets classified as held for sale

Assets classified as held for sale are carried at the lower of their carrying amount and fair value less cost to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must be initiated. The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. However, events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

These assets are not depreciated while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has previously been recognised) is recognised in profit and loss.

(k) 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 cumulated 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".

(l) 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.

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 "trade receivables", "other receivables and prepayments" and "cash and cash equivalents" 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. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

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.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks or financial institutions, fixed 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. For the purpose of the consolidated statement of cash flows, cash and cash equivalents exclude those fixed deposits which have been pledged to banks to secure borrowing facilities granted to the Group.

2 Summary of significant accounting policies (continued)

(n) 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.

(o) 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 twelve months after the balance sheet date are included in the current borrowings in the balance sheet even though the original term was for a period longer than twelve months and 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 twelve months after the balance sheet date are included in non-current borrowings in the balance sheet.

(p) 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 are measured at the 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.

(q) 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.

(r) Leases

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.

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 30). 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.

(s) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group, from time to time, designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

(i) Cash flow hedge

Interest rate swaps

The Group, from time to time, enters into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in the hedging reserve and transferred to profit or loss when the interest expense on the borrowings is recognised in profit or loss. The fair value changes on the ineffective portion of interest rate swaps are recognised immediately in profit or loss.

Currency forwards

The Group, from time to time, enters into currency forwards that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies. The fair value changes on the effective portion of the currency forwards designated as cash flow hedges are recognised in the hedging reserve and transferred to either the cost of a hedged non-monetary asset upon acquisition or profit or loss when the hedged forecast transactions are recognised.

The fair value changes on the ineffective portion are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in the hedging reserve are transferred to profit or loss immediately.

(t) 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)

(t) 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(k).

(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.

(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.

(u) 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, market 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, market and 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 the 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 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 sharebased payment reserve are credited to share capital account when new ordinary shares are issued.

(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 SFRS 37 and involves the payment of terminations 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 accumulating 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 accumulating 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 are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore 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 government 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 twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(v) 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.

(w) 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 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$") which, in the opinion of management, is the most appropriate presentation currency as the Group's principal assets and operations are in Australia and the majority of its operations are conducted in AU$.

2 Summary of significant accounting policies (continued)

(w) Foreign currency translation (continued)

(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.

(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.

(x) 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 and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

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

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

Research and Development tax incentives

Subsidiaries within the group may be entitled to claim special tax credits for investments in relation to qualifying expenditure under the Research and Development Tax Incentive regime in Australia. The group accounts for such tax incentives under the government grant 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 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.

A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(y) Segment reporting

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

(z) Borrowing costs

Borrowing costs incurred for the construction of any 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.

(aa) Inventories

Inventories are carried at the lower of cost and net realisable value. Costs are assigned to individual item 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.

(ab) 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.

2 Summary of significant accounting policies (continued)

(ac) 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 consolidated 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.

(ad) 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 entity 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 within the next financial year are discussed below.

Impairment of property, plant and equipment

Property, plant and equipment mainly consist of freehold and leasehold land and buildings, and plant and equipment. The Group assesses impairment at each year end by evaluating the existence of indications specific to the Group that may lead to impairment of property, plant and equipment. These indications 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(h), the Group estimates the recoverable amount as the higher of the fair value less cost to sell and the value-in-use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect the property, plant and equipment.

For the year ended 30 June 2014, the Group made a loss of AU$11.9 million and this is considered to be an impairment indicator. Accordingly, an impairment assessment was performed by management on the recoverable amount of the cash generating unit to which the assets belong to based on value-in-use calculations which were assessed as part of goodwill impairment test (refer to note 13). Based on the impairment assessments performed by management, no impairment loss was required for the year ended 30 June 2014.

Impairment of goodwill

The Group tests at least annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2(h). The recoverable amounts of cash generating units (CGUs) have been determined based on the value-in-use calculations. These calculations require the use of assumptions. Refer to Note 13 for details of these assumptions and the potential impact of changes to the assumptions.

Impairment of intangible assets

As stated in Note 2(i) the Group assesses impairment of intangible assets whenever events or changes in circumstances indicate the carrying value of an intangible asset may not be recoverable. The impairment to be recognised is the amount by which the carrying amount exceeds the recoverable amount. The Group estimates the recoverable amount as the higher of the fair value less cost to sell and the value-in-use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect the intangible assets.

For the year ended 30 June 2014, the Group made a loss of AU$11.9 million and this is considered to be an impairment indicator. Accordingly, an impairment assessment was performed by management on the recoverable amount of the cash generating unit to which the assets belong to based on value-in-use calculations which were assessed as part of goodwill impairment test (refer to note 13). Based on the impairment assessments performed by management, no impairment loss was required for the year ended 30 June 2014.

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 test.

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 on which the Group has exercised accounting judgement include recognition of a deferred tax asset in respect of losses in Australia for the year ended 30 June 2014, the Group recognise a DTA of AU$13.6 million in respect of tax losses incurred during the year. The amounts recognised in the consolidated financial statements are derived from the Group's best estimation and judgement.

Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. Based on the latest profit forecast, the Group is expected to have sufficient taxable profit to be utilised against the losses incurred in Australia.

Historical differences between forecast and actual taxable profits have not resulted in material adjustments to the recognition of deferred tax assets. (Refer to note 15)

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. In making these estimates, the Group has relied on past experience and the work of specialists. The aggregate costs incurred plus recognised profit less recognised losses to date, progress billings, retentions on construction contracts and due from/to the customers are disclosed in Note 6b.

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 2014, the Group has estimated the expected loss from onerous contracts. 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.

3 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

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.

Estimation of fair value of share options and share rights

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 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 balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term (refer to note 4).

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, judgment is required to be exercised of its probability and revenue recognised accordingly.

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 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 uses derivative financial instruments to protect against the volatility associated with foreign currency transactions and management constantly monitor the currency rates to ensure the Group's exposure is within an acceptable level.

The Group entered into foreign exchange forward contracts to manage exposure to currency fluctuations. The contractual amounts and exchange rates are disclosed in Note 30(c).

The Group's currency exposure based on information provided to management's executive committee is as follows:

	2014			2013		
	Singapore Dollar AU$'000	**United States Dollar AU$'000**	**Thailand Baht AU$'000**	Singapore Dollar AU$'000	United States Dollar AU$'000	Thailand Baht AU$'000
Financial assets						
Trade receivables	**7,972**	**1,836**	**3,358**	11,128	5,261	1,037
Other receivables and prepayments	**9,414**	**-**	**66**	1,835	-	375
Cash and cash equivalents	**18,048**	**359**	**1,679**	3,080	457	2,614
	35,434	**2,195**	**5,103**	16,043	5,718	4,026
Financial liabilities						
Trade payables	**5,962**	**683**	**995**	7,509	696	21
Other payables	**2,504**	**-**	**583**	4,504	-	434
	8,466	**683**	**1,578**	12,013	696	455
Currency exposure on net financial assets	**26,968**	**1,512**	**3,525**	4,030	5,022	3,571

The Company's financial assets and liabilities are mainly denominated in Singapore dollars.

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

	Group	
	2014 AU$'000	2013 AU$'000
Net foreign exchange (losses) / income	**(588)**	19

Sensitivity analysis

A change of 1% (2013: 1%), 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.

	2014 AU$'000	2013 AU$'000
SGD against AU$		
- strengthened	**267**	40
- weakened	**(267)**	(41)
USD against AU$		
- strengthened	**15**	50
- weakened	**(15)**	(51)
BAHT against AU$		
- strengthened	**35**	35
- weakened	**(36)**	(36)

There are no impact on other components of equity (2013: nil).

4 Financial risk management (continued)

(b) Interest rate risk

The Group's exposure to interest rate risk is related mainly to its syndicated facilities, which are on fixed 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 18 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. The Group's financial risk management policy seeks to minimise potential adverse effects on the financial performance of the Group by entering into interest rate swap transactions to generate the desired interest profit and to manage the exposure to interest rate fluctuations. This involves an exchange of a floating rate obligation to a fixed rate obligation which is recognised at fair value.

A 1% (2013 : 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:

	2014 AU$'000	2013 AU$'000
Profit or loss	194	283

This analysis assumes that all other variables remain constant. There are no impact on other components of equity (2013: nil).

(c) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables and cash and cash equivalents. It is the Group's policy to enter into transactions with creditworthy customers, banks and syndicated lenders with high credit ratings (short term rating of A-1 or higher) to mitigate any significant credit risk. The Group has procedures in place to control credit risk and that exposure to such risk is monitored on an ongoing basis. At the end of the financial year, the Group had no significant concentration of credit risk.

The Group's trade receivables are mainly from Australian based companies operating in the oil and gas industrial sector / industries.

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 Group's maximum exposure to credit risk is in terms of trade receivables which have a balance at 30 June 2014 of $65.5 million (2013: $112.5 million). This exposure is further analysed below:

	Group		Company	
	2014 AU$'000	2013 AU$'000	2014 AU$'000	2013 AU$'000
By currency exposure :				
Singapore dollar	7,972	11,128	-	-
Australian dollar	52,288	95,071	-	-
Thai Baht	3,358	1,037	-	-
US dollar	1,836	5,261	-	-
	65,454	112,497	-	-
By types of customers :				
Non-related parties	65,454	112,497	-	-

Credit concentration of trade receivables

The trade receivables of the Group comprise three debtors (2013: four debtors) that individually represented more than 5% of the Group trade receivables.

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. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

There were no terms renegotiated during the year for receivables that were past due.

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.

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

	Group	
	2014 AU$'000	2013 AU$'000
Past due less than 3 months	9,714	39,741
Past due 3 to 6 months	155	17,494
Past due greater than 6 months	52	-
	9,921	57,235

No allowance for impairment was made at the financial year end (2013: AU$ 0.04 million). 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)).

(d) Liquidity risk

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

Contractual maturities of financial liabilities	Less than 1 year AU$'000	Between 1 and 2 years AU$'000	Total contractual cashflows AU$'000	Carrying amount liabilities AU$'000
Group				
2014				
Trade and other payables	70,433	-	70,433	70,433
Borrowings	4,518	20,775	25,293	19,629
Accruals for other liabilities and charges	10,024	1,228	11,252	11,252
	84,975	22,003	106,978	101,314
2013				
Trade and other payables	84,388	1,252	85,640	85,640
Borrowings	30,937	-	30,937	30,010
Accruals for other liabilities and charges	12,306	1,449	13,755	13,755
	127,631	2,701	130,332	129,405

4 Financial risk management (continued)

Contractual maturities of financial liabilities	Less than 1 year AU$'000	Between 1 and 2 years AU$'000	Total contractual cashflows AU$'000	Carrying amount liabilities AU$'000
Company				
2014				
Trade and other payables	**1,331**	**-**	**1,331**	**1,331**
2013				
Trade and other payables	1,947	-	1,947	1,947

The Group maintains a sufficient level of cash and bank balances and has available an adequate amount of committed loans granted by its syndicated lenders to meet its working capital requirements.

As at 30 June 2014, the Group has net current assets of AU$113.8 million (2013: AU$73.4 million). The Group is not exposed to significant liquidity risk.

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	
	2014 AU$'000	2013 AU$'000	**2014 AU$'000**	2013 AU$'000
Expiry within one year (bank overdraft and loan facility)	**-**	14,437	**-**	-
Guarantee facility*	**1,220**	3,085	**-**	-
Surety bond facility	**-**	37,280	**-**	-

* On 1 August 2014, the Group entered into a AU$50,000,000 Bank Guarantee facility with DBS Bank in Singapore. The facility will be used to facilitate the issuance of banker's guarantees for bid bond, performance bond and financial guarantees. Whilst the facility was not finalised at 30 June 2014 the bank allowed us to draw down AU$17.4 million based on a term sheet agreed to prior to year end.

The Group uses foreign exchange forward contracts for the purpose of hedging against currency fluctuations. The table below analyses the Group's and Company's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group and Company	Less than 1 year AU$'000	Greater than 1 year AU$'000
2014		
Gross-settled currency forwards		
- Receipts	-	-
- Payments	-	-
	-	-
2013		
Gross-settled currency forwards		
- Receipts	3,180	-
- Payments	(601)	-
	2,579	-

(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 is required by the banks to maintain certain financial ratios such as gearing ratios and interest rate ratios. There were no breaches of these as at 30 June 2014.

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	
	2014 AU$'000	2013 AU$'000	**2014 AU$'000**	2013 AU$'000
Net debt / (funds)	**(21,216)**	18,288	**(16,519)**	(1,645)
Total equity	**196,129**	173,200	**101,205**	70,536
Total capital	**174,913**	191,488	**84,686**	68,891
	n/m*	10.6%	**n/m***	n/m*

*Not meaningful as the amount of cash and cash equivalents exceeds the borrowings.

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	
	2014 AU$'000	2013 AU$'000	**2014 AU$'000**	2013 AU$'000
Loans and receivables[1]	**193,400**	179,650	**41,071**	35,406
Financial liabilities measured at amortised cost[2]	**101,314**	129,405	**1,331**	1,947

Fair value of financial instruments

As at balance sheet date, carrying amount of current assets and liabilities approximate fair value.

The Group has no other non-current financial assets and liabilities except for the borrowings from Wingate as disclosed in Note 18. The carrying amount of this non-current borrowing approximates fair value.

Non-current assets and liabilities of the Company at balance sheet date approximates fair value.

[1] Refer notes 5, 6, 7 and 9
[2] Refer notes 16, 17, 18 and 19

5 Cash and cash equivalents

	Group		Company	
Cash and cash equivalents represented by:	**2014 AU$'000**	2013 AU$'000	**2014 AU$'000**	2013 AU$'000
Cash and cash balances	**40,845**	11,722	**16,519**	1,645

The effective deposit interest rates ranged from 0.22% to 3.20% (2013: 0.22% to 3.95%) per annum.

Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Group		Company	
	2014 AU$'000	2013 AU$'000	**2014 AU$'000**	2013 AU$'000
Balances as above	**40,845**	11,722	**16,519**	1,645
Bank overdrafts (note 18)	**-**	(2,970)	**-**	-
Balances per statement of cash flows	**40,845**	8,752	**16,519**	1,645

6 Trade receivables

	Group	
	2014 AU$'000	2013 AU$'000
Trade receivables		
- Non-related parties	**65,455**	112,540
- Less: Allowance for impairment of receivables	**(1)**	(43)
	65,454	112,497
Construction contracts		
- Due from customers (note 6b)	**71,617**	48,069
	137,071	160,566

At 30 June 2014, all amounts included in trade receivables and arising from construction contracts are due for settlement within 12 months (2013: 12 months).

(a) Allowance for impairment of receivables

	Group	
	2014 AU$'000	2013 AU$'000
Beginning of financial year	**(43)**	(80)
Decrease/(increase) in provision	**26**	(43)
Written off during the year	**16**	80
End of financial year	**(1)**	(43)

(b) Construction contracts:

Aggregate costs incurred plus recognised profit less recognised losses to date on uncompleted construction contracts	**604,017**	373,669
Less: Progress billings	**(533,037)**	(334,292)
	70,980	39,377
Presented as:		
Due from customers on construction contracts	**71,617**	48,069
Due to customers on construction contracts (note 16)	**(637)**	(8,692)
	70,980	39,377

6 Trade receivables (continued)

The Company announced on 3 May 2013 that Karara Mining Limited ("KML") had withheld progress payments for structural, mechanical and piping installation works carried out by the Issuer's wholly-owned subsidiary, AGC Industries Pty Ltd ("AGC") at KML's Karara Iron Ore Project in Western Australia pursuant to a 2012 contract entered into between AGC and KML (the "Karara Contract"). In addition, KML provided notice that it intended to call on the performance security in the amount of AU$8.8 million in the form of bank guarantees issued by financial institutions, which was furnished in relation to the terms of the Karara Contract, and that it was preparing a claim against AGC for unfinished works.

At the time, the Company advised that the notification of claim was not been given in accordance with the Karara Contract and KML had not provided any formal substantiation of either the breaches it relied upon or basis for calling on the performance guarantees or withholding the progress payments. KML had also not issued any formal show cause notice under the Karara Contract.

Since that time, the Company announced on 25 June 2013 that AGC had issued a writ of summons against KML in the Supreme Court of Western Australia. The writ was in respect of KML's failure to process, certify and make progress payments for works completed and for a failure by KML to recognise additional corporate overhead and profit which was a performance incentive to achieve certain milestone dates (the "COP Payment"). KML subsequently made progress payments amounting to AU$31.2 million during the year towards previously disputed progress payments. In addition to the writ, AGC applied for, and was granted, an interim injunction to restrain KML from converting to cash the performance security until further order of the Supreme Court of Western Australia. KML subsequently returned all bank guarantees related to the Karara Contract.

Under the supervision of the Supreme Court of Australia order, AGC and KML had submitted the dispute on a confidential basis to a mediation which did not result in the resolution of the dispute, and both parties are proceeding through the discovery stage of legal proceedings. The outstanding amount is included within due from customers on construction contract as at 30 June 2014. Notwithstanding the above, AGC is actively liaising with KML's management to attempt to resolve the dispute, either through formal dispute resolution under the Karara Contract, or mediation outside the Karara Contract. It remains AGC's view that the outstanding amounts and the COP Payment claim are valid under the Karara Contract.

7 Other receivables and prepayments

	Group		Company	
	2014 AU$'000	2013 AU$'000	**2014 AU$'000**	2013 AU$'000
Current				
Prepayments	**1,708**	4,355	**35**	825
Deposits	**9,177**	304	**-**	-
Sundry receivables	**1,461**	1,417	**481**	362
Current tax receivables	**1,685**	1,286	**-**	-
	14,031	7,362	**516**	1,187
Non-current				
Retention withheld	**1,453**	-	-	-

8 Inventories

	Group	
	2014 AU$'000	2013 AU$'000
Inventory	**6,146**	1,797

9 Due from subsidiaries

	Company	
	2014 AU$'000	2013 AU$'000
Current		
Advance to subsidiary - non-trade (Note 29e)	**425**	24,003
Non-current		
Advance to subsidiary - non-trade (Note 29e)	**23,611**	8,571

As at 30 June 2014, advances to subsidiaries amounted to AU$ 24.0 million (2013: AU$ 32.6 million), which bear interest at 5.0% (2013: 5.0%) per annum. There were no advances which will be required to be repaid within the next twelve months, except for an amount of AU$0.4 million (2013: AU$ 24 million) which is repayable within the next twelve months from balance sheet date.

10 Other assets

	Group		Company	
	2014 AU$'000	2013 AU$'000	**2014 AU$'000**	2013 AU$'000
Current				
Interest in joint venture	**117**	1,012	**-**	-
Non-current				
Investment in subsidiaries	**-**	-	**61,465**	37,438

(a) Interest in joint venture

AGC Industries Pty Ltd ("AGCI"), a wholly owned subsidiary of the Group, entered into a contractual agreement with Kiewit Australia ("Kiewit") to form a joint venture known as the Kiewit and AGC Industries ("KAGC") JV during the 2012 financial year. AGCI has a 25% (2013:25%) interest in the KAGC JV. KAGC JV entered into a joint venture arrangement with AMEC Minproc known as the Cloudbreak Enhancement Project Team ("CEPT") JV with regards to the Cloudbreak construction project. The JV principal place of business is in Australia.

The KAGC JV is accounted for in the financial statements using the equity method of accounting (refer Note 2(c)). AGCI's costs incurred towards the Cloudbreak project are charged to / reimbursed by the KAGC JV. The joint venture contract has been completed. Information relating to the KAGC JV is set out below.

10 Other assets (continued)

(a) Interest in joint venture (continued)

	Group	
	2014 AU$'000	2013 AU$'000
Interest at cost		
Beginning of financial year	1,012	1,242
Share of profits	-	524
Distribution of profits	(895)	(754)
End of financial year	117	1,012
The Group's interest in the KAGC JV is summarised as follows:		
- Current assets	117	1,012
- Liabilities	-	-
- Revenue	-	3,341
- Net profit before tax	-	524

(b) Investment in subsidiaries

	Company	
	2014 AU$'000	2013 AU$'000
Equity investment at cost		
Beginning of financial year	37,438	26,736
Investment at cost*	24,201	7,931
Currency translation movement	(174)	2,771
End of financial year	61,465	37,438

*On 9 October 2013, AGC Australia Pty Ltd increased its issued paid-up share capital from AU$10.8 million to AU$34.9 million by the allotment of 24,176,675 ordinary shares at an issue price of AU$1.00 per share. The investment was funded by utilising part of the proceeds from the sale of the leasehold land and buildings in Singapore (refer note 11). The investment proceeds received by AGC from the Company was in turn utilised to reduce the Group's overdraft facilities.

Name of entity	Principal activity	Country of incorporation	Equity holding 2014 %	2013 %
AGL (Asia) Pte. Ltd (3)	Dormant	Singapore	-	100
AusGroup Singapore Pte. Ltd (4)	Engineering and service	Singapore	100	100
Modern Access Services Singapore Pte. Ltd (4)	Engineering and service	Singapore	100	100
Cactus Oil & Gas Sdn Bhd	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 (1) (2)	Engineering and service	Thailand	100	100
Resource People Pty Ltd (1)	Labour supply	Australia	100	100
AGC Energy and Infrastructure Pty Ltd (1)	Labour supply	Australia	100	-

(1) Audited by another member firm of PricewaterhouseCoopers of which PricewaterhouseCoopers LLP, Singapore is a member
(2) Under the terms of management agreement, the Group has 100% control of the financial management and operations
(3) Final meeting of members held on 13 August 2013. Company dissolved on 13 November 2013
(4) Audited by PricewaterhouseCoopers LLP, Singapore

11 Assets classified as held for sale

	Group	
	2014 AU$'000	2013 AU$'000
Leasehold land & buildings held for sale	-	18,397

The Company announced on 25 September 2013 that the sale and leaseback for its Singapore fabrication facilities had been completed. These facilities are located in a secure area of approximately 30,000 square metres, which consists of a large enclosed fabrication facility, machine shop and staging areas. The selling price for the property of AU$33 million have realised a profit on sale of the property of AU$14.8 million.

The Group deployed the net sale proceeds from the sale towards the reduction of bank borrowings, to facilitate other corporate funding requirements and for general working capital requirements.

Location	Description	Approximate site area (sqm)	Built up area (sqm)
36 Tuas Road, Singapore 638505 (Lot No. 2772C)	Office, fabrication and machining facilities	29,893	11,470

12 Property, plant and equipment

Group	Freehold land AU$'000	Freehold buildings AU$'000	Leasehold land & buildings AU$'000	Plant and equipment AU$'000	Total AU$'000
2014					
Cost					
Beginning of financial year	3,828	7,851	558	126,949	**139,186**
Additions	-	4	2,338	2,277	**4,619**
Disposals	-	-	(70)	(15,707)	**(15,777)**
Currency translation differences	-	-	-	(20)	**(20)**
At 30 June 2014	3,828	7,855	2,826	113,499	**128,008**
Accumulated depreciation					
Beginning of financial year	-	1,056	310	61,834	**63,200**
Depreciation charge	-	196	111	10,299	**10,606**
Disposals	-	-	(8)	(6,654)	**(6,662)**
Currency translation differences	-	-	-	6	**6**
At 30 June 2014	-	1,252	413	65,485	**67,150**
Carrying value at 30 June 2014	3,828	6,603	2,413	48,014	**60,858**
2013					
Cost					
Beginning of financial year	3,828	7,074	19,088	119,827	149,817
Additions	-	777	160	9,127	10,064
Disposals	-	-	(22)	(5,141)	(5,163)
Reclassified as held for sale	-	-	(20,597)	-	(20,597)
Currency translation differences	-	-	1,929	3,136	5,065
At 30 June 2013	3,828	7,851	558	126,949	139,186
Accumulated depreciation					
Beginning of financial year	-	873	1,684	51,436	53,993
Depreciation charge	-	183	493	12,172	12,848
Disposals	-	-	(22)	(2,717)	(2,739)
Reclassified as held for sale	-	-	(2,200)	-	(2,200)
Currency translation differences	-	-	355	943	1,298
At 30 June 2013	-	1,056	310	61,834	63,200
Carrying value at 30 June 2013	3,828	6,795	248	65,115	75,986

Revision of useful lives of plant and equipment

During the year the estimated total useful lives of certain items of plant and equipment used in the scaffolding business were revised. The net effect of the changes in the current year was a decrease in depreciation expense of AU$652,000.

Assuming the assets are held until the end of their useful lives, depreciation in future years in relation to these assets will be:

Year ending 30 June	AU$'000	
2015 - 2019	652	lower per year
2020	1,176	higher per year
2021	2,060	higher per year
2022	676	higher per year

(a) There was no plant and equipment under finance lease acquired for the Group during the financial year (2013: $Nil).

(b) The carrying amount of plant and equipment held under finance leases as at 30 June 2014 amounted to nil (2013: AU$0.02 million) for the Group.

(c) The Group has pledged freehold land and buildings, leasehold buildings and certain plant and equipment, having a carrying amount of approximately AU$60.9 million (2013: AU$76.0 million) to secure syndicated loan facilities granted to the Group.

(d) The Group's freehold land and buildings comprise:

Location	Description	Approximate site area (sqm)	Built up area (sqm)
15 Beach Street, Kwinana, Western Australia	Office and fabrication facilities	31,258	14,587
Lots 17 & 18 Gap Ridge, Industrial Estate, Karratha, Western Australia	To be developed for office buildings and scaffolding storage	13,008	-

13 Goodwill

	Group 2014 AU$'000	2013 AU$'000
Cost		
Beginning of financial year	**16,421**	15,971
Exchange difference	**(16)**	450
End of financial year	**16,405**	16,421
Accumulated impairment		
Beginning of financial year	**-**	-
End of financial year	**-**	-
Carrying value	**16,405**	16,421

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 2014 AU$'000	2013 AU$'000
Integrated services - Scaffolding	**9,859**	9,859
Integrated services - Painting and insulation	**528**	528
Fabrication and manufacturing - Singapore	**4,779**	4,795
Fabrication and manufacturing - Australia	**632**	632
Projects	**607**	607
	16,405	16,421

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and gross margin during the periods. Management estimates pre-tax discount rates that reflect the current market assessment of the time value of money and the risks specific to the CGUs.

For the year ended 30 June 2014 there was no impairment charge (2013: Nil) in any of the Group's CGU's.

The key assumptions used in the value-in-use models for the CGU's with material goodwill are as follows:

	Fabrication and manufacturing - Singapore	Integrated services - Scaffolding
2014		
Growth rate (1)	**2.0%**	**2.0%**
Discount rate (2)	**13.6%**	**17.9%**
Gross margin (3)	**34.0%**	**13.5%**
2013		
Growth rate (1)	3.0%	3.0%
Discount rate (2)	12.8%	18.3%
Gross margin (3)	25.0%	25.6%

(1) weighted average growth rate used to extrapolate cash flows beyond the forecast period
(2) Pre-tax discount rate applied to the pre-tax cash flow projections
(3) Budgeted gross margin

The weighted average growth rates used are to extrapolate cash flows beyond the budget period and are consistent with the forecasts included in the industry reports. The discount rates applied to cash flow projections are pre-tax and reflect specific risks relating to the relevant CGU's. The growth rate did not exceed the long term average growth rate for the segment in which the CGU operates. The Group prepares cashflow forecasts derived from the most recent financial budgets approved by management for the next five years.

Significant estimate: Impact of possible changes in key assumptions

Integrated services - Scaffolding CGU

The recoverable amount of the Scaffolding CGU is estimated to be AU$60 million. This exceeds the carrying amount of the CGU at 30 June 2014 by AU$6.1 million.

The following sensitivity analyses were performed on the Integrated services - Scaffolding CGU's key assumptions and budgeted revenue:

- If the budgeted revenue for the financial year ending 30 June 2015 used in the value-in-use calculation for the Scaffolding CGU had been 10% lower than management estimates at 30 June 2014, the group would have had to recognise an impairment against the carrying amount of goodwill of AU$5.2 million;
- If the budgeted gross margin used in the value-in-use calculation for the Scaffolding CGU had been 5% lower than management's estimates at 30 June 2014, the group would have had to recognise an impairment against the carrying amount of goodwill of AU$1.2 million; and
- If the estimated cost of capital used in determining the pre-tax discount rate had been 1% higher than management's estimates, it would not result in an impairment charge.

In 2013, there were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write down in the Integrated Services - Scaffolding CGU.

Fabrication and Manufacturing - Singapore CGU

The recoverable amount of the Singapore CGU is estimated to be AU$35.9 million. This exceeds the carrying amount of the CGU at 30 June 2014 by AU$12.7 million.

The following sensitivity analyses were performed on the Fabrication and manufacturing - Singapore CGU's key assumptions and budgeted revenue:

- If the budgeted revenue for the financial year ending 30 June 2015 had been 10% lower than management estimates;
- If the estimated cost of capital used in determining the pre-tax discount rate had been 2% higher than management's estimates.

None of the above analyses would have created an impairment charge.

14 Intangible assets

Group	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
2014				
Cost				
Beginning of financial year	**11,461**	**5,261**	**1,164**	**17,886**
Additions	**731**	**-**	**68**	**799**
Currency translation differences	**-**	**(4)**	**-**	**(4)**
End of financial year	**12,192**	**5,257**	**1,232**	**18,681**
Accumulated amortisation				
Beginning of financial year	**(1,880)**	**(4,524)**	**(615)**	**(7,019)**
Amortisation charge	**(3,194)**	**(243)**	**(238)**	**(3,675)**
End of financial year	**(5,074)**	**(4,767)**	**(853)**	**(10,694)**
Carrying value at 30 June 2014	**7,118**	**490**	**379**	**7,987**
2013				
Cost				
Beginning of financial year	6,236	5,133	1,164	12,533
Additions	5,225	-	-	5,225
Currency translation differences	-	128	-	128
End of financial year	11,461	5,261	1,164	17,886
Accumulated amortisation				
Beginning of financial year	(248)	(3,821)	(380)	(4,449)
Amortisation charge	(1,632)	(703)	(235)	(2,570)
End of financial year	(1,880)	(4,524)	(615)	(7,019)
Carrying value at 30 June 2013	9,581	737	549	10,867

15 Deferred income tax assets / (liabilities)

	Group 2014 AU$'000	Group 2013 AU$'000
Deferred income tax assets:		
- to be recovered within 12 months	**5,261**	-
- to be recovered after 12 months	**11,129**	1,661
	16,390	1,661
Deferred income tax liabilities:		
-to be settled after 12 months	**(1,835)**	(2,406)
Net deferred income tax assets / (liabilities)	**14,555**	(745)

The movement in the net deferred income tax assets / (liabilities) is as follows:

	2014 AU$'000	2013 AU$'000
Beginning of financial year	**(745)**	1,208
Credited / (charged) to profit or loss		
- current year	**12,850**	(2,646)
- under provision of prior year - research and development tax credit offset against qualifying expenditure	**2,450**	-
- under provision of prior year	**-**	762
- currency translation differences	**-**	(69)
End of financial year	**14,555**	(745)

The movement in the deferred income tax assets / (liabilities) during the financial year is as follows:

Deferred income tax assets	Provisions, accruals, depreciation and capital AU$'000	Tax losses/ tax credits AU$'000	Total AU$'000
2014			
Beginning of financial year	**1,661**	**-**	**1,661**
(Charged) / credited to profit or loss			
- current year	**(863)**	**13,596**	**12,733**
- set off of deferred tax liabilities pursuant to set-off provisions	**(454)**	**-**	**(454)**
- under provision of prior year - research and development tax credit offset against qualifying expenditure	**-**	**2,450**	**2,450**
End of financial year	**344**	**16,046**	**16,390**
2013			
Beginning of financial year	2,475	-	2,475
(Charged)/credited to profit or loss			
- current year	4,681	-	4,681
- under / (over) provision of prior period	762	-	762
- set off of deferred tax liabilities pursuant to set-off provisions	(6,257)	-	(6,257)
End of financial year	1,661	-	1,661

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

Deferred income tax liabilities	Depreciation and capital AU$'000
2014	
Beginning of financial year	(2,406)
(Charged)/credited to profit or loss	
- current year	117
- set off of deferred tax liabilities pursuant to set-off provisions	454
End of financial year	(1,835)
2013	
Beginning of financial year	(1,267)
(Charged)/credited to profit or loss	
- current year	(7,327)
- set off of deferred tax liabilities pursuant to set-off provisions	6,257
- currency translation differences	(69)
End of financial year	(2,406)

	Group	
	2014 AU$'000	2013 AU$'000
Tax credits		
Unused tax credits for which no deferred tax asset has been recognised	12,573	-
Potential tax benefit	12,573	-

These tax credits can be carried forward indefinitely, subject to meeting a continuity of ownership and same business test.

16 Trade payables

	Group	
	2014 AU$'000	2013 AU$'000
Trade payables		
-Third parties	28,561	33,835
Construction contracts		
- Due to customers (Note 6b)	637	8,692
	29,198	42,527

17 Other payables

	Group		Company	
	2014 AU$'000	2013 AU$'000	2014 AU$'000	2013 AU$'000
Current				
Accrued expenses	12,679	17,638	1,331	1,023
Employee benefit accruals	12,593	16,123	-	-
Payroll tax and other statutory liabilities	15,948	6,448	-	-
Contingent consideration regarding acquisition of business**	-	1,252	-	-
Other payables	15	400	-	924
	41,235	41,861	1,331	1,947
Non-current				
Contingent consideration regarding acquisition of business**	-	1,252	-	-
	-	1,252	-	-

**On 16 December 2011 a subsidiary of the Company, AusGroup Singapore Pte Ltd, acquired the assets of Subsea Pressure Controls Pte Ltd (SPC) and operates this business as a new division of the existing business, referred to as AusGroup Pressure Controls (APC). Under purchase agreement, the group was required to pay the former owners of SPC up to S$1.5 million by September 2013 and S$1.5 million by September 2014 if earnings before interest and tax ("EBIT") in respect of the financial years ending 30 June 2013 and 30 June 2014 exceed or equal certain agreed profit targets. The EBIT target for the year ended 30 June 2013 was met and S$1.5 million was paid to the former owners in September 2013. The EBIT target for the year ended 30 June 2014 has not been met and hence S$1.5 million was reversed as other operating income.

18 Borrowings

	Group	
	2014 AU$'000	2013 AU$'000
Current		
Bank overdrafts (note 5)	-	2,970
Loans	1,637	25,306
Obligations under finance leases and hire purchase	279	1,734
	1,916	30,010
Non-current		
Loans	17,713	-
	17,713	-
Total borrowings (Interest bearing)	19,629	30,010

18 Borrowings (continued)

(a) Total current and non-current secured liabilities

	Group 2014 AU$'000	2013 AU$'000
Bank overdrafts	-	2,970
Loans	**19,350**	25,306
Obligation under finance leases and hire purchase	**279**	1,734
	19,629	30,010

Refer to note 4(d) in relation to the contractual maturities of the loan facilities.

(b) Assets pledged as security

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

	Group 2014 AU$'000	2013 AU$'000
Bank facilities	**284,913**	298,323
Finance leases and hire purchase	-	1,624
	284,913	299,947

(c) Loan and overdraft facilities

During the financial year a subsidiary of the Group, AGC Australia Pty Ltd, concluded a syndicated facility agreement ("syndicated facility") with Wingate Group for AU$20 million. The facility was available for working capital and/or cash collateralisation for contract performance bonds. The facility is available for a maximum period of 30 months with principal repayments beginning six months after the first draw down. The syndicated facility replaced the banking agreement with Australia and New Zealand Banking Group Limited (ANZ) and HSBC Bank Australia Limited (HSBC) ("previous banking facility") and is available until October 2016. As at 30 June 2014 the facility was fully drawn.

In accordance with the syndicated facility, the funds borrowed must be repaid as follows:

October 2014	AU$1 million
April 2015	AU$1 million
October 2015	AU$1 million
April 2016	AU$1 million
October 2016	AU$16 million

(i) Banking facilities

Charges provided by the Company to:

Win AGC Pty Ltd

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.

See also the carrying amounts of the assets pledged in Note 18(b).

Syndicated facility covenants

The Australian Group Companies are required under the syndicated facility to maintain certain financial ratios such as gearing ratio, fixed charge cover and leverage ratio. In addition the Australian Group Companies are required to maintain a minimum total asset balance. As at 30 June 2014 the Group met all of these financial covenants. As at 30 June 2014, the Group has drawn down AU$20.0 million of the syndicated facility.

(ii) Loan and overdraft interest

The syndicated facility of AU$20 million (limited to Australia only) carried an effective interest rate of 15.77% per annum as at 30 June 2014.

(iii) Loans and overdrafts are due as follows:

	Group 2014 AU$'000	2013 AU$'000
Within one year	**1,637**	28,276
Between two and five years	**17,713**	-
	19,350	28,276

(d) Obligations under finance leases and hire purchase

	Group Minimum Lease Payments 2014 AU$'000	Present value of Minimum Lease Payments 2014 AU$'000	Minimum Lease Payments 2013 AU$'000	Present value of Minimum Lease Payments 2013 AU$'000
Within one year	**290**	**279**	1,790	1,734
	290	**279**	1,790	1,734
Future finance charges	**(11)**	**-**	(56)	-
Amount due for settlement	**279**	**279**	1,734	1,734

18 Borrowings (continued)

It is the Group's policy to lease certain of its plant and equipment under finance leases. For the financial year ended 30 June 2014, the average effective interest rate was 3.9% (2013: 8.1%) 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.

19 Accruals for other liabilities and charges

	Group	
	2014 AU$'000	2013 AU$'000
Current		
Annual leave	**5,727**	7,391
Redundancy fund/rostered day off/sick leave	**3,177**	3,964
Long service leave	**969**	995
Fringe benefit tax payable/(refundable)	**151**	(44)
	10,024	12,306
Non-current		
Long service leave	**1,228**	1,449

20 Share capital

	Group and Company	
	2014 AU$'000	2013 AU$'000
Ordinary shares issued and fully paid:		
Beginning of financial year	**64,309**	64,170
Shares issued for cash net of transaction costs	**35,011**	139
Shares issued under the Company's employee share scheme	**279**	-
End of financial year	**99,599**	64,309

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. The newly issued shares rank pari passu in all respects with the previously issued shares.

The Group completed two placements of 96.1 million of ordinary shares on 22 January 2014 at an issue share price of S$0.168 per share and 70 million of ordinary shares on 27 June 2014 at an issue price of S$0.3675 per share in the capital of the Company, thereby increasing the issued share capital of the Company to S$123,194,493 (AU$99,599,000) divided into 648,276,475 ordinary shares. The placement Shares provided net proceeds of S$40,379,658. For the use of placement proceeds, refer to page 52 in Corporate Governance.

	Group and Company	
	2014	2013
Number of issued shares:		
Opening balance	**480,856,136**	480,306,136
Issuance of shares	**166,100,000**	-
Exercise of share options	**-**	550,000
Shares issued under the Company's employee share scheme	**1,320,339**	-
Closing balance	**648,276,475**	480,856,136

21 Other reserves

	Group		Company	
	2014 AU$'000	2013 AU$'000	**2014 AU$'000**	2013 AU$'000
Other reserves:				
Capital reserve	**(163)**	(163)	**(163)**	(163)
Share based payment reserve	**886**	1,052	**886**	1,052
Foreign currency translation reserve	**3,528**	3,852	**4,173**	5,018
	4,251	4,741	**4,896**	5,907
Movements:				
Capital reserve:				
Beginning of the financial year	**(163)**	-	**(163)**	-
Difference between the purchase and transfer of treasury shares	**-**	(163)	**-**	(163)
	(163)	(163)	**(163)**	(163)
Share based payment reserve:				
Beginning of financial year	**1,052**	3,337	**1,052**	3,337
Option expense net of options exercised	**22**	109	**22**	109
Vested share rights settled through transfer of treasury shares	**-**	(1,538)	**-**	(1,538)
Vested share rights settled through transfer of ordinary share	**(279)**	-	**(279)**	-
Share scheme expense / (expense reversal)	**91**	(856)	**91**	(856)
	886	1,052	**886**	1,052
Foreign currency translation reserve:				
Beginning of financial year	**3,852**	(2,159)	**5,018**	(1,631)
Net currency translation difference of financial statements of foreign subsidiaries	**(324)**	6,011	**(845)**	6,649
	3,528	3,852	**4,173**	5,018

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, but only once they have vested.

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 during financial year**	**Exercised during financial year**	**End of financial year**	**Exercise price**	**Exercise period**
2014							
2012 Options (ASOS)	700,000	-	(200,000)	-	500,000	S$0.42	25.09.2013 to 15.10.2015
2012 Options (ASOS)	400,000	-	(200,000)	-	200,000	S$0.41	20.02.2013 to 15.10.2015
2011 Options (ASOS)	825,000	-	(550,000)	-	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)	550,000	-	(400,000)	-	150,000	S$0.22	13.10.2009 to 12.10.2018
2008 Options (ESOS)	562,000	-	(134,000)	-	428,000	S$1.64	24.08.2008 to 23.08.2017
	3,158,000	-	(1,484,000)	-	1,674,000		
Weighted average exercise price (S$)	0.57	0.00	0.44	0.00	0.68		

	No. of ordinary shares under option						
Group and Company	**Beginning of financial year**	**Granted during financial year**	**Forfeited during financial year**	**Exercised during financial year**	**End of financial year**	**Exercise price**	**Exercise period**
2013							
2012 Options (ASOS)	-	700,000	-	-	700,000	S$0.42	25.09.2013 to 15.10.2015
2012 Options (ASOS)	400,000	-	-	-	400,000	S$0.41	20.02.2013 to 15.10.2015
2011 Options (ASOS)	2,475,000	-	(1,100,000)	(550,000)	825,000	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)	550,000	-	-	-	550,000	S$0.22	13.10.2009 to 12.10.2018
2008 Options (ESOS)	819,000	-	(257,000)	-	562,000	S$1.64	24.08.2008 to 23.08.2017
	4,365,000	700,000	(1,357,000)	(550,000)	3,158,000		
Weighted average exercise price (S$)	0.56	0.42	0.57	0.325	0.57		

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2014 was Nil (2013: S$0.625).

Out of the outstanding options at 30 June 2014 of 1,674,000 (2013: 3,158,000) shares, all the options have vested and are exercisable at the balance sheet date.

2008 Options (ESOS)

The fair value of options granted on 24 August 2007, determined using the Binomial Valuation Model, was S$0.7393. The significant inputs into the model were share price of S$1.64 at the grant date, exercise price of S$1.64, volatility of expected share price returns of 60.5%, the option life shown above and annual risk-free interest rate of 5.93%. The volatility measured as the standard deviation of expected share price returns was based on statistical analysis of share prices over the last three years.

2009 Options 1 (ESOS)

The fair value of options granted on 13 October 2008, determined using the Binomial Valuation Model, was S$0.0955. The significant inputs into the model were share price of S$0.22 at the grant date, exercise price of S$0.22, volatility of expected share price returns of 60.5%, the option life shown above and annual risk-free interest rate of 4.65%. The volatility measured as the standard deviation of expected share price returns was based on statistical analysis of share prices over the last three years.

2009 Option 2 (ESOS)

The fair value of options granted on 25 February 2009, determined using the Binomial Valuation Model, was S$0.0955. The significant inputs into the model were share price of S$0.16 at the grant date, exercise price of S$0.16, volatility of expected share price returns of 60.5%, the option life shown above and annual risk-free interest rate of 4.65%. The volatility measured as the standard deviation of expected share price returns was based on statistical analysis of share prices over the last three years.

21 Other reserves (continued)

(a) Share options (continued)

2011 Options (ASOS)

The fair value of options granted on 30 November 2011, determined using the Binomial Valuation Model, was S$0.11. The significant inputs into the model were share price of S$0.31 at the grant date, exercise price of S$0.325, volatility of expected share price returns of 60%, the option life shown above and annual risk-free interest rate of 0.39%. The volatility measured as the standard deviation of expected share price returns was based on statistical analysis of share prices over the last three years.

2012 Options (ASOS)

The fair value of options granted on 20 February 2012, determined using the Binomial Valuation Model, was S$0.15. The significant inputs into the model were share price of S$0.41 at the grant date, exercise price of S$0.41, volatility of expected share price returns of 60%, the option life shown above and annual risk-free interest rate of 0.36%. The volatility measured as the standard deviation of expected share price returns was based on statistical analysis of share prices over the last three years.

2012 Options (ASOS)

The fair value of options granted on 25 September 2012, determined using the Binomial Valuation Model, was S$0.16. The significant inputs into the model were share price of S$0.50 at the grant date, exercise price of S$0.42, volatility of expected share price returns of 50%, the option life shown above and annual risk-free interest rate of 0.17%. The volatility measured as the standard deviation of expected share price returns was based on statistical analysis of share prices over the last three years.

(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. Under the terms of the options, one quarter of the options will vest on the first anniversary of the issue of the options and a further quarter each anniversary thereafter until all options have been vested.

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 have been calculated at S$0.1888 per option. 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 1.13%. 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 recognized 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 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. 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.

The following table sets out the maximum amount that may vest in any one year to an employee based on when they became eligible to join the ASS:

3 years' service completed as at 30 June	Percentage of number of shares vested on 1 July should all EPS and TSR targets be met								
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
2008	0%	10%	30%	60%	100%				
2009		0%	10%	30%	60%	100%			
2010			0%	10%	30%	60%	100%		
2011				0%	10%	30%	60%	100%	
2012					0%	10%	30%	60%	100%

The fair value of rights granted on 25 July 2012, determined using the Binomial Valuation Model and a Monte-Carlo simulation, is set out below:

Fair value of performance rights with EPS hurdles:

Tranche	Performance period	Retesting dates	First vesting date	Fair value SGD
2012 Tranche 1	1 July 2012 to 30 June 2014	30 June 2015, 30 June 2016 & 30 June 2017	30 June 2014	$0.33
2012 Tranche 2	1 July 2012 to 30 June 2015	30 June 2016 & 30 June 2017	30 June 2015	$0.33
2012 Tranche 3	1 July 2012 to 30 June 2016	30 June 2017	30 June 2016	$0.32
2012 Tranche 4	1 July 2012 to 30 June 2017	Not applicable	30 June 2017	$0.32

Fair value of performance rights with TSR hurdles:

Tranche	Performance period	Retesting dates	First vesting date	Fair value SGD
2012 Tranche 1	1 July 2012 to 30 June 2014	30 June 2015, 30 June 2016 & 30 June 2017	30 June 2014	$0.27
2012 Tranche 2	1 July 2012 to 30 June 2015	30 June 2016 & 30 June 2017	30 June 2015	$0.25
2012 Tranche 3	1 July 2012 to 30 June 2016	30 June 2017	30 June 2016	$0.24
2012 Tranche 4	1 July 2012 to 30 June 2017	Not applicable	30 June 2017	$0.22

21 Other reserves (continued)

(c) Share scheme (continued)

The significant inputs into the model were share price of S$0.35 at the grant date, volatility of expected share price returns of 50%, the right life shown above, dividend yield of 1.8% and annual risk-free interest rate of between 0.12% to 0.50%. The volatility measured as the standard deviation of expected share price returns was based on statistical analysis of share prices over the last three years.

The fair value of rights granted on 30 November 2011, determined using the Binomial Valuation Model and a Monte-Carlo simulation, is set out below:

Fair value of performance rights with EPS hurdles:

Tranche	Performance period	Retesting dates	First vesting date	Fair value SGD
2011 Tranche 1	1 July 2010 to 30 June 2013	30 June 2014, 30 June 2015 & 30 June 2016	30 June 2013	$0.30
2011 Tranche 2	1 July 2010 to 30 June 2014	30 June 2015 & 30 June 2016	30 June 2014	$0.30
2011 Tranche 3	1 July 2010 to 30 June 2015	30 June 2016	30 June 2015	$0.29
2011 Tranche 4	1 July 2010 to 30 June 2016	Not applicable	30 June 2016	$0.29

Fair value of performance rights with TSR hurdles:

Tranche	Performance period	Retesting dates	First vesting date	Fair value SGD
2011 Tranche 1	1 July 2010 to 30 June 2013	30 June 2014, 30 June 2015 & 30 June 2016	30 June 2013	$0.24
2011 Tranche 2	1 July 2010 to 30 June 2014	30 June 2015 & 30 June 2016	30 June 2014	$0.23
2011 Tranche 3	1 July 2010 to 30 June 2015	30 June 2016	30 June 2015	$0.21
2011 Tranche 4	1 July 2010 to 30 June 2016	Not applicable	30 June 2016	$0.19

The significant inputs into the model were share price of S$0.31 at the grant date, volatility of expected share price returns of 60%, the right life shown above, dividend yield of 1.8% and annual risk-free interest rate of between 0.25% to 0.67%. The volatility measured as the standard deviation of expected share price returns was based on statistical analysis of share prices over the last three years.

The fair value of rights granted on 17 December 2010, determined using the Binomial Valuation Model and a Monte-Carlo simulation, is set out below:

Fair value of performance rights with EPS hurdles:

Tranche	Performance period	Retesting dates	First vesting date	Fair value SGD
2008 Tranche 1	1 July 2008 to 30 June 2010	30 June 2011, 30 June 2012 & 30 June 2013	30 June 2010	$0.43
2008 Tranche 2	1 July 2008 to 30 June 2011	30 June 2012 & 30 June 2013	30 June 2011	$0.43
2008 Tranche 3	1 July 2008 to 30 June 2012	30 June 2013	30 June 2012	$0.42
2008 Tranche 4	1 July 2008 to 30 June 2013	Not applicable	30 June 2013	$0.42
2009 Tranche 1	1 July 2009 to 30 June 2011	30 June 2012, 30 June 2013 & 30 June 2014	30 June 2011	$0.43
2009 Tranche 2	1 July 2009 to 30 June 2012	30 June 2013 & 30 June 2014	30 June 2012	$0.42
2009 Tranche 3	1 July 2009 to 30 June 2013	30 June 2014	30 June 2013	$0.42
2009 Tranche 4	1 July 2009 to 30 June 2014	Not applicable	30 June 2014	$0.41
2010 Tranche 1	1 July 2010 to 30 June 2012	30 June 2013, 30 June 2014 & 30 June 2015	30 June 2012	$0.42
2010 Tranche 2	1 July 2010 to 30 June 2013	30 June 2014 & 30 June 2015	30 June 2013	$0.42
2010 Tranche 3	1 July 2010 to 30 June 2014	30 June 2015	30 June 2014	$0.41
2010 Tranche 4	1 July 2010 to 30 June 2015	Not applicable	30 June 2015	$0.40

Fair value of performance rights with TSR hurdles:

Tranche	Performance period	Retesting dates	First vesting date	Fair value SGD
2008 Tranche 1	1 July 2008 to 30 June 2010	30 June 2011, 30 June 2012 & 30 June 2013	30 June 2010	$0.08
2008 Tranche 2	1 July 2008 to 30 June 2011	30 June 2012 & 30 June 2013	30 June 2011	$0.08
2008 Tranche 3	1 July 2008 to 30 June 2012	30 June 2013	30 June 2012	$0.08
2008 Tranche 4	1 July 2008 to 30 June 2013	Not applicable	30 June 2013	$0.07
2009 Tranche 1	1 July 2009 to 30 June 2011	30 June 2012, 30 June 2013 & 30 June 2014	30 June 2011	$0.09
2009 Tranche 2	1 July 2009 to 30 June 2012	30 June 2013 & 30 June 2014	30 June 2012	$0.09
2009 Tranche 3	1 July 2009 to 30 June 2013	30 June 2014	30 June 2013	$0.09
2009 Tranche 4	1 July 2009 to 30 June 2014	Not applicable	30 June 2014	$0.08
2010 Tranche 1	1 July 2010 to 30 June 2012	30 June 2013, 30 June 2014 & 30 June 2015	30 June 2012	$0.21
2010 Tranche 2	1 July 2010 to 30 June 2013	30 June 2014 & 30 June 2015	30 June 2013	$0.20
2010 Tranche 3	1 July 2010 to 30 June 2014	30 June 2015	30 June 2014	$0.19
2010 Tranche 4	1 July 2010 to 30 June 2015	Not applicable	30 June 2015	$0.16

The significant inputs into the model were share price of S$0.43 at the grant date, volatility of expected share price returns of 40%, the right life shown above, dividend yield of 1.6% and annual risk-free interest rate of between 0.37% to 1.35%. The volatility measured as the standard deviation of expected share price returns was based on statistical analysis of share prices over the last three years.

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**
2014					
2008 rights (ASS)	2,437,850	-	(1,241,797)	(1,196,053)	**-**
2009 rights (ASS)	105,926	-	(6,807)	(26,308)	**72,811**
2010 rights (ASS)	219,900	-	(34,148)	(21,526)	**164,226**
2011 rights (ASS)	2,077,500	-	(154,112)	(76,452)	**1,846,936**
2012 rights (ASS)	1,790,000	-	(1,312,500)	-	**477,500**
	6,631,176	**-**	**(2,749,364)**	**(1,320,339)**	**2,561,473**
2013					
2008 rights (ASS)	8,562,500	-	(2,224,446)	(3,900,204)	2,437,850
2009 rights (ASS)	160,000	-	(8,246)	(45,828)	105,926
2010 rights (ASS)	350,000	-	(101,960)	(28,140)	219,900
2011 rights (ASS)	2,302,500		(225,000)	-	2,077,500
2012 rights (ASS)		2,340,000	(550,000)		1,790,000
	11,375,000	2,340,000	(3,109,652)	(3,974,172)	6,631,176

The number of unissued ordinary shares of the company in relation to the scheme outstanding at the end of the financial year was 2,561,473 (30 June 2013: 6,631,176).

The Group met the relevant TSR targets for the financial year ended 30 June 2014 and it is expected that 167,033 shares rights qualified for the issuing of ordinary shares under the ASS subsequent to year end. On 1 July 2014, 57,003 of the 2009 share rights have lapsed.

22 Revenue from operations

	Group	
	2014 AU$'000	2013 AU$'000
Contract revenue	**241,372**	524,010
Sale of goods	**42,496**	40,073
Hire revenue	**18,579**	18,623
	302,447	582,706

23 Other operating income

	Group	
	2014 AU$'000	2013 AU$'000
Interest income	**742**	616
Profit on sale of property, plant and equipment	**4,202**	2,249
Profit realised on asset held for sale	**14,760**	-
Net foreign exchange (losses) / income	**(588)**	19
Other income	**2,241**	1,061
	21,357	3,945

24 Expenses by nature

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

	Group	
	2014 AU$'000	2013 AU$'000
Included in cost of sales:		
- Materials	**20,467**	31,338
- Subcontract works	**45,998**	96,901
Depreciation of property, plant and equipment:		
- Included in cost of sales	**9,024**	11,563
- Included in administrative expenses	**1,582**	1,285
	10,606	12,848
Amortisation of intangible assets:		
- included in cost of sales	**485**	1,018
- included in administrative expenses	**3,190**	1,552
	3,675	2,570
Employee compensation	**234,851**	383,674
Operating lease payment	**7,519**	6,515
ASX listing expenses	**1,925**	-
Audit fees:		
- Auditor of the Company	**147**	134
- Other auditors*	**283**	468
Non-audit fees:		
- Auditor of the Company	**18**	9
- Other auditors*	**777**	133

* Relate to work performed by another member firm of PricewaterhouseCoopers International Limited of which PricewaterhouseCoopers LLP, Singapore is a member.

* Included in the non-audit fee, PricewaterhouseCoopers Australia has performed a tax consultancy service in relation to AGC Australia Pty Ltd (a subsidiary of the Group) 2013 tax lodgment. The Group accrued a total of AU$0.5 million for this service.

25 Finance costs

	Group 2014 AU$'000	2013 AU$'000
Interest expense and bank fees on:		
Loans	**2,763**	3,215
Bank guarantee fees	**463**	286
Finance leases and hire purchase	**88**	194
Hedging costs	**2**	27
Unwinding of earn-out payable	**126**	260
	3,442	3,982

26 Income tax expense

	Group 2014 AU$'000	2013 AU$'000
(Loss)/Profit before taxation	**(23,252)**	14,285
Reconciliation:		
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(8,912)**	3,983
Tax effect of non-assessable items	**(3,442)**	(325)
Tax effect of non-deductible items	**973**	808
Tax credits	**-**	(306)
Under / (over) provision of tax in prior years		
- current tax expense	**-**	1,178
- deferred tax expense	**-**	(762)
Taxation (benefit)/expense	**(11,381)**	4,576
Major components of taxation:		
Current tax expense	**1,469**	1,445
Deferred tax (benefit)/expense		
- origination and reversal of temporary difference	**(12,850)**	2,715
Under / (over) provision of tax in prior years		
- current tax expense	**-**	1,178
- deferred tax expense	**-**	(762)
	(11,381)	4,576

27 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:

	2014 Number of shares	2013 Number of shares
Issued and paid-up ordinary shares as at 30 June	**648,276,475**	480,856,136
	AU$'000	AU$'000
(Loss)/Profit attributable to equity holders of the Company	**(11,871)**	9,709

(a) Basic earnings per share

	Number of shares	Number of shares
Weighted average number of ordinary shares on issue	**523,917,185**	480,516,341
	Cents	Cents
Basic (loss)/earnings per share (AU$ cents per share)	**(2.3)**	2.0

(b) Diluted earnings per share

	Number of shares	Number of shares
Weighted average number of ordinary shares on issue	**523,917,185**	480,516,341
Adjustments for share options and share rights*	**-**	7,328,825
Fully diluted number of ordinary shares	**523,917,185**	487,845,166
	Cents	Cents
Diluted (loss)/earnings per share (AU$ cents per share)	**(2.3)**	2.0

*Options granted to employees are considered to be potential ordinary shares and have been excluded in the determination of diluted earnings per share because they are anti-dilutive. The options have not been included in the determination of basic earnings per share.

28 Employee compensation

	Group 2014 AU$'000	2013 AU$'000
Salaries and other short-term employee benefits	**212,649**	333,358
Employer's contribution to defined contribution plans including superannuation and Central Provident Fund	**10,796**	17,277
Employee share option scheme expense	**22**	109
Employee share scheme reversal	**(188)**	(856)
Termination benefits	**11,572**	33,786
	234,851	383,674

29 Related party transactions

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the Group's transactions and arrangements were with related parties and the effect of those, on the basis determined between the parties, is reflected in the consolidated financial statements.

(a) Sale of services

	Group	
	2014 AU$'000	2013 AU$'000
Sale of services to the KAGC JV - a joint venture interest of the Group	**-**	4,774
Sale of service to Ezion Offshore Logistics Hub (Tiwi) Pty Ltd ("Ezion") - a substantial shareholder of the Company	**111**	-

(b) Purchases of goods and services

	Group	
	30 June 2014 $	30 June 2013 $
Purchases of material from Australasian Insulation Pty Ltd ("AIS")	**151**	166
an entity related to a director of the Company, Barry Alfred Carson		
Purchase of services from Murcia Pestell Hillard Pty Ltd ("MPH"), Digrevni Investment Pty Ltd and Artemis Corporate Pty Ltd ("Artemis")	**420**	548
entities related to a director of the Company, Grant Anthony Pestell		
	571	714

(c) Key management personnel

	Group	
	2014 AU$'000	2013 AU$'000
Salaries and other short-term employee benefits	**4,524**	4,684
Termination benefits	**273**	300
Employer's contribution to defined contribution plans including superannuation and Central Provident Fund	**225**	183
Employee share option scheme expense	**22**	233
	5,044	5,400

Included in the above is total compensation to executive directors and non-executive directors of the Company of AU$1.7 million (2013: AU$ 1.5 million).

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

	Group	
	2014 AU$'000	2013 AU$'000
Current payable relating to supply of materials from AIS	**(236)**	(133)
Current payable relating to services received from MPH and Artemis	**(105)**	(255)
Current receivable relating to services provided to Ezion	**111**	-

(e) Advances (from) / to subsidiaries

	Company	
	2014 AU$'000	2013 AU$'000
AusGroup Singapore Pte. Ltd	**(2,952)**	24,003
Modern Access Services Singapore Pte. Ltd	**775**	8,571
AGC Australia Pty Ltd	**26,213**	-
	24,036	32,574

30 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	
	2014 AU$'000	2013 AU$'000
Property, plant and equipment / Intangible assets	**2,244**	596

(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 Group also leases various plant and machinery under cancellable operating lease agreements. The lease expenditure charged to the profit and loss during the financial year is disclosed in Note 24.

30 Commitments and contingent liabilities (continued)

(b) Operating lease commitments - group as lessee (continued)

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:

	Group	
	2014	2013
	AU$'000	AU$'000
Within one year	**8,404**	5,487
Later than one year but not later than five years	**29,237**	16,794
Later than five years	**22,889**	10,757
	60,530	33,038

(c) Foreign exchange forward contracts

The Group uses foreign exchange forward contracts for the purpose of hedging against currency fluctuations. The contractual amounts to be paid and contractual exchange rates of the outstanding contracts are as follows:

	Range of contractual rates		Contractual amount	
	2014	2013	**2014**	2013
			AU$'000	AU$'000
To buy AU$ and sell US$	-	1.0545	-	1,197
To buy AU$ and sell US$	-	1.0823	-	1,983
To buy US$ and sell AU$	-	0.9379	-	153
To buy US$ and sell AU$	-	0.9333	-	448

During 2013, the fair values of the derivative instruments have not been recognised in the consolidated financial statements as the amounts involved are not material to the Group.

(d) Bank guarantees

Bank guarantees to a total of AU$32.4 million (2013: AU$55.1 million) and surety bonds to a total of AU$6.8 million (2013: AU$2.7 million) have been issued on behalf of the Group by banks to secure contractual performance obligations.

31 Dividends

	Group and Company	
	2014	2013
Ordinary dividends paid	**AU$'000**	AU$'000
Final one-tier tax exempt dividend paid in respect of the previous financial year of S$Nil (2013 : S$0.64) per share and special one-tier tax exempt dividend of S$Nil (2013 : S$0.36) per share	-	3,772

The Directors do not recommend the payment of a dividend at the date of this report.

32 Segment information

Description of segments

Management has determined the operating segments based on the reports reviewed by the Management Executive Committee that are used to make strategic decisions. The Management Executive Committee has been identified as the chief operating decision maker and comprises the Chief Executive Officer, the Chief Financial Officer, Executive General Managers (Operations, Projects and Group Services) and Group Managers (People Capital, HSSQ, Strategy and Development).

The Management Executive Committee considers the business from both a business segment and geographic perspective. Geographically, management manages and monitors the business in the three primary geographic areas: Australia, Singapore and Thailand. Geographic locations provide a range of products and services through fabrication, construction and integrated services. Inter-segment revenues transactions are performed on an arms-length basis and eliminated on consolidation. Other services included within the Group are investment holdings and the provision of support services. The results of these operations are included in the "others / corporate" column. The Management Executive Committee assesses the performance of the operating segment based on a measure of earnings before interest, tax, depreciation, amortisation and impairment ("adjusted EBITDA and impairment").

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

Group 2014	Projects	Fabrication & Manufacturing	Integrated Services	Corporate/ Unallocated	Elimination	Total
	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000	**AU$'000**
TOTAL REVENUE						
Revenue from external customers	33,163	129,578	139,706	-	-	**302,447**
Inter-segment revenue	6,171	-	4,559	-	(10,730)	**-**
Revenue	**39,334**	**129,578**	**144,265**	**-**	**(10,730)**	**302,447**
RESULTS						
Adjusted EBITDA	(19,078)	(6,616)	9,188	10,235	-	**(6,271)**
Depreciation and amortisation	(1,864)	(2,870)	(4,700)	(4,847)	-	**(14,281)**
Interest income	755	94	129	11,909	(12,145)	**742**
Interest expense	(130)	(3,344)	(1,131)	(10,982)	12,145	**(3,442)**
Profit / (Loss) before tax	(20,317)	(12,736)	3,486	6,315	-	**(23,252)**
ASSETS						
Total segment assets	**32,784**	**96,418**	**105,433**	**66,668**	**-**	**301,303**
Investments in associates and joint venture partnership	**117**	**-**	**-**	**-**	**-**	**117**
Additions to non-current assets (other than financial assets and deferred tax)	**55**	**2,318**	**1,418**	**1,627**	**-**	**5,418**
LIABILITIES						
Total segment liabilities	**5,596**	**18,530**	**25,886**	**55,162**	**-**	**105,174**

32 Segment information (continued)

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

Group 2013	Projects	Fabrication & Manufacturing	Integrated Services	Corporate/ Unallocated	Elimination	Total
	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000	AU$'000
TOTAL REVENUE						
Revenue from external customers	267,891	154,709	160,106	-	-	582,706
Inter-segment revenue	9,957	539	3,392	-	(13,888)	-
Revenue	277,848	155,248	163,498	-	(13,888)	582,706
RESULTS						
Adjusted EBITDA	20,407	8,454	1,100	2,584	-	32,545
Depreciation and amortisation	(2,732)	(3,463)	(5,821)	(2,980)	-	(14,996)
Amortisation of customer contracts	-	-	-	(422)	-	(422)
Share of profit from associates and joint venture partnership	524	-	-	-	-	524
Interest income	1,800	-	1,034	7,621	(9,839)	616
Interest expense	(74)	(3,888)	(1,362)	(8,497)	9,839	(3,982)
Profit / (Loss) before tax	19,925	1,103	(5,049)	(1,694)	-	14,285
ASSETS						
Total segment assets	80,351	111,315	91,112	23,013	-	305,791
Investments in associates and joint venture partnership	1,012	-	-	-	-	1,012
Additions to non-current assets (other than financial assets and deferred tax)	342	1,154	6,158	7,635	-	15,289
LIABILITIES						
Total segment liabilities	21,303	29,595	27,733	53,960	-	132,591

The Group's wholly-owned Australian entities have implemented the tax consolidation legislation. As a consequence, the entities are taxed as a single entity and deferred tax assets and liabilities of these entities are set of 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

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

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

	Group	
	2014 AU$'000	2013 AU$'000
Segment assets for reportable segments	**234,635**	282,778
Unallocated:		
Cash and cash equivalents	**35,901**	2,529
Other receivables and prepayments	**3,626**	3,314
Property, plant and equipment	**1,568**	3,761
Intangible asset	**7,498**	10,462
Deferred tax assets and tax recoverable	**18,075**	2,947
	301,303	305,791

(c) Segment liabilities for reportable segments

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

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

	Group	
	2014 AU$'000	2013 AU$'000
Segment liabilities for reportable segments	**50,012**	78,631
Unallocated:		
Bank overdrafts	**-**	2,970
Trade payables	**5,017**	3,178
Other payables	**22,793**	22,621
Borrowings	**19,629**	23,043
Accruals for other liabilities and charges	**3,863**	6,599
Deferred tax liabilities and current tax payable (including set off of deferred tax pursuant to set-off provisions)	**3,860**	(4,451)
	105,174	132,591

32 Segment information (continued)

(d) Other segment information

	Revenue		Segment assets		Non-current assets	
	AU$'000	%	AU$'000	%	AU$'000	%
2014						
Australia	**248,120**	**82.0%**	**232,107**	**77.0%**	**62,464**	**72.0%**
Singapore	**40,703**	**13.5%**	**63,649**	**21.1%**	**24,169**	**28.0%**
Thailand	**13,624**	**4.5%**	**5,547**	**1.9%**	**70**	**-%**
Total	**302,447**	**100.0%**	**301,303**	**100.0%**	**86,703**	**100.0%**
2013						
Australia	537,122	92.2%	220,498	72.1%	73,365	71.0%
Singapore	39,363	6.8%	81,110	26.5%	29,844	29.0%
Thailand	6,221	1.0%	4,183	1.4%	65	-%
	582,706	100.0%	305,791	100.0%	103,274	100.0%

(e) Customers contributing more than 10% of Group revenue

	2014		2013	
	AU$'000	%	AU$'000	%
Customer A (1)	-	-	142,443	24.4
Customer B (2)	-	-	79,554	13.7
	-	-	221,997	38.1

(1) Customer revenue reported in the Projects segment.

(2) Customer revenue reported in the Fabrication & Manufacturing segment.

There is no customer contribute more than 10% of Group revenue during the financial year.

33 Prior Year Comparatives

Certain comparative figures have been reclassified to conform with current year's presentation. The revised presentation does not result in a change in a net profit or loss before and after tax of the Group.

34 Events occurring after the reporting period

The Company announced on 23 July 2014 that AusGroup Limited (the "Company", together with its subsidiaries, the "Group") has entered into a sale and purchase agreement ("S&P Agreement") with Ezion Holdings Limited (the "Vendor", together with its subsidiaries, the "Vendor Group"), pursuant to which the Vendor shall sell and the Company shall purchase 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 for an aggregate consideration of S$55 million (the "Proposed Acquisition").

The Group intends to undertake the Proposed Acquisition as it believes that the Proposed Acquisition will enhance the Group's capacity to provide integrated delivery capabilities, covering all components of the Oil & Gas asset supply chain, including the fabrication and manufacturing of equipment, painting and insulation of vessels, structural, mechanical and piping ("SMP") construction services, maintenance, and marine logistics.

Pursuant to the terms of the S&P Agreement, completion of the Proposed Acquisition is conditional upon, inter alia, the following conditions being satisfied or waived:

(a) the Proposed Acquisition not being deemed a "very substantial acquisition" or a "reverse takeover" as defined in Chapter 10 of the listing manual of the SGX-ST ("Listing Manual");

(b) the receipt by the Company of in-principle approval of the SGX-ST for the listing and quotation of the Consideration Shares (92,155,541 new fully paid ordinary shares in the capital of the Company having a total value of S$41 million, issued at a price of S$0.4449).

(c) the results of a due diligence exercise by the Company over the business, affairs, operations, assets, financial condition, prospects and records of the Targets and their subsidiaries (the "Target Group Companies") being satisfactory to the Company in its reasonable discretion;

(d) the receipt by the Company of such waivers or consents as may be necessary to enable the Company and/or its nominee(s) to be registered as holder of any and all of the shares of the Targets that the Company is acquiring (the "Sale Shares");

(e) the Company having obtained shareholders' approval at the extraordinary general meeting in respect of the Proposed Acquisition;

(f) the Vendor (and/or its subsidiaries) and the Company executing a legally binding transitional arrangements agreement on or prior to Completion pursuant to which the Vendor (and/or its subsidiaries) will provide the Company with such support and assistance following Completion as the Company may reasonably require to become able to operate the Target Group (and their respective business activities) on a day-to-day basis as soon as practicable after the Completion; and

If any of the conditions are not satisfied or waived by the date falling three (3) months from the date of the S&P Agreement, the S&P Agreement shall terminate and the provisions thereunder shall cease and be of no further effect (save for certain clauses) and no party shall have claim against the other for any costs, damages, losses or compensation, other than in respect of any antecedent breach of the S&P Agreement.

Shareholdings Statistics as at 29 August 2014

Class of Equity Security : Ordinary shares
Voting rights : On a show of hands : one vote for each member
On a poll : one vote for each ordinary share

Analysis Of Shareholdings

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	18	0.23	6,750	0.00
1,000 - 10,000	3,495	45.34	24,688,650	3.81
10,001 - 1,000,000	4,162	54.00	224,163,213	34.58
1,000,001 and above	33	0.43	399,417,862	61.61
	7,708	**100.00**	**648,276,475**	**100.00**

Top 20 Shareholders

No.	Name of Shareholders		%
1	HSBC (Singapore) Nominees Pte Ltd	58,654,000	**9.05**
2	DBS Nominees Pte Ltd	48,059,344	**7.41**
3	Ezion Holdings Limited	39,900,000	**6.15**
4	Maybank Kim Eng Securities Pte Ltd	38,893,760	**6.00**
5	Raffles Nominees (Pte) Ltd	25,222,786	**3.89**
6	Citibank Nominee Singapore Pte Ltd	23,903,570	**3.69**
7	Barry Alfred Carson And Jennifer Margaret Carson	20,651,518	**3.19**
8	United Overseas Bank Nominees Pte Ltd	18,935,000	**2.92**
9	Ng San Tiong	16,000,000	**2.47**
10	Phillip Securities Pte Ltd	13,322,000	**2.05**
11	Emerald River Pty Ltd	12,908,896	**1.99**
12	DB Nominees (S) Pte Ltd	8,528,000	**1.32**
13	CIMB Securities (S) Pte Ltd	8,040,000	**1.24**
14	Ang Ai Nyuet	8,000,000	**1.23**
15	OCBC Securities Private Ltd	7,426,000	**1.15**
16	DBS Vickers Securities (S) Pte Ltd	6,145,000	**0.95**
17	BNP Paribas Securities Services	5,621,000	**0.87**
18	UOB Kay Hian Pte Ltd	4,579,000	**0.71**
19	HL Bank Nominees (S) Pte Ltd	3,880,000	**0.60**
20	Lee Chien Shih	3,750,000	**0.58**
		372,419,874	**57.46**

Shareholdings Held in Hands of Public

Based on information available to the Company and to the best knowledge of the Company as at 29 August 2014, approximately 78% 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 at 29 August 2014

	Direct Interest		Deemed Interest	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**
Ezion Holdings Limited	39,900,000	6.15	-	-
Wang Yu Huei	37,500,000 (1)	5.78	-	-
Havenport Asset Management Pte. Ltd.	-	-	32,869,000(2)	5.07
Tern Yuh Sheng Joseph	-	-	32,869,000(3)	5.07
Tan Keng Sin Patrick	2,850,000	0.44	30,264,000(4)	4.67

(1) The shares are registered in the name of nominees.

(2) Havenport Asset Management Pte. Ltd. is an investment manager and is deemed to have an interest in the shares of AusGroup Limited held in aggregate by its client accounts.

(3) Tern Yuh Sheng Joseph holds more than 20% of the total number of issued shares in Havenport Asset Management Pte. Ltd. As such, he is deemed to have an interest in the shares of AusGroup Limited held in aggregate by client accounts managed by Havenport Asset Management Pte. Ltd.

(4) Tan Keng Sin Patrick holds more than 20% of the total number of issued shares in Havenport Asset Management Pte. Ltd. As such, he is deemed to have an interest in the shares of AusGroup Limited held in aggregate by client accounts managed by Havenport Asset Management Pte. Ltd.

Notice of Annual General Meeting

Ausgroup Limited

(Incorporated In The Republic Of Singapore)
Company Registration No. 200413014R

NOTICE IS HEREBY GIVEN that the annual general meeting of AusGroup Limited (the "Company") will be held at 36 Tuas Road, Singapore 638505 on Tuesday 21 October 2014 at 3.00 p.m. for the following purposes:-

Ordinary Business

1. To receive and adopt the audited financial statements for the year ended 30 June 2014 and the reports of the directors and auditors thereon.
2. To approve directors' fees of up to S$830,000 for the year ending 30 June 2015. (2014: up to S$750,000) (Please see additional information below)
3. To re-elect Mr Stuart Maxwell Kenny, a director who will retire by rotation in accordance with Article 91 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

   Note: Key information on Mr Stuart Maxwell Kenny is set out on page 30 of the annual report.
4. To re-elect Mr Grant Anthony Pestell, a director who will retire by rotation in accordance with Article 91 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

   Note: Mr Grant Anthony Pestell, if re-elected as a director, will remain a member of the audit committee, a member of the nominating committee and a member of the health, safety and sustainability committee. Mr Pestell is an independent non-executive director. Key information on Mr Grant is set out on page 31 of the annual report.
5. To re-elect Ms Ooi Chee Kar, a director who will cease to hold office in accordance with Article 97 of the Company's Articles of Association and who, being eligible, will offer herself for re-election.

   Note: Ms Ooi Chee Kar, if re-elected as a director, will remain a member and the chairman of the audit committee and a member of the remuneration and human capital committee. Ms Ooi is an independent non-executive director. Key information on Ms Ooi is set out on page 31 of the annual report.
6. To re-elect Captain Larry Glenn Johnson, a director who will cease to hold office in accordance with Article 97 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

   Note: Key information on Captain Larry Glenn Johnson is set out on page 32 of the annual report.
7. To re-elect Mr Wu Yu Liang, a director who will cease to hold office in accordance with Article 97 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

   Note: Key information on Mr Wu Yu Liang is set out on page 32 of the annual report.
8. To re-elect Mr Eng Chiaw Koon, a director who will cease to hold office in accordance with Article 97 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

   Note: Key information on Mr Eng Chiaw Koon is set out on page 32 of the annual report.
9. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the directors to fix their remuneration.

Special Business

10. To consider and, if thought fit, to pass with or without any modifications, the following resolution as an ordinary resolution:-

    "That pursuant to Section 161 of the Companies Act, Chapter 50 and the rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited (the "SGX-ST"), authority be and is hereby given to the directors to:-

    (a) (i) issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

    (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

    at any time and upon such terms and conditions and for such purposes and to such persons as the directors may in their absolute discretion deem fit; and

    (b) (notwithstanding that the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the directors while this resolution was in force,

    provided that:-

    (A) the aggregate number of Shares to be issued pursuant to this resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares in the capital of the Company) (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 20% of the total number of issued Shares (excluding treasury shares in the capital of the Company) (as calculated in accordance with sub-paragraph (B) below);

    (B) (subject to such manner of calculation as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (A) above, the total number of issued Shares (excluding treasury shares in the capital of the Company) shall be based on the total number of issued Shares (excluding treasury shares in the capital of the Company) at the time of the passing of this resolution, after adjusting for:-

    (i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this resolution; and

    (ii) any subsequent bonus issue, consolidation or subdivision of Shares;

    (C) in exercising the authority conferred by this resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

    (D) (unless revoked or varied by the Company in general meeting) the authority conferred by this resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."
11. To transact any other business as can be transacted at an annual general meeting of the Company.

By Order of the Board

Grace C P Chan and Corine B E Lim

Company Secretaries
Singapore

Monday 15 September 2014

Notes

A member entitled to attend and vote at the annual general meeting may appoint not more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. A proxy need not be a member of the Company. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 36 Tuas Road, Singapore 638505 not less than 48 hours before the time appointed for the meeting.

Additional Information For Item 2 Above

Item 2 above will facilitate payment of directors' fees on a quarterly basis for the current year. The amount of up to S$830,000 is calculated based on the number of expected board meetings including attendance/allowance fees for the year ending 30 June 2015 and the positions held by the non-executive directors in the various board committees, and assuming that all non-executive directors will hold office for the full year. In the event the amount of directors' fees proposed is insufficient (e.g. due to more meetings or enlarged board size), approval will be sought at next year's annual general meeting for additional fees to meet the shortfall.

Statement Pursuant To Article 54 Of The Company's Articles Of Association

The ordinary resolution proposed in item 10 above, if passed, will authorise the directors to issue Shares and to make or grant instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such instruments, up to an amount not exceeding in total 50% of the total number of issued Shares (excluding treasury shares in the capital of the Company), with a sub-limit of 20% for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares in the capital of the Company) shall be based on the total number of issued Shares (excluding treasury shares in the capital of the Company) at the time that the resolution is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time the resolution is passed, and (b) any subsequent bonus issue, consolidation or subdivision of Shares.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the annual general meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the annual general meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the annual general meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

AusGroup Limited

(Incorporated In The Republic Of Singapore)
Company Registration No. 200413014R

Important

1. For investors who have used their CPF monies to buy AusGroup Limited's shares, this annual report is forwarded to them at the request of their CPF approved nominees and is sent solely FOR INFORMATION ONLY.
2. This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the annual general meeting as OBSERVERS have to submit their requests through their respective agent banks so that their agent banks may register with the company secretaries of AusGroup Limited.

Personal data privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the notice of annual general meeting dated 1 July 2014.

I/We ________________________________, NRIC/Passport No. ________________________________

of ____

being a member/members of AusGroup Limited (the "Company") hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the annual general meeting of the Company to be held at 36 Tuas Road, Singapore, 638505 on Tuesday 21 October 2014 at 3.00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the notice of annual general meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the annual general meeting.)

No.	Resolutions	For	Against
1	Adoption of audited financial statements and reports		
2	Approval of directors' fees for the year ending 30 June 2015		
3	Re-election of Mr Stuart Maxwell Kenny as director		
4	Re-election of Mr Grant Anthony Pestell as director		
5	Re-election of Ms Ooi Chee Kar as director		
6	Re-election of Captain Larry Glenn Johnson as director		
7	Re-election of Mr Wu Yu Liang as director		
8	Re-election of Mr Eng Chiaw Koon as director		
9	Re-appointment of PricewaterhouseCoopers LLP as auditors		
10	Renewal of share issue mandate		

Dated this ______________ day of ________________________ 2014

Total Number of Shares Held

____
Signature(s) of Member(s) or Common Seal

Important
Please Read Notes Overleaf

Proxy Form - Annual General Meeting

Notes

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 36 Tuas Road, Singapore 638505 not less than 48 hours before the time appointed for the holding of the meeting.
5. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting.

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Corporate Information

Board of Directors

Dr Chew Kia Ngee
Independent Non-Executive Director and Chairman

Stuart Maxwell Kenny
Chief Executive Officer and Managing Director

Barry Alfred Carson
Non-Independent Non-Executive Director

Damien Marian O'Reilly
Independent Non-Executive Director

Grant Anthony Pestell
Independent Non-Executive Director

Ooi Chee Kar
Independent Non-Executive Director

Capt Larry Glenn Johnson
Non-Independent Non-Executive Director

Wu Yu Liang
Independent Non-Executive Director

Eng Chiaw Koon
Non-Independent Non-Executive Director

Audit Committee

Ooi Chee Kar (Chairman)
Dr Chew Kia Ngee
Grant Anthony Pestell

Nominating Committee

Dr Chew Kia Ngee (Chairman)
Barry Alfred Carson
Grant Anthony Pestell

Remuneration and Human Capital Committee

Barry Alfred Carson (Chairman)
Ooi Chee Kar
Damien Marian O'Reilly

Health, Safety & Sustainability Committee

Damien Marian O'Reilly (Chairman)
Barry Alfred Carson
Grant Anthony Pestell

Company Secretaries

Chan Chow Pheng Grace
Lim Bee Eng Corine

Registered Office

36 Tuas Road, Singapore 638505
T +65 6862 5233
F +65 6862 5211
E info@agc-ausgroup.com

Share Registrar and Share Transfer Office

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

Company Registration Number

200413014R

Website

www.agc-ausgroup.com

Principal Place of Business

Level 1, 18-32 Parliament Place
West Perth Western Australia 6005
Australia
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F +61 8 6210 4501
E info@agc-ausgroup.com

Auditors

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
8 Cross Street
#17-00 PWC Building
Singapore 048424
Partner-in-Charge: Tan Boon Chok
Date of Appointment: 13 October 2009

Internal Auditors

Deloitte Touche Tohmatsu
Level 14, Woodside Plaza
240 St Georges Terrace
Perth Western Australia 6000
Australia

Solicitors

Rajah & Tann
9 Battery Road
#25-01 Straits Trading Building
Singapore 049910

Stamford Law Corporation
10 Collyer Quay
#27-00 Ocean Financial Centre
Singapore 049315

Bankers

DBS Bank Ltd
12 Marina Boulevard
Level 46
DBS Asia Central @ Marina Bay Financial Centre
Tower 3
Singapore 018982

AusGroup Limited

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