

AusGroup



2020

Annual Report



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ABOUT US

With over 31 years of experience, AusGroup is an established project and asset services provider. We create ongoing value for our clients across construction and maintenance environments.

AusGroup through our subsidiaries AGC, MAS and NT Port and Marine, provide speciality services to the energy, resources, industrial, utilities and port & marine sectors.

Our core capabilities;

- Multi-disciplinary maintenance
- Shutdowns / turnarounds
- Mechanical and piping
- Scaffolding + Rope Access
- Fabrication
- Industrial insulation
- Specialist welding
- Surface protection
- Refractory
- Electrical and instrumentation
- Training and competency
- Fuel supply
- Berthage
- Industrial precinct and laydown

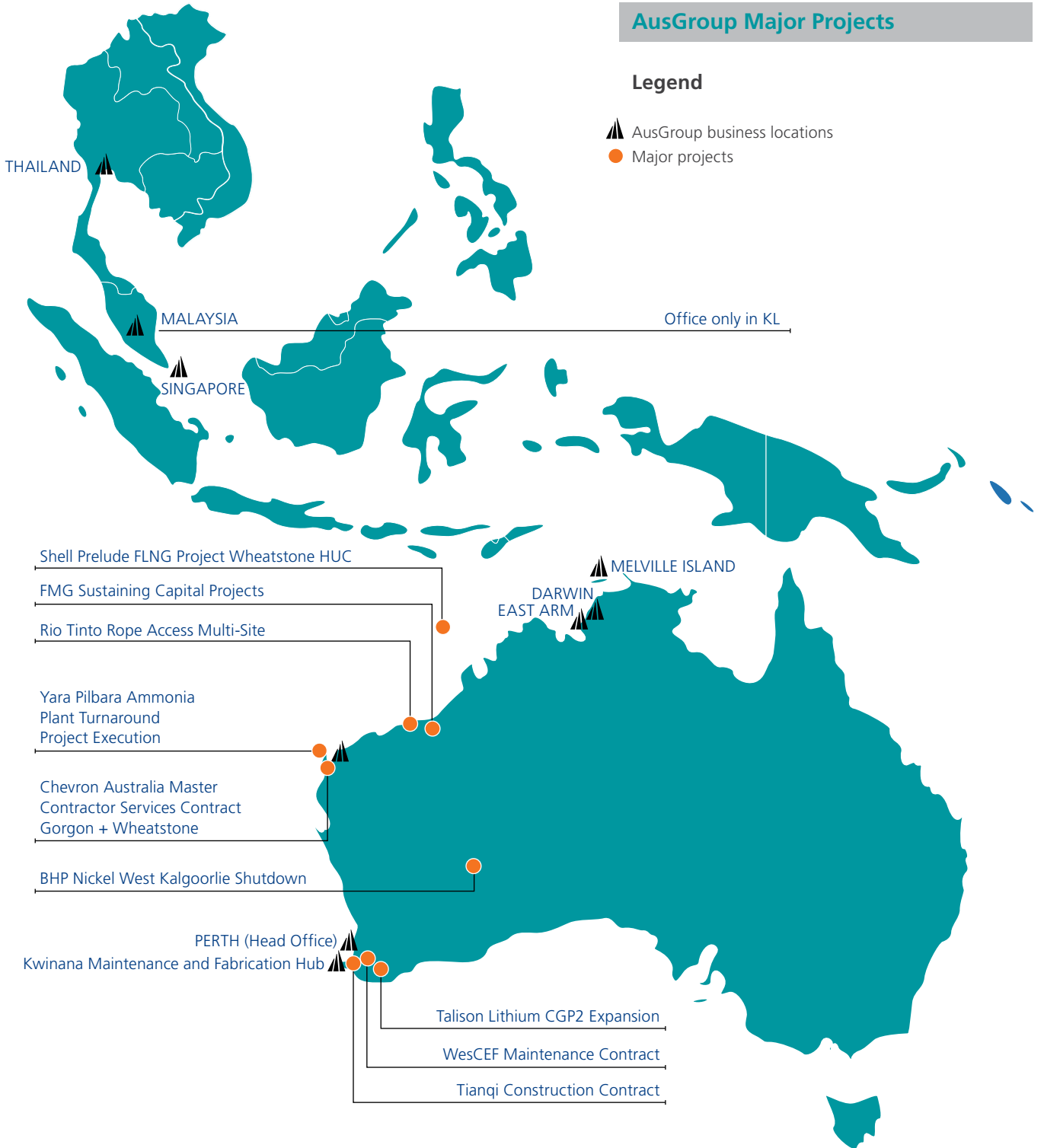


Chevron Australia - Master Contractor Services Contract,
Barrow Island, Western Australia

AusGroup Major Projects

Legend

-  AusGroup business locations
-  Major projects



We've taken a unique approach to safety, with an initiative created by our people.

The Perfect Day initiative moves away from the traditional mindset of health and safety, to a dynamic and positive approach. It is focused on delivering excellence in safety performance, one day at a time.

A day when there are zero injuries or incidents, there is no harm to the environment and all of our employees return home in the same condition in which they arrived is the definition of a Perfect Day.



CHAIRMAN'S LETTER

Dear Shareholders,

On behalf of the Board of Directors, I present AusGroup Limited's (the "Company", and together with its subsidiaries, collectively "AusGroup" or the "Group") annual report for the financial year ended 30 June 2020.

The Group started FY2020 with an optimistic outlook and reported a positive result for H1 FY2020. However our efforts to continue this positive trend from the first half was impacted by the onset of the COVID-19 pandemic from late January 2020. The pandemic caused a severe global economic slowdown that had a direct impact on our business revenue streams as clients reduced our involvement on projects by reducing work to solely focus on critical core programmes required to maintain operational readiness on their facilities.

To mitigate the effects of the slowdown and reduced revenue, the Group implemented necessary and comprehensive cost-containment and cash preservation measures to manage through the unprecedented times. This included but was not limited to reductions in our direct and indirect employee related payroll costs and overheads, resulting in, inter alia, reductions in Directors' fees for FY2020 and base salaries of all employees of up to 20%. Unfortunately this also included a number of employee positions being made redundant and a number of employees being "stood down" from their roles due to the significantly reduced work levels which were extremely difficult decisions to make during these challenging times. These measures coupled with the financial assistance programmes offered by Singapore and the federal government of Australia have helped the Group to deal with the effects of the pandemic which is best demonstrated by the increase in available cash at the end of the financial year to AU\$22.8m.

Despite these challenges, the Group has maintained a clear focus on our core business strategy, adopting a very pragmatic and proactive mindset to work with our clients to prepare for the recovery in our work fronts that started to occur in late Q4 FY2020. Most of the work programmes required on our clients' facilities have been delayed, not cancelled and, it is anticipated that in FY2021 we will see a gradual return to a more normalised level of work activity and a return to profitability across most sectors of the business.



The Group started FY2020 with a positive and optimistic outlook and reported a positive result for H1 FY2020

Undoubtedly, the financial results for the Group during the second half of the year have been severely impacted by the COVID-19 pandemic with losses for the full year of AU\$59.5m and revenue decreasing to AU\$262.2m, a decrease of 8% from the previous year. The losses in the year include a non-cash impairment of AU\$50m on the carrying value of the NT Port and Marine assets following the effects of COVID-19 on the revenue generating activities mainly due to delays in the development of an oil and gas field that is expected to be serviced by the NT Port and Marine business and the temporary cessation of forestry exports from the Tiwi Islands, which further impacted the performance of the NT Port and Marine business.

New opportunities from across the business sectors are being pursued providing some evidence that work programmes are indicating a gradual return to normal operating requirements. There are a number of long-term contract renewals that, if successful, will provide the business with a stable base of work for the foreseeable future.

We welcomed one new Board member this financial year; Mr Toh Shi Jie as a Non-Independent and Non-Executive Director.

I would like to take this opportunity on behalf of the AusGroup Board to thank Mr Toh Bee Yong for his leadership and guidance in his role as Director. He provided valuable wise counsel and stability during some of the Group's most challenging periods, and we look forward to continuing to build on this foundation.

On behalf of the Board of Directors, I would like to express my appreciation to all our shareholders, customers, business partners, bankers, noteholders and suppliers for their continued support to the Group. I would also like to thank our management team and staff for their hard work and dedication throughout the year as well as their commitment to work through this COVID-19 crisis together with the Board. I look forward to a return to more normal business performance over the coming year.

Mr Wu Yu Liang
Independent Director and Non-Executive Chairman



Rio Tinto Rope Access contract at Nammuldi - Access solutions for clients

CEO & MANAGING DIRECTOR'S REPORT



The 2020 financial year has been challenging for the Group, our shareholders and employees, with the business experiencing major interruptions due to the impacts of COVID-19 and the reduction in the oil and gas price.

The quality of the Group's earnings was significantly impacted by COVID-19, restructuring and a one-off impairment of the NT Port and Marine business.

HEALTH, SAFETY, SUSTAINABILITY, ENVIRONMENT and QUALITY

Our Perfect Day program is at the forefront of everything we do at AusGroup, with safety initiatives driven by our executive, senior managers and all employees. As the next step in a proactive approach to safety, we launched our Positive Performance Indicators Program this year, allowing our teams on site to more effectively understand and manage activities that pose the most significant HSE risks for our people. The program is fully implemented and has been well received by our workforce and clients.

The business safety performance has continued to improve, with a current TRIFR of 2.27 and LTIFR of 0.00. While the Group has a strong safety culture, we are committed to continuous improvement in our approach to safety performance across the business.

On the quality front, AusGroup has maintained certification to industry standards ISO 45001, 9001, 14001 and AS/NZ 4801. Compliance against these standards is verified by third party assurance processes and client audits, which we use to ensure continuous improvement.

*Our strategy is built on five key pillars: **SAFETY; PEOPLE; DELIVERY EXCELLENCE; CLIENTS and VALUE***



Yara Pilbara Technical Ammonia Nitrate (TAN) Plant

OUR PEOPLE

COVID-19 created many business challenges, but I would like to thank all our employees for the support and effort to navigate through these difficult times.

We are committed to providing learning and development opportunities, and view learning and growth at work as a journey and life-long process. All team members now have access to on-demand learning solutions designed to help gain new skills at their own pace by selecting programs relevant to current role and future positions.

Our existing Internship Placement Program has expanded to include partnerships with both Curtin University Australia and Murdoch University Australia so that a wider variety of placements can be supported. AusGroup has also commenced facilitating student work experience placements in partnership with schools and TAFEs, including for the first time hosting a student studying a Community Pathways - Disability Program. These initiatives allow students to apply academic knowledge in context, apply and develop employability and professional skills, and gain valuable insights into the professional workplace.

Thrive@AusGroup, is a new initiative this year and forms part of our gender parity approach which is founded on the belief that to succeed at work, women can benefit

from a little extra encouragement. The Thrive network is growing in momentum following the commencement of a regular Thrive Course Club.

AusGroup's first Reflect Reconciliation Action Plan (RAP) has been developed, which represents a significant step in our journey towards reconciliation with Aboriginal and Torres Strait Islander communities. This Reconciliation Action Plan provides AusGroup with a documented framework through which we can build the company's cultural awareness, understanding and competencies. Two highlights supporting the development of aboriginal team members over the year include: offering sustainable employment to two aboriginal graduates at Port Melville, NT who graduated from a Coxswain training course held at our Port Melville facility; and developing a pilot trainee program designed for 7 candidates to support our work on Barrow Island, Western Australia, which has led to a commitment to host apprentices at this site.

In line with our strategic vision, we are committed to supporting and helping develop the communities in which we work. Our people have worked on initiatives for a variety of community partners throughout the year including: Dress for Success which walks alongside women on their journey to employment; Children's Starlight Foundation; The Movember Foundation and the Tiwi Islands Football League.

CEO & MANAGING DIRECTOR'S REPORT

CONTINUED

OPERATIONAL OVERVIEW

AusGroup has continued to diversify its portfolio of long-term recurring revenue contracts and projects with many new clients.

Our Chevron Master Contractor Services Contract continues to provide ongoing opportunities for the business, with the scope growing on both the Gorgon and Wheatstone sites. AusGroup is providing a range of services including mechanical & piping, electrical & instrumentation, access and painting & insulation works for both sites. Additionally, we are providing turnaround and campaigned maintenance style works both on and offshore. Our team has been instrumental in delivering continuous efficiencies and innovations to Chevron throughout this contract.

Our Kwinana facility continues to support several maintenance and construction projects, with the team delivering exceptional quality work and meeting challenging schedule requirements for our clients.

The fabrication workshop recently delivered a reclaimer substructure and boom, which is the largest of its kind in the world, as part of our contract with thyssenkrupp for BHP Iron Ore's South Flank Project. AusGroup was also awarded a five-year fabrication contract with Chevron which is a testament to our ability to deliver high quality, innovative and value-for-money solutions for our clients.

The expanding Resources sector has provided us with new opportunities this year, securing structural, mechanical & piping contracts with FMG, BHP and First Quantum Minerals. The successful execution of these projects has positioned AusGroup as a leading contractor to the Resources sector, with the ability to offer clients complete integrated solutions.

The MAS access solutions business continued to provide innovative solutions to our clients and was successful securing major rope access contracts with Rio Tinto and Newmont Gold Corporation. Our Thailand team safely delivered several projects for Tier 1 clients in the Oil & Gas sector.

The Group's NT Port and Marine business has experienced substantial challenges due to the Island being isolated during COVID-19. The impact of the COVID-19 pandemic has increased pricing volatility in the oil and gas commodity markets and this uncertainty has led to delays in the development of an oil and gas field that is expected to be serviced by the NT Port and Marine business. The COVID-19 pandemic has also led to the temporary cessation of forestry exports from the Tiwi Islands, which further impacted the performance of the NT Port and Marine business.

As Australia's northern most port, we are strategically positioned as a fuel and logistics hub for the oil & gas and defence sectors, while supporting the local Tiwi people through economic development and the Tiwi Islands forestry industry.

STRATEGIC OVERVIEW

AusGroup continues to implement the Group strategy and have secured several new long-term maintenance and construction contracts across the Iron Ore, Gold, Nickel and Lithium sectors which build on our LNG core strength and will ensure we are fully diversified across multiple sectors.

Our strategy is built on five key pillars: safety; people; delivery excellence; clients and value. Each of these pillars guide our business decisions as we continue to work toward sustainable growth.

We were pleased to welcome all our new clients this financial year while extending relationships and projects with long-term partners through delivery excellence. Importantly, the AusGroup business continues to provide clients with innovative solutions, improve safety and reduce significant costs.

I would like to thank our shareholders, our employees, clients and suppliers for their ongoing support and I look forward to working together to achieve future success.

Mr Shane Kimpton
Chief Executive Officer & Managing Director

Rio Tinto Rope Access contract at Greater Brockman Hub Train Loadout facility. Reaching hard to reach areas with ease



BOARD OF DIRECTORS



MR WU YU LIANG

Independent Director and Non-Executive Chairman

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

Mr Wu has more than 30 years of legal experience, advising a broad spectrum of corporate and commercial issues, ranging from establishment of joint ventures and other investment vehicles to advising on corporate and debt restructuring. He advises both local and foreign clients on suitable investment structures and is well versed in the mechanics, regulatory and practical aspects of the securities industry.

Mr Wu is an independent director of Jiutian Chemical Group Limited and Pan Asian Holdings Limited.



MR SHANE KIMPTON

Managing Director and Chief Executive Officer

- Member of the Board of Directors

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

Mr Kimpton has held senior executive roles with ExxonMobil and Contractors, working in a number of locations across some of the world's largest Oil & LNG plants. He has a demonstrated track record of strategic, operational HSE leadership, delivering outstanding long-term business and EBIT growth.

Mr Kimpton graduated in Engineering at Swinburne University of Technology and is a member of the Asset Management Council of Australia.



MR CHEW HENG CHING

Independent Non-Executive Director

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

Mr Chew has more than 35 years' senior management experience in both the public and private sectors. He was formerly a Member of Parliament and the Deputy Speaker of the Singapore Parliament.

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

Mr Chew serves as non-executive director at Bonvest Holdings Ltd, Pharmesis International Ltd and Sinopipe Holdings Limited.

Mr Chew graduated in Industrial Engineering (Honours Class One) and Economics from the University of Newcastle, Australia and also received an honorary PhD.



MS OOI CHEE KAR

Independent Non-Executive Director

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

Ms Ooi Chee Kar has more than 30 years of professional experience in Singapore and the United Kingdom. Qualified as a UK chartered accountant, Ms Ooi's experience covers a wide range of industries from financial services to shipping and oil trading. She was an audit partner at PricewaterhouseCoopers, Singapore until 2012 where she was a lead partner of a number of large audit clients across the Asia-Pacific region and beyond.

Ms Ooi is currently an independent director of Singapore Eye Research Institute, Tokyo Marine Life Insurance Singapore Ltd., Tokyo Marine Insurance Singapore Ltd., Singapore Pools (Private) Limited and board member and Audit Committee Chair of National Council of Social Services. She served as an independent director of Pacific Radiance Limited from October 2013 to April 2019.

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



MR ENG CHIAW KOON
Non-Independent and
Non-Executive Director

- Member of the Board of Directors

Mr Eng has over 27 years of senior management, business development and mergers and acquisitions experience across various industries. Mr Eng is currently the deputy chief executive officer of Ezion Holdings Limited. He was previously the managing director and executive director of AusGroup Limited.

Before joining AusGroup Limited, he was the chief executive officer of Aquaterra Supply Co. Ltd. where he grew and led the company to be listed on the Singapore Exchange, and was concurrently the chief operating officer of KS Distribution Pte Ltd, a subsidiary of KS Energy Limited.

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

Mr Eng is currently a non-executive director of Charisma Energy Services Limited.

Mr Eng holds a Diploma in Mechanical Engineering from the Singapore Polytechnic.



MR MELVIN POH BOON KHER
Non-Independent and
Non-Executive Director

- Member of the Board of Directors

Mr Poh has more than 20 years of experience in town planning, real estate and property development across both the public and private sectors. He is currently the managing director and owner of Fission Group, a property development company. Mr Poh also has real estate investments in Malaysia, Cambodia and Vietnam.

With experience in all aspects of real estate development and construction, Mr Poh has particular expertise in contract administration and claims negotiation.

Mr Poh holds an honours degree in Estate Management and a Post-graduate Diploma in Business Administration from the National University of Singapore.



MR WANG YU HWEI
Non-Independent and
Non-Executive Director

- Member of the Board of Directors

Mr Wang has over 30 years' experience in the finance and corporate sector across Singapore. He is currently the managing director of Asdew Acquisitions Pte Ltd, a position he has held since 1999.

Throughout his career, Mr Wang has invested in numerous business ventures in Singapore and internationally, providing equity and other types of funding as well as advice and consultancy to business partners.

Mr Wang was previously an independent director of Enzer Corporation Limited and a director of Kim Eng Holdings Limited.



MR TOH SHI JIE
Non-Independent and
Non-Executive Director

- Member of the Board of Directors

Mr Toh has been managing his family office since 2017. He currently oversees a portfolio of investments in listed entities, real estate, and private companies in Singapore, Malaysia and Indonesia.

Prior to his appointment as non-independent and non-executive director of AusGroup Limited in June 2020, he was an alternate director of AusGroup Limited since February 2019.

Mr Toh graduated from University College London with an honours degree in Economics.

BOARD STATEMENT – SUSTAINABILITY REPORTING

In line with SGX reporting requirements, the Board Statement for Sustainability Reporting which addresses the Group's material environmental, social and governance (ESG) sustainability factors is:

AusGroup recognises the importance of sustainability reporting. We always aim to conduct our operations with due care to the highest standard.

AusGroup reviews the scope of works for each project and has established environmental, social and governance targets and objectives for each. All projects have in place environmental aspects and impacts registers, Health, Safety and Environmental Management Plans and are operated under our certified ISO management systems. This process ensures sustainability risks are reduced to as low as reasonably practicable.

AusGroup has defined its material Sustainability risks as:

Protect the health and safety of our people, maintain our social licence to operate, attract and retain the best people, provide economic opportunity for Aboriginal and Torres Strait Islander (ATSI) people, ensure our integrated management system effectively manages sustainability risk and meet legislative compliance.

AusGroup has determined that the applicable sustainability reporting framework to track performance and improvement against these strategic imperatives (with reference to the Global Reporting Initiative Sustainability Reporting Guidelines G4 framework) for FY 2020 are:

Economic	Environmental	Social	
		Our People	Governance & Ethics
Revenue (AUD\$262,244,297) ATSI enterprise spend AUD\$1,676,585	Nil 'major' environmental incidents	Nil Fatalities Gender Diversity (9%) ATSI Employment (3%) Reconciliation Action Plan Development (✓) – Plan developed and submitted to Reconciliation Australia for ratification.	Form Sustainability Committee (x) – Board Sustainability sub-committee not yet formed. Deliver Code of Conduct Training - 93% of employees have completed training as at 30 June 2020
Maintain ISO:9001 accreditation (✓)	Maintain ISO:14001 accreditation (✓)	Maintain AS/NZS:4801 accreditation (✓)	Complete Control Self Assessment Audits (✓)

AusGroup will continue to adopt an International Reporting Standard for Sustainability Reporting.

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CORPORATE GOVERNANCE

The Board of Directors (“**Board**”) is committed to ensure that the highest standards of corporate governance are practised throughout AusGroup Limited (“**Company**”) and its subsidiaries (“**Group**”) as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group. In view of this, the Board fully supports and seeks to comply with the Code of Corporate Governance 2018 (“**Code**”) issued by the Monetary Authority of Singapore on 6 August 2018.

Set out below are the policies and practices adopted by the Company to comply with the principles and provisions of the Code. The Company has complied in all material aspects with the principles and provisions set out in the Code. Where there are departures from the Code, these are explained under the relevant sections of this Report.

BOARD MATTERS

The Board’s Conduct Of Affairs

Principle 1 : The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The principal functions of the Board are:

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

The Board acts in the best interests of the Company and oversees the performance of Management. Management are held accountable for performance of the Company. A formal code of conduct has been adopted to ensure that all Directors and employees maintain a high level of integrity and ethical standards in all business practices.

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

A Director would abstain from voting on resolutions approving any contract, transaction, arrangement in which he or she or any of his or her close associates is materially interested in and such Director is not counted for quorum determination purposes.

The Board has delegated specific responsibilities to the Audit, Nominating and Remuneration and Human Capital Committees, the details of which are set out in this Report. All Board committees are constituted with clear written terms of reference.

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

Management would conduct briefing and orientation programmes for each newly-appointed Director to ensure that the Director is familiar with the Group’s business, operations and processes, as well as his or her duties as a Director. The Company will also provide a formal letter to each Director upon appointment setting out the Director’s duties and obligations. During the financial year ended 30 June 2020, Toh Shi Jie ceased to be Alternate Director to Toh Bee Yong following the resignation of Toh Bee Yong as Non-Independent and Non-Executive Director from the Board on 4 June 2020. Toh Shi Jie was appointed as Non-Independent and Non-Executive Director on 4 June 2020.

Corporate Governance (continued)

The Board's Conduct Of Affairs (continued)

The Board meets at least four times a year, with additional meetings convened as necessary. Each Director ensures that sufficient time and attention are given to the affairs of the Company, even though they may have multiple board representations. The Board had six meetings during the financial year. The Company's Constitution allows a Board meeting to be conducted by way of a video conference, telephone conference or other methods of simultaneous communications by electronic or telegraphic means. The Board also schedules a separate annual strategy and budget meeting to discuss strategic issues, if necessary. The Board had a strategy and budget meeting in June 2020.

The matrix on the roles, the frequency of the Board and Board Committee meetings held during the financial year, and the attendance of each Director at these meetings are set out below.

	Board of Directors			Audit Committee ("AC")			Nominating Committee ("NC")			Remuneration And Human Capital Committee ("R&HCC")			Annual General Meeting		Extra-ordinary General Meeting	
	P	H	A	P	H	A	P	H	A	P	H	A	H	A	H	A
Executive Director																
Shane Francis Kimpton	M	6	6	-	-	-	-	-	-	-	-	-	1	1	2	2
Non-Executive Director																
Wu Yu Liang	C	6	6	M	5	5	M	4	4	M	4	4	1	1	2	2
Eng Chiaw Koon	M	6	6	-	-	-	-	-	-	-	-	-	1	1	2	2
Ooi Chee Kar	M	6	6	C	5	5	M	4	4	M	4	4	1	1	2	1
Chew Heng Ching	M	6	6	M	5	5	C	4	4	C	4	4	1	-	2	1
Poh Boon Kher, Melvin	M	6	5	-	-	-	-	-	-	-	-	-	1	1	2	1
Wang Yu Huei	M	6	6	-	-	-	-	-	-	-	-	-	1	1	2	1
Toh Bee Yong ⁽²⁾	M	6	6	-	-	-	-	-	-	-	-	-	1	1	2	2
Toh Shi Jie ⁽³⁾	M	6	6	-	-	-	-	-	-	-	-	-	1	1	2	2

Notes:

P - Position held as at 30 June 2020

H - Number of meetings held while acting as a member

A - Number of meetings attended

C - Chairman

M - Member

⁽¹⁾ Number of meetings held/attended during the financial year from 1 July 2019 (or from date of appointment or until the date of resignation of director, where applicable) to 30 June 2020.

⁽²⁾ Toh Bee Yong resigned as Non-Independent and Non-Executive Director from the Board on 4 June 2020.

⁽³⁾ Toh Shi Jie ceased to be Alternate Director to Toh Bee Yong following the resignation of Toh Bee Yong as Non-Independent and Non-Executive Director from the Board on 4 June 2020. Toh Shi Jie was appointed as Non-Independent and Non-Executive Director on 4 June 2020.

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

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

Corporate Governance (continued)

The Board's Conduct Of Affairs (continued)

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

Board Composition And Guidance

Principle 2 : The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Currently, the Board comprises seven Non-Executive Directors and one Executive Director:

- Wu Yu Liang - Independent Director and Non-Executive Chairman ("NEC")
- Shane Francis Kimpton - Managing Director ("MD") and Chief Executive Officer ("CEO")
- Ooi Chee Kar - Independent and Non-Executive Director
- Chew Heng Ching - Independent and Non-Executive Director
- Eng Chiaw Koon - Non-Independent and Non-Executive Director
- Poh Boon Kher, Melvin - Non-Independent and Non-Executive Director
- Wang Yu Huei - Non-Independent and Non-Executive Director
- Toh Shi Jie - Non-Independent and Non-executive Director (appointed on 4 June 2020)

The Nominating Committee confirms that Independent Directors made up at least one-third of the Board for the financial year ended 30 June 2020. Non-executive directors make up a majority of the Board.

An annual review of the independence of the Directors is conducted by the Board. Each of the Independent Directors has confirmed their independence. With respect to Wu Yu Liang, Chew Heng Ching and Ooi Chee Kar, the Board considered that each of them is independent in conduct, character and judgement in the discharge of his/her responsibilities as a Director. The Board considered and assessed their independence based on substance of objectivity, professionalism and integrity. None of the Independent Directors has served on the Board for more than nine years from their respective dates of appointment.

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. There is strong and independent element on the Board to allow exercise of objective judgement on corporate affairs independently.

The composition of the Board is reviewed annually by the NC and the Board to ensure that there is an appropriate mix of expertise and experience to enable the Management to benefit from a diverse perspective of issues that are brought before the Board.

The Board recognises that a diverse Board would enhance decision-making, with variety in skills, industry and business experiences, gender and other distinguishing qualities of the members of the Board. Together, the Directors contribute diversity and wide-ranging business, industry knowledge and financial experiences relevant to the direction of the Group. Key information regarding the Directors, including directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments is presented in the "Board of Directors" section of this Annual Report.

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

Non-executive directors and/or independent directors, meet amongst themselves when necessary, without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

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

Corporate Governance (continued)

Chairman and Chief Executive Officer

Principle 3 : There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Wu Yu Liang is the Non Executive Chairman of the Board and Shane Francis Kimpton is the CEO. The two roles are separate whereby the Chairman is responsible for providing guidance on the corporate direction of the Group and leadership to the Board, and the CEO is responsible for the day-to-day management and leadership of the business. There is clear division of responsibilities between the leadership of the Board and Management. The Chairman and the CEO are not related to each other.

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

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

Wu Yu Liang is appointed as an Independent Non-Executive Director as Board Chairman on 13 February 2019. Concerns by shareholders can be raised through the independent Chairman.

Board Membership

Principle 4 : The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Nominating Committee

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

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

The principal functions of the Nominating Committee in accordance with its terms of reference are:

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

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

New Directors are appointed by the Board, upon their nomination from the Nominating Committee. In accordance with the Company's Constitution, these new Directors who are appointed by the Board are subject to election by shareholders at the Annual General Meeting ("AGM") at the first opportunity after their appointment. At this AGM, Toh Shi Jie would be subject to election pursuant to Regulation 97 of the Company's Constitution. The Regulations also provide that at least one-third of the remaining Directors be subject to re-election by rotation at each AGM. At this AGM, Wu Yu Liang, Chew Heng Ching and Shane Francis Kimpton would be subject to re-election pursuant to Regulation 91 of the Company's Constitution.

Corporate Governance (continued)

Board Membership (continued)

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

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

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

Director	Date of first appointment	Date of last re-election	Due for re-election / election at the coming AGM	Seeking re-election / election
Eng Chiaw Koon	10 Jul 2014	24 Oct 2019	–	–
Ooi Chee Kar	17 Jan 2014	24 Oct 2019	–	–
Wu Yu Liang	20 May 2014	25 Oct 2018	√	√
Chew Heng Ching	14 Nov 2014	25 Oct 2018	√	√
Shane Francis Kimpton	10 Jul 2017	26 Oct 2017	√	√
Poh Boon Kher, Melvin	1 Nov 2017	25 Oct 2018	–	–
Wang Yu Huei	11 Jan 2019	24 Oct 2019	–	–
Toh Shi Jie	4 Jun 2020	N/A	√	√

Information on the Directors and shareholdings are disclosed on pages 28 and 29 of this Annual Report. Mr Toh Shi Jie is the son of substantial shareholder Toh Bee Yong and Shane Francis Kimpton is the Managing Director ("MD") of the Company. Save as disclosed in this Annual Report, the other Directors due for re-election at the coming AGM have no relationship (including immediate family relationship) with the other Directors, the Company or its shareholders holding 10% or more shares.

Board Performance

Principle 5 : The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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

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

The Nominating Committee conducted an assessment of the Board's effectiveness as a whole and the contribution of each individual Director and Board Committees in respect of the financial year ended 30 June 2020. The results of the self-assessment by Directors and the Board's effectiveness as a whole as compiled were tabled to the Nominating Committee and Board for review and deliberation.

There was no external consultant involved in the Board's assessment process in FY2020.

The Board was satisfied with the results of the assessment and the current size and composition of the Board and board committees are appropriate and well-balanced with the right mix of skills with the Board composition comprising individuals of high calibre, credibility and with the necessary skills and qualifications to enable the Board to discharge its duties and responsibilities effectively.

Corporate Governance (continued)

Board Performance (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. However, deviation from this guideline is allowed on a case-by-case basis.

Directors' training

As an integral element of the process of appointing new Directors, the Nominating Committee ensures that there is an orientation and induction programme for the new Board members to ensure incoming Directors are familiar with the Company's business and governance practices. The Board recognises the need and importance of continuous education for its Board members. The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge to discharging their duties and responsibilities as Directors. The Directors attend courses and trainings as and when they are scheduled such as programmes organised by the Singapore Institute of Directors.

REMUNERATION MATTERS

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

Procedures for Developing Remuneration Policies

Principle 6 : The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

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

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

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

The principal responsibilities of the Remuneration and Human Capital Committee in accordance with its terms of reference are:

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

The Remuneration and Human Capital Committee had four meetings during the financial year to perform the above responsibilities, as well as to monitor the remuneration practices in the Group. The matrix on the roles, the frequency of meetings and the attendance of Directors at these meetings is set out on page 15.

No remuneration consultants were engaged by the Company in FY2020.

None of the Directors is involved in the discussion and making a decision on his/her own remuneration.

Corporate Governance (*continued*)

Level and Mix of Remuneration

Principle 7 : The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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 8 : The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

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

Directors' fees to be paid to non-executive directors are subject to shareholders' approval at the AGM.

Remuneration policy and principles

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

In the April 2020 to June 2020 period, the Remuneration and Human Capital Committee reviewed the existing structured remuneration framework to ensure that the remuneration was still competitive in the market and complemented the Company's reward strategy. The Remuneration and Human Capital Committee seeks to ensure the alignment of remuneration and reward plans with the shareholders' interests.

Remuneration structure

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

Fixed remuneration

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

Short-term incentives

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

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

For the financial year ended 30 June 2020, short-term incentive bonuses have been provided for based on the Board agreed annual targets.

Corporate Governance (continued)

Disclosure On Remuneration (continued)

Service contracts

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

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

Taking note of the competitive pressures in the industry and the talent market, the Board has on review decided to disclose the remuneration of the Directors, in bands with a breakdown of the components in percentage. The remuneration of the Directors for the financial year ended 30 June 2020 is as follows (based on an average exchange rate of S\$0.9284 : AU\$1.00):

Remuneration band and Name of Directors	Fee	Fixed salary	Variable salary & bonus	Value of share options and share rights granted	Termination benefits	Total
Below S\$250,000						
Chew Heng Ching	100%	0%	0%	0%	0%	100%
Ooi Chee Kar	100%	0%	0%	0%	0%	100%
Wu Yu Liang	100%	0%	0%	0%	0%	100%
Poh Boon Kher, Melvin	100%	0%	0%	0%	0%	100%
Wang Yu Huei	100%	0%	0%	0%	0%	100%
Eng Chiaw Koon	100%	0%	0%	0%	0%	100%
Toh Bee Yong ⁽¹⁾	100%	0%	0%	0%	0%	100%
Toh Shi Jie ⁽²⁾	0%	0%	0%	0%	0%	0%
S\$500,000 to below S\$750,000						
Shane Francis Kimpton	0%	84%	0%	16%	0%	100%

(1) Resigned on 4 June 2020

(2) Appointed on 4 June 2020, no director fees are payable to Toh Shi Jie as he is new appointed at year end

Corporate Governance (continued)

Disclosure On Remuneration (continued)

The Board is aware of the recommendation in the Code to disclose in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the MD). The Board, after weighing the advantages and disadvantages of such disclosure, is of the view that full disclosure of the total remuneration paid would not be in the interests of the Group as such information is confidential and sensitive in nature and could be exploited by competitors. The Board believes that disclosure of remuneration of the top key management personnel in remuneration bands and percentage terms would be sufficient. The remuneration of the top five key management personnel of the Group for the financial year ended 30 June 2020 is as follows (based on an average exchange rate of S\$0.9284 : AU\$1.00):

Remuneration band and name of key management personnel	Fixed salary	Variable salary & bonus	Value of share options and share rights granted	Termination benefits	Total
Below S\$250,000					
Simon Macleod ⁽¹⁾	47%	0%	0%	53%	100%
S\$250,000 to below S\$500,000					
Matthew John Prendergast ⁽²⁾	55%	0%	0%	45%	100%
Nathan Walter Pike	100%	0%	0%	0%	100%
Daniel Hume Kennedy ⁽³⁾	100%	0%	0%	0%	100%
Christian Andrew Johnstone	100%	0%	0%	0%	100%

(1) Resigned on 20 August 2019

(2) Resigned on 6 March 2020

(3) Resigned on 28 August 2020

There is no employee of the Group who is a substantial shareholder of the Company, or an immediate family member of any Director or CEO or substantial shareholder of the Company and whose remuneration exceeded S\$100,000 during the financial year ended 30 June 2020.

Share option and share right schemes

The Group currently has two schemes in operation (collectively referred to as "the Schemes"). Details of the Schemes are disclosed in the directors' report set out in page 29 of this Annual Report.

Future direction

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

ACCOUNTABILITY AND AUDIT

Risk Management And Internal Controls

Principle 9 : The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

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

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

Corporate Governance (continued)

Risk Management And Internal Controls (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 Management adopts appropriate actions to address and rectify these weaknesses. The Board, together with Management, then subsequently reviews the outcomes of such actions.

Risk management approach

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

Internal controls opinion

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

In addition, the Audit Committee and the Board have received assurance from:

- the MD and the CFO that as of 30 June 2020, the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- the MD and other key management personnel that as of 30 June 2020, the Group's risk management and internal control systems to address the key financial, operational, compliance and information technology risks affecting the operations are adequate and effective to meet the needs of the Group in its current business environment.

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the Audit Committee.

Audit Committee

Principle 10 : The Board has an Audit Committee ("AC") which discharges its duties objectively.

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

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

The Board is of the view that the members of the Audit Committee are appropriately qualified, having accounting or related financial management expertise or experience as the Board interprets such qualification, to discharge their responsibilities. No Audit Committee member is a former partner or director of the Company's existing auditing firm or auditing corporation (a) within a period of two years commencing on the date of his/her ceasing to be a partner or director and in any case (b) for as long as he/she has any financial interest in auditing firm or auditing corporation.

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

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

Corporate Governance (*continued*)

Audit Committee (continued)

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

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

The total fees paid to the external auditors of the Group, KPMG LLP Singapore, for the financial year ended 30 June 2020, are as disclosed in note 26 in the financial statements.

The aggregate amount of fees paid/payable to the external auditors of the Group and its fellow member firms of the KPMG network for audit services for the financial year ended 30 June 2020 were AU\$0.4 million. The fees for non-audit services provided by them for the financial year ended 30 June 2020 were AU\$6,000.

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

After reviewing the independence, performance and remuneration of KPMG LLP Singapore based on the recommendation of the Audit Committee, the Board is satisfied with the performance and independence of KPMG LLP Singapore. Hence, the Board recommended the re-appointment of KPMG LLP Singapore as the Company's external auditors for the shareholders' approval at the forthcoming AGM.

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

Whistle blowing policy

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

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

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

Corporate Governance (continued)

Audit Committee (continued)

Internal Audit

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

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11 : The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Shareholder Rights

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.

The Board would ensure that the Notice of the general meetings is sent to shareholders at least 14 days or 21 days ahead of the date of general meeting, whichever is appropriate, and to provide sufficient time and opportunities to the shareholders to seek clarification during general meetings on any matters pertaining to the business activities and financial performance of the Company. Shareholders are also encouraged to participate effectively in and vote at general meetings of the Company, where relevant rules and procedures governing such meetings (for instance, how to vote) are clearly communicated.

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

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

In view of the current COVID-19 situation and alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at, or prior to, the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, will be put in place for the AGM.

All Directors and the representative from the external auditors attended the AGMs. Shareholders are able to address their queries about the conduct of audit and the preparation and content of the auditors' report.

Balanced and understandable assessment of performance, position and prospects

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

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

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

Corporate Governance *(continued)*

Shareholder Rights and Conduct of General Meetings (continued)

Conduct of General Meetings

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

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

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

Dividend policy

The Group does not have a fixed dividend policy. There was no dividends declared to the shareholders of the Group for FY2020 due to the working capital requirements of the Group.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Communication with Shareholders

The Group does not practise selective disclosure. In line with continuous disclosure obligations of the Group under the SGX-ST Listing Rules, the Board's policy is that all shareholders should be provided with material information in a timely manner, such as announcements on the Investor Presentation on a quarterly basis. 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. Such information and announcements are also published on the Company's website (www.ausgroupltd.com).

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

The Group does not have a dedicated investor relations team, the Group recognises the importance of regular, effective and timely communication with shareholders

Engagement with stakeholders

Principle 13 : The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to work towards sustainable growth. The Company has identifies key stakeholder groups and the Company's efforts on sustainability are focused on creating sustainable value for our key stakeholders, which include employees, lenders, investors, clients and regulators / Government.

The Company maintains a current corporate website at www.ausgroupltd.com to communicate and engage with key stakeholders. The Company's corporate website contains various information pertaining to the Group and the Company which serves as an important resource for investors and all key stakeholders. The website is updated from time to time.

Dealings in securities

The Group has adopted an internal code of best practices on securities transactions applicable to the Company, its Directors and its officers in relation to dealings in the Company's securities. The Company, its Directors and 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, the Company, its Directors and its 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. The Company, its Directors and its 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.

Corporate Governance (continued)

Interested person transactions

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

Particulars of interested person transactions of the Group during the financial year ended 30 June 2020 required to be disclosed under Rule 907 of the SGX-ST Listing Manual are as follows:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions (excluding transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920
Ezion Holdings Limited	a substantial shareholder of the Company	USD\$103,137 ^{(1)*}	–
		USD\$12,861 ^{(2)*}	
		SGD\$216,000 ^{(3)*}	

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

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

(3) Services provided by Eng Chiaw Koon under Consultancy agreement with Ezion Holdings Limited.

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

Material Contracts

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

DIRECTORS' STATEMENT

Your directors present their statement on the Consolidated Entity (referred to hereafter as the Group) consisting of AusGroup Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020.

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 33 to 102 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 2020 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1 Directors

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

- Eng Chiaw Koon
- Shane Francis Kimpton
- Ooi Chee Kar
- Wu Yu Liang
- Chew Heng Ching
- Poh Boon Kher, Melvin
- Wang Yu Huei
- Toh Shi Jie (appointed on 4 June 2020)

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 01.07.2019 or date of appointment, if later	At 30.06.2020	At 21.07.2020	At 01.07.2019 or date of appointment, if later	At 30.06.2020	At 21.07.2020
The Company						
<i>No. of ordinary shares</i>						
Poh Boon Kher, Melvin	299,799,712	299,799,712	299,799,712	–	–	–
Shane Francis Kimpton	–	–	15,000,000	–	–	–
Wang Yu Huei	–	–	–	818,326,974	818,326,974	818,326,974
<i>Value of notes</i>						
Wang Yu Huei				S\$1,114,416	S\$1,114,416	S\$1,114,416

4 Share option and share right schemes

AusGroup Employee Share Option Scheme 2007, AusGroup Share Option Scheme 2010, AusGroup Share Scheme 2010 and options issued to Ezion Holdings Limited and Eng Chiaw Koon have now expired. The Group currently has had two schemes in operation (collectively referred to as "the schemes"):

(a) *AusGroup Employee Share Option Scheme 2019 ("ASOS")*

- 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 22 to the financial statements, there were no unissued ordinary shares of the Company or any subsidiary under option at the end of the financial year.
- Nil options remain exercisable at the balance sheet date.

(b) *AusGroup Performance Share Plan 2019 ("PSP")*

- There were no ordinary shares issued during the financial year by virtue of the rights qualifying to take up unissued ordinary shares of the Company. Except as disclosed in note 22 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.
- On 15 July 2020, the Company allotted and issued 15,000,000 ordinary shares in the capital of the Company to Shane Francis Kimpton, the Managing Director and Chief Executive Officer of the Company, under the PSP.

Additional information on these schemes and options are provided in note 22 to the financial statements.

Rule 852 of the Listing Manual

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

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

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

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

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

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

(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 2020 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 8 of the Corporate Governance Report.

6 Audit Committee

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

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

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

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

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

7 Independent Auditors

The independent auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors



Wu Yu Liang
Non-Executive Chairman
Singapore

25 September 2020



Shane Francis Kimpton
Managing Director
Singapore

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of AusGroup Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 33 to 102.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the 'Basis for disclaimer of opinion' section of our report and their possible cumulative effects on the financial statements, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

- (a) As at 30 June 2020, the Group's carrying values in property, plant and equipment (Note 11) and intangible assets (Note 14) were AU\$26.2 million and AU\$ 12.5 million respectively, (net of impairment charges of AU\$30.3 million and AU\$19.7 million recorded in current year's consolidated profit or loss against the property, plant and equipment and intangible asset respectively). These property, plant and equipment, and intangible assets are deployed in the Port and Marine cash-generating unit ("CGU"). As a result of these impairment charges recorded at the Group, as at 30 June 2020, the Company recorded an impairment charge of AU\$16.4 million on investments in subsidiaries, and another expected credit loss allowance of AU\$33.6 million on receivables owing from subsidiaries operating the Port and Marine business.

As disclosed in note 25 to the financial statements, the Group has estimated the recoverable amount of the Port and Marine CGU based on a fair value less costs of disposal method, calculated using discounted cash flows from Port and Marine operations taking into account increased revenue growth from recovery of the Oil & Gas sector. As at 30 June 2020, the Port and Marine CGU remains at an early stage of commercialisation with very limited fuel sales transactions. Note 25 to the financial statements further described how the lack of exploration & production activities near the Group's port, together with the COVID-19 pandemic have significantly impacted the level of economic activities at the Group's Port and Marine CGU. We were therefore unable to obtain sufficient and appropriate audit evidence regarding the key assumptions applied to arrive at the recoverable amount of the Port and Marine CGU. These assumptions include management forecast of underlying market share, and related revenue growth assumptions (refer to note 25) where past historical transactions together with current market conditions are not sufficiently available to support these cash flow forecast.

Accordingly, we were unable to determine whether any adjustments were necessary in respect of the Group's carrying amounts of property, plant and equipment and intangible asset as at 30 June 2020, and elements making up the consolidated statement of comprehensive income, changes in equity and cash flows for the year ended 30 June 2020. In connection with this, we were also unable to determine whether any adjustments to the carrying amounts of the investments in subsidiaries and receivables owing from subsidiaries shown in the Company's balance sheet were necessary.

- (b) As at 30 June 2020, the Group has Multi Currency Notes (MCN) of AU\$41.3 million. Note 18 to the financial statements states that the Group has complied with the financial covenant – Debt Service Ratio, required for the MCN as at 30 June 2020, after adjusting the consolidated earnings for extraordinary and exceptional items caused by Covid-19 pandemic (the "basis adjustments")

Under the Trust Deed, the Debt Service Ratio covenant provides for extraordinary or exceptional items but the conditions or events that call these items to be excluded from consolidated earnings are not defined in the Trust Deed. The Group has considered the adverse financial effects from Covid-19 pandemic as extraordinary and excluded them from the Debt Service Ratio calculation. Without these basis adjustments, the Debt Service Ratio covenant would not have been met. As at the date of this report, the Group has not received any response from the Trustee that the basis adjustments are appropriate.

Independent Auditor's Report to the Members of AusGroup Limited (*continued*)

For the financial year ended
30 June 2020

If the Group were to be in breach of the Debt Service Ratio, the outstanding notes would have to be classified as current liabilities, since the notes would become repayable on demand basis. The potential that the notes are re-classified as a current liability indicates the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.

We considered the impact of the matters set out in (a) and (b) in the preceding paragraphs to be material and pervasive to the overall financial statements of the Group.

The audit report on the financial statements for the year ended 30 June 2019 also included a disclaimer of opinion, arising from recoverable amount of the Port and Marine CGU.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets. In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

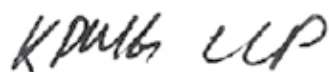
Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditors' report. However, because of the matters described in the 'Basis for disclaimer of opinion' section of our report, we were not able to obtain sufficient appropriate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

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

Report on other legal and regulatory requirements

In our opinion, in view of the significance of the matters referred to in the 'Basis for disclaimer of opinion' section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

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



KPMG LLP
Public Accountants and Chartered Accountants

Singapore, 25 September 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended
30 June 2020

		Group	
	Notes	2020 AU\$'000	2019 AU\$'000 *Restated
Continuing operations			
Revenue	23	262,245	286,250
Cost of sales		<u>(250,582)</u>	<u>(265,148)</u>
Gross profit		11,663	21,102
Other operating income	24	1,420	9,291
Other operating costs		(10,096)	(13,086)
Other losses			
- Impairment of property, plant and equipment	11	(30,255)	-
- Impairment of other intangible assets	14	(19,745)	-
Administrative expenses		(8,397)	(11,248)
Marketing and distribution expenses		(1,328)	(2,219)
(Loss)/profit from operations	26	(56,738)	3,840
Finance costs	27	(5,791)	(1,506)
Net gain on debt restructure	21	-	854
(Loss)/Profit before income tax		(62,529)	3,188
Income tax expense	28	(917)	(1,226)
(Loss)/profit from continued operation		(63,446)	1,962
Discontinued operation			
Profit from discontinued operation (net of tax)	30	3,940	337
Net (loss)/profit for the year		(59,506)	2,299
Other comprehensive (loss)/ income			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences - current year		13	678
Currency translation differences - dissolved entities transferred to profit or loss		(3,814)	-
Other comprehensive (loss)/income for the year		(3,801)	678
Total comprehensive (loss)/income for the year		(63,307)	2,977
(Loss)/earnings per share (AU\$ cents per share)			
- Basic (loss)/earnings per share	29	(2.0)	0.1
- Diluted (loss)/earnings per share	29	(2.0)	0.1
(Loss)/earnings per share from continuing operation (AU\$ cents per share)			
- Basic (loss)/earnings per share	29	(2.1)	0.1
- Diluted (loss)/earnings per share	29	(2.1)	0.1

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

CONSOLIDATED AND COMPANY BALANCE SHEETS

For the financial year ended
30 June 2020

	Notes	Group		Company	
		2020 AU\$'000	2019 AU\$'000	2020 AU\$'000	2019 AU\$'000
ASSETS					
Current assets					
Cash and cash equivalents	5	22,801	17,173	563	3,442
Trade receivables and contract assets	6	34,698	65,388	–	–
Other receivables and prepayments	7	4,711	4,486	760	689
Inventories	8	3,880	1,735	–	–
Total current assets		66,090	88,782	1,323	4,131
Non-current assets					
Property, plant and equipment	11	49,819	85,084	–	–
Right-of-use assets	12	13,795	–	–	–
Goodwill	13	10,994	10,994	–	–
Other intangible assets	14	13,814	34,121	–	–
Prepayments	7	864	–	–	–
Due from subsidiaries	9	–	–	32,820	61,941
Investments in subsidiaries	10	–	–	71,276	88,261
Total non-current assets		89,286	130,199	104,096	150,202
Total assets		155,376	218,981	105,419	154,333
LIABILITIES					
Current liabilities					
Trade payables and contract liabilities	16	6,108	15,579	–	–
Other payables	17	20,508	22,750	755	766
Due to subsidiaries	9	–	–	11,485	8,196
Borrowings	18	9,067	7,306	4,996	6,928
Accruals for other liabilities and charges	19	2,665	5,115	–	–
Current income tax liability		104	851	359	310
Provisions	20	–	166	–	–
Total current liabilities		38,452	51,767	17,595	16,200
Non-current liabilities					
Deferred income tax liabilities	15	627	736	–	–
Borrowings	18	80,531	67,611	67,751	67,611
Accruals for other liabilities and charges	19	746	950	–	–
Total non-current liabilities		81,904	69,297	67,751	67,611
Total liabilities		120,356	121,064	85,346	83,811
Net assets		35,020	97,917	20,073	70,522
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	216,349	216,349	216,349	216,349
Capital reserve	22	(163)	(163)	(163)	(163)
Share based payment reserve	22	5,848	5,438	5,848	5,438
Foreign currency translation reserve	22	15,106	18,907	27,564	27,918
Accumulated losses		(202,120)	(142,614)	(229,525)	(179,020)
Total equity		35,020	97,917	20,073	70,522

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended
30 June 2020

Group	Notes	Share capital AU\$'000	Capital reserve AU\$'000	Share based payment reserve AU\$'000	Foreign currency translation reserve AU\$'000	Accumulated losses AU\$'000	Total equity AU\$'000
Balance as at 1 July 2019		216,349	(163)	5,438	18,907	(142,614)	97,917
Loss for the year		–	–	–	–	(59,506)	(59,506)
Other comprehensive loss		–	–	–	(3,801)	–	(3,801)
Total comprehensive loss for the year		–	–	–	(3,801)	(59,506)	(63,307)
Transactions with owners in their capacity as owners:							
Employee share and option scheme expense	22	–	–	410	–	–	410
		–	–	410	–	–	410
Balance at 30 June 2020		216,349	(163)	5,848	15,106	(202,120)	35,020
Group							
Balance as at 1 July 2018		162,647	(163)	5,460	18,229	(144,913)	41,260
Profit for the year		–	–	–	–	2,299	2,299
Other comprehensive income		–	–	–	678	–	678
Total comprehensive income for the year		–	–	–	678	2,299	2,977
Transactions with owners in their capacity as owners:							
Employee share and option scheme expense	22	–	–	(22)	–	–	(22)
Shares issued net of transaction cost		46,350	–	–	–	–	46,350
Issue of ordinary shares through debt restructure	21	7,352	–	–	–	–	7,352
		53,702	–	(22)	–	–	53,680
Balance at 30 June 2019		216,349	(163)	5,438	18,907	(142,614)	97,917

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended
30 June 2020

		Group	
	Notes	2020 AU\$'000	2019 AU\$'000
Cash flows from operating activities			
Net (loss) / profit for the year		(59,506)	2,299
Adjustments for:			
Income tax expense	28	917	1,226
Depreciation of property, plant and equipment	11	5,123	5,832
Depreciation of right-of-use assets	12	2,484	–
Amortisation of other intangible assets	14	1,183	948
Employee share and share option scheme expense	31	410	(22)
Impairment loss on trade receivables and contract assets	6	900	4,335
Impairment loss on property, plant and equipment	11	30,255	–
Impairment loss on intangible assets	14	19,745	–
Bad debts recovery		–	(862)
Foreign exchange gain arisen from dissolution		(3,814)	–
(Reversal of)/allowance for foreseeable contract losses	16	–	4,239
Gain on debt restructure		–	(854)
Recovery of costs incurred from related party	24	–	(6,000)
Net unrealised foreign exchange differences		449	(854)
Profit on sale of property, plant and equipment	24	(922)	(1,013)
Interest income	24	(95)	(354)
Finance costs	27	5,791	1,564
Operating cash flows before working capital changes		2,920	10,484
Changes in operating assets and liabilities			
Trade receivables and contract assets		29,790	24,092
Other receivables and prepayments		(1,089)	3,892
Trade and other payables		(9,471)	(25,710)
Accruals		(5,646)	(36,109)
Inventories		(2,145)	2,430
Cash generated from / (used in) operations		14,359	(20,921)
Interest paid		(4,377)	(6,884)
Interest received		95	354
Income tax paid		(1,188)	(1,019)
Net cash generated from / (used in) operating activities		8,889	(28,470)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		1,523	4,443
Purchase of property, plant and equipment		(720)	(4,783)
Purchase of other intangible assets		(621)	(655)
Net cash generated from / (used in) investing activities		182	(995)

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

Consolidated Statement of Cash Flows (continued)

For the financial year ended
30 June 2020

	Notes	Group	
		2020 AU\$'000	2019 AU\$'000
Cash flows from financing activities			
Proceeds from insurance/software funding		11,090	2,232
Proceeds from borrowings		7,500	–
Repayment of borrowings		(10,169)	(37,034)
Repayment of insurance/software funding		(8,819)	(2,868)
Proceeds from issue of share capital		–	46,350
Payment for lease liabilities	12	(3,112)	–
(Withhold)/release of restricted cash*		1,000	(1,463)
Net cash (outflow) / inflow from financing activities		(2,510)	7,217
Net increase / (decrease) in cash and cash equivalents		6,561	(22,248)
Effects of exchange rate changes on cash and cash equivalents		67	112
Cash and cash equivalents at the beginning of the financial year		14,460	36,596
Cash and cash equivalents at end of year	5	21,088	14,460

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

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

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 438B Alexandra Road, #05-08/10 Alexandra Technopark, Singapore 119968 and its principal place of business is Level 1, 18-32 Parliament Place, West Perth, Western Australia, 6005.

The consolidated financial statements of the Group for the financial year ended 30 June 2020 and the balance sheet of the Company as at 30 June 2020 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 25 September 2020.

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

2 Summary of significant accounting policies

(a) Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

This is the first set of the Group's annual financial statements in which SFRS(I) 16 Leases has been applied. The related changes to significant accounting policies are described in note 2(b).

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

Critical accounting estimates

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

Going Concern

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

The Group recognised a net loss after tax of AU\$59.5 million for the year ended 30 June 2020. The Group's current assets exceed current liabilities by AU\$27.6 million as at 30 June 2020; the Group continues to generate positive cash flows from operating activities of AU\$8.9 million for the year ended 30 June 2020 and the cash balance at 30 June 2020 was AU\$22.8 million which increased by AU\$5.6 million compared to the position at 30 June 2019. The Group's earnings have been significantly impacted by the effects of COVID-19, including a \$50 million non-cash impairment and postponements in work programmes on customer determined "non-critical work" to reduce the movements of personnel to client's work sites.

The non-cash impairment of \$50 million on the carrying value of the Port and Marine non-current assets has been recognised in FY2020 following the effects of COVID-19 on the revenue generating activities of the Port and Marine business. The impact of the COVID-19 pandemic has increased pricing volatility in the oil and gas commodity markets and this uncertainty has led to delays in the development of an oil and gas field that is expected to be serviced by the Port and Marine business. The COVID-19 pandemic has also led to the temporary cessation of forestry exports from the Tiwi Islands, which further impacted the performance of the Port and Marine business and has led to this impairment (refer to Note 25 for further details).

As a result of the losses incurred, including the non-cash impairment, the Group has sought and received waivers for certain banking covenants with DBS (refer Note 18). In addition, the Group has made adjustments, in accordance with the Trust deed, to its earnings for certain covenants pursuant to the Multi Currency Notes (refer Note 18) and has not received any adverse response from the Trustee.

2 Summary of significant accounting policies *(continued)*

(a) *Basis of preparation (continued)*

Going Concern (continued)

Short term debt repayments

At 30 June 2020 the amount due to be repaid within one year is AU\$7.2 million which, compared to the cash balance at 30 June 2020 of AU\$22.8 million, is able to be satisfied when due. The material component of the current debt is AU\$5.0 million which is expected to be extinguished by 31 December 2020. Accordingly, the short-term focus on the Group's cashflow to meet short term debts has been previously addressed as the Group has re-scheduled the majority of its borrowings to a longer term (non-current) tenure. The Group is still focused on options to reduce debt further prior to the maturity dates in 2022 and 2023 and bolster working capital to support the expansion of services to its clients.

Cashflow forecasts

As part of the assessment of the going concern assumption applied in the preparation of the financial statements the Group has prepared cash flow forecasts from 1 July 2020 to 31 December 2021, including sensitivities. The Group expects to generate positive operating cash flows from secured and new contracts. As common in the maintenance and construction contracting sector, the quantum of secured work at any point in time relates to a proportion of expected revenue for the forecast period. These forecasts represent management's best estimate of revenues and costs in the coming periods and include cash inflows from secured contracts and new contracts from existing and new clients. Consistent with prior years whilst these forecasts contain some uncertainties relating to the conversion of unsecured contracts, management continues to remain confident that sufficient contracts will be secured to generate the Group's positive cash flows to meet obligations.

Solely from the secured contracts existing at 30 June 2020, the Group should still be able to generate positive operating cash flows in the next 12 months from the reporting date.

Preparation of the financial statements on a going concern basis

There are some uncertainties over the cash flows to be generated from the conversion of future unsecured contracts that may cast doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. During volatile market conditions as a result of COVID-19 and the unknown longevity of the impacts stemming from this pandemic any forecast is subject to change which may cast doubt on the Group's ability to continue as a going concern.

The directors, having considered these matters and as things stand, believe that the Group will be able to meet its obligations as and when they fall due. This conclusion is based on the following:

- the generation of forecast positive cashflow from the Group from 1 July 2020 to 31 December 2021, including revenue from secured and unsecured contracts;
- the cash balance at 30 June 2020 of AU\$22.8 million;
- the debt due within one year of AU\$7.2 million;
- the extension of the maturity date of the Notes to 3 December 2022;
- the net current asset position of AU\$27.6 million;
- forecast compliance with financial covenants;
- the availability of potential credit facilities to the Group; and
- the divestment of assets or businesses to raise proceeds, if needed, to extinguish the Group's debt obligations.

Accordingly, the directors are of the opinion that the preparation of the financial statements on a going concern basis remains appropriate.

(b) *New accounting standards and interpretations*

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

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 July 2019:

- SFRS(I) 16 Leases
- SFRS(I) INT 23 Uncertainty over Income Tax Treatments
- Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures
- Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation
- Amendments to SFRS(I) 3 and 11 Previously Held Interest in a Joint Operation

2 Summary of significant accounting policies (continued)

(b) *New accounting standards and interpretations (continued)*

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

- Amendments to SFRS(I) 1-12 Income Tax Consequences of Payments on Financial Instruments Classified as Equity
- Amendments to SFRS(I) 1-23 Borrowing Costs Eligible for Capitalisation
- Amendments to SFRS(I) 1-19 Plan Amendment, Curtailment or Settlement

Other than SFRS(I) 16, the application of these amendments to standards and interpretations did not have a material effect on the financial statements.

SFRS(I) 16 Leases

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee

As a lessee, the Group leases office premises, warehouse and factory facilities. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities incremental borrowing rates applicable to the leases as at 1 July 2019. Right-of-use assets are measured at their carrying amount as if SFRS(I) 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application.

The Group has tested its right-of-use assets for impairment, as part of their cash generating unit, on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

2 Summary of significant accounting policies (continued)

(b) *New accounting standards and interpretations (continued)*

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

As a lessor

The Group leases out the port area facility and staging area for word chips pending shipment. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to SFRS(I) 16 for leases in which it acts as a lessor.

Impact on financial statements

Impact on transition*

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	1 July 2019
	AU\$'000
Right-of-use assets – property, plant and equipment	15,459
Lease liabilities	15,459

* For the impact of SFRS(I) 16 on profit or loss for the period, see Note 12. For the impact of SFRS(I) 16 on segment information, see Note 33. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-17, see Note 2(n).

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The assessed incremental borrowing rate for non-port related lease assets was 6.25% p.a. and the assessed incremental borrowing rate for port related lease assets was 7.5% p.a.

	1 July 2019
	AU\$'000
Operating lease commitments at 30 June 2019 as disclosed under SFRS(I) 1-17 in the Group's financial statements	9,203
Less: Short-term leases	(734)
Less: Discounting effect using weighted average incremental borrowing rate	(1,219)
Add: Extension options which are reasonably certain to be exercised	8,209
Lease liabilities recognised at 1 July 2019	15,459

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

Other new/amended standards and interpretations

Certain amendments to accounting standards have been published that are not mandatory for the financial year ended 30 June 2020 and have not been early adopted by the Group. These amendments have been assessed by the Group and the Company and other than additional disclosure are not expected to have a significant impact on the accounting policies of the Group or the Company on adoption:

- Amendments to References to Conceptual Framework in SFRS(I) Standards
- Definition of a Business (Amendments to SFRS(I) 3)
- Definition of Material (Amendments to SFRS(I) 101 and SFRS(I) 1-8)
- SFRS(I) 17 Insurance Contracts

2 Summary of significant accounting policies (*continued*)

(c) *Principles of consolidation*

(i) *Subsidiaries*

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

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

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

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

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

(ii) *Joint operations*

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

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

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

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

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

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

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

(iii) *Changes in ownership interests*

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

2 Summary of significant accounting policies (*continued*)

(c) Principles of consolidation (*continued*)

(iii) Changes in ownership interests (*continued*)

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

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

(d) Business combinations

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

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

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

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

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

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

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

(e) Goodwill on acquisitions

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

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

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

2 Summary of significant accounting policies (*continued*)

(f) *Government grants*

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. The grant is presented on a net basis, offset against salary expenses.

(g) *Property, plant and equipment*

Measurement

(i) *Land and buildings*

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

(ii) *Other property, plant and equipment*

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

(iii) *Components of costs*

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

(iv) *Scaffolding equipment*

The Group carries an impairment loss on scaffolding equipment. This impairment loss is determined based on the Group's historical losses that have occurred.

Depreciation

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

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

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

Subsequent expenditure

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

Disposal

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

(h) *Other intangible assets*

(i) *Acquired customer contracts*

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

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

2 Summary of significant accounting policies (*continued*)

(h) *Other intangible assets (continued)*

(ii) *Acquired customer relationships*

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

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

(iii) *Acquired right to operate*

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

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

(iv) *IT development and software*

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

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

(i) *Investments in subsidiaries*

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

(j) *Impairment of non-financial assets*

Goodwill

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

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(j) *Impairment of non-financial assets (continued)*

Property, plant and equipment, other intangible assets and investments in subsidiaries (continued)

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

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

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

Subsidiaries in the separate financial statements

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

(k) *Financial instruments*

(a) **Recognition and initial measurement**

Non-derivative financial assets and financial liabilities

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) **Classification and subsequent measurement**

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost;

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

2 Summary of significant accounting policies (continued)

(k) *Financial instruments (continued)*

(b) Classification and subsequent measurement (continued)

Financial assets: Business model assessment (continued)

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

2 Summary of significant accounting policies (continued)

(k) *Financial instruments (continued)*

(c) **Derecognition**

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(d) **Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(e) **Cash and cash equivalents**

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

(f) **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.

(g) **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 profit or loss over the period of the borrowings.

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

2 Summary of significant accounting policies (continued)

(k) *Financial instruments (continued)*

Impairment of financial assets

Non-derivative financial assets and contract assets

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised costs and contract assets (as defined in SFRS(I) 15).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 120 days past due.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

2 Summary of significant accounting policies (*continued*)

(k) *Financial instruments (continued)*

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 120 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(l) *Provisions*

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

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

(m) *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.

(n) *Leases*

The Group has applied SFRS(l) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(l) 1-17 and SFRS(l) INT 4. The details of accounting policies under SFRS(l) 1-17 and SFRS(l) INT 4 are disclosed separately.

Policy applicable before 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(l) 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

2 Summary of significant accounting policies (*continued*)

(n) Leases (*continued*)

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2 Summary of significant accounting policies (*continued*)

(n) *Leases (continued)*

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received from its port area facility and staging area for wood chips pending shipment under operating leases as income on a straight-line basis over the lease term as part of revenue.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

Leases - Policy applicable before 1 July 2019

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.

Lessee - Operating leases

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

Lessor - Operating leases

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

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

(o) *Revenue recognition*

Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

(i) *Short-term contracts*

Revenue from short-term contracts (less than 12 months) is recognised over time of satisfaction of performance obligation when services are completed and all criteria for acceptance have been satisfied.

2 Summary of significant accounting policies (continued)

(o) Revenue recognition (*continued*)

(ii) Construction contracts

The contractual terms and the way in which the Group operates its construction contracts is predominantly derived from projects containing one performance obligation. Under these performance obligations, customers either simultaneously receive and consume the benefits as the Group performs them or performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Therefore contracted revenue is recognised over time based on stage of completion of the contract.

For services and construction contracts the new standard provides a higher threshold for recognition of variations, claims and incentives which only allows revenue from variations and claims to be recognised to the extent they are approved or enforceable under the contract. The amount of revenue is then recognised to the extent it is highly probable that a significant reversal of revenue will not occur. In making this assessment, the Group considers a number of factors including nature of the claim, formal or informal acceptance by the customer of the validity of the claim, stage of negotiations, or the historical outcome of similar claims to determine whether the enforceable and "highly probable" threshold has been met.

Revenue in relation to modifications, such as a change in the scope of the contract, will only be included in the transaction price, when it is approved by the parties to the contract or the modification is enforceable and the amount becomes highly probable. Modifications will be recognised when client instruction has been received in line with customary business practice for the customer.

Costs incurred during the tender / bid process are expensed, unless they are incremental to obtaining the contract and the Group expects to recover those costs or where they are explicitly chargeable to the customer regardless of whether the contract is obtained.

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

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

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

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

The Group recognises revenue using the measure of progress that best reflects the Group's performance in satisfying the performance obligation within the contracts over time. The different methods of measuring progress include an input method (e.g. costs incurred) or an output method (e.g. milestones reached). The same method of measuring progress will be consistently applied to similar performance obligations.

Variable consideration that is contingent on the Group's performance, including key performance payments, liquidated damages and abatements that offset revenue under the contract, is recognised only when it is highly probable that a reversal of that revenue will not occur. In addition, where the identified revenue stream is determined to be a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer (for example maintenance services), variable consideration is recognised in the period/(s) in which the series of distinct goods or services subject to the variable consideration are completed.

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

2 Summary of significant accounting policies (*continued*)

(o) *Revenue recognition (continued)*

(iii) *Sale of goods*

Revenue from sale of goods in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods. The individual standalone selling price of a good that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

(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.

(p) *Employee benefits*

(i) *Defined contribution plans*

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

(ii) *Share-based payments*

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

2 Summary of significant accounting policies (continued)

(p) *Employee benefits (continued)*

(ii) *Share-based payments (continued)*

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

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

(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 (I) 1-37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) *Short-term obligations*

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

(v) *Other long-term employee benefit obligations*

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

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

(q) *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.

(r) *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Group financial statements are presented in Australian Dollars ("AU\$"). 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)

(r) 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.

(s) 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 interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax is measured:

- 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
- 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.

2 Summary of significant accounting policies (continued)

(s) *Income tax (continued)*

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

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

Research and development tax incentives

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

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

(t) *Segment reporting*

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

(u) *Borrowing costs*

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

(v) *Inventories*

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

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

(w) *Earnings per share*

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

Diluted earnings per share

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

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

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

2 Summary of significant accounting policies (*continued*)

(x) *Goods and Services Tax ("GST")*

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

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

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

(y) *Discontinued operations*

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

(z) *Rounding of amounts*

Amounts in the financial statements have been rounded off to the nearest thousand dollars (AU\$'000), unless otherwise stated.

3 Critical accounting estimates and judgements

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

(a) *Critical accounting estimates and assumptions*

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

Impairment of cash generating units ("CGUs")

SFRS (I) 1-36 Impairment of Assets requires the Group to test goodwill for impairment at least annually and to test other assets for impairment when evaluation of indicators specific to the Group indicates that there is a potential impairment to property, plant and equipment and other intangible assets. These indicators include significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to the expected historical or future operating results and significant negative industry or economic trends.

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

For the year ended 30 June 2020, the Group recognised AU\$50.0 million impairment loss (2019: nil impairment). Changes in the assumptions adopted by management could significantly affect the Group's impairment evaluation and hence results. Further details are provided in note 25 of the financial statements.

3 Critical accounting estimates and judgements (*continued*)

(a) *Critical accounting estimates and assumptions (continued)*

Deferred income tax assets

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

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

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

Recognition involves judgement regarding the future financial performance of the particular legal entity or tax group in which the potential deferred tax asset has been generated. Based on the latest profit forecast, there is no sufficient certainty over the availability of suitable future taxable profits against which to offset these items and therefore deferred tax assets have not been recognised. For further details of the potential deferred tax assets not recognised in these financial statements, refer to note 15.

Construction contracts

The Group recognises revenue using the measure of progress that best reflects the Group's performance in satisfying the performance obligation within the contracts over time. The different methods of measuring progress include an input method (e.g. costs incurred) or an output method (e.g. milestones reached). The same method of measuring progress will be consistently applied to similar performance obligations.

Amounts due from contract customers in the balance sheet include uncertified revenue that has been recognised through the statement of comprehensive income in current and prior periods in respect of claims and variation orders on projects. In estimating the amount of uncertified revenue recognised, the Group has relied on past experience and the work of specialists namely project managers and, as required, external consultants. If the uncertified revenue increases/decreases by 5% from management's estimates, the Group's profit before income tax will increase/decrease by approximately AU\$0.7 million (2019: AU\$2.0 million).

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

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

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

As at 30 June 2020, the Group did not have a provision for loss on construction contracts (2019: AU\$4.5 million). This estimation has been based upon management's judgement which has been based upon the most up-to-date available information as at the date of these financial statements.

3 Critical accounting estimates and judgements (*continued*)

(a) *Critical accounting estimates and assumptions (continued)*

Impact of Covid-19

The Group has considered and estimated the impact of the COVID-19 pandemic in the Group's financial position and performance by carrying out the following assessments:

- further impairment assessment of its property, plant and equipment, inventories, trade receivables and contract assets;
- further assessment of constraints on variable consideration in relation to revenue recognition.

In developing the assumptions relating to the possible future uncertainties in the global economic conditions, the Group has, as at the date of these financial statements, used internal and external sources, including economic forecasts and estimates from market sources. However, the impact assessment of the COVID-19 pandemic is a continuing process and the Group will continue to monitor any material changes to future economic conditions.

Details on the areas that involve critical judgement and significant estimation uncertainties and disclosures on assumptions and sensitivity disclosures are also highlighted in the notes indicated above.

(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 has elected to measure loss allowances for trade and other receivables including contract assets at an amount equal to lifetime ECLs. The Group considers a financial asset to be in default when the financial asset is more than 120 days past due of the customer approval date. ECLs are a probability weighted estimate (based on the Group's historical experience) measured as the present value of all cash shortfalls on default financial assets taking into account both quantitative and qualitative information and analysis. Factors considered in individual assessment are payment history, past due status and term (refer to note 4(c)).

Construction contracts

For services and construction contracts the standard provides a higher threshold for recognition of variations, claims and incentives which only allows revenue from variations and claims to be recognised to the extent they are approved or enforceable under the contract. The amount of revenue is then recognised to the extent it is highly probable that a significant reversal of revenue will not occur. In making this assessment, judgement is required to be exercised based on a number of factors including nature of the claim, formal or informal acceptance by the customer of the validity of the claim, stage of negotiations, or the historical outcome of similar claims to determine whether the enforceable and "highly probable" threshold has been met.

Impairment of amounts due from subsidiaries and investments in subsidiaries

The Company assesses the recoverability of loans due from subsidiary undertakings as at the reporting date based on an assessment of the ability of each entity to repay the balance owing and also assesses the carrying value of investments in subsidiaries where indicators of impairment are identified. Such indicators have been identified in the year as discussed in note 25, which describes the impairment of non-current assets in the consolidated Group and which are also considered indicators of impairment at Company level.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended
30 June 2020

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, Thailand and Malaysia. Group sale and purchase transactions are primarily denominated in Australian dollars with a portion denominated in Singapore dollars (SGD), Thai Baht, Euro, United States dollars (USD) and Malaysian Ringgit. This exposes the Group to currency risk when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the group entities' functional currencies.

The Group's currency exposure is as follows:

	2020	2019
	United States Dollar AU\$'000	United States Dollar AU\$'000
Group		
Financial assets		
Cash and cash equivalents	–	6
	–	6
Financial liabilities		
Trade payables	19	16
Other payables	261	238
Borrowings	26,481	25,726
	26,761	25,980
Currency exposure on net financial liabilities	(26,761)	(25,974)
Company		
Financial assets		
Due from subsidiaries	26,743	25,964
	26,743	25,964
Financial liabilities		
Other payables	262	238
Borrowings	26,481	25,726
	26,743	25,964
Currency exposure on net financial liabilities	–	–

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

	Group		Company	
	2020	2019	2020	2019
	AU\$'000	AU\$'000	AU\$'000	AU\$'000
Net foreign exchange (loss) / income	(928)	396	(793)	92

4 Financial risk management (continued)

(a) *Currency risk (continued)*

Sensitivity analysis

A change of 10% (2019: 10%), taking into consideration both strengthening and weakening aspect of AU\$, against the following currencies at the reporting date would increase/(decrease) the Group's profit before income tax by the amounts as shown below. This analysis assumes that all other variables, in particular interest and tax rates, remain constant.

	Group		Company	
	2020 AU\$'000	2019 AU\$'000	2020 AU\$'000	2019 AU\$'000
USD against AU\$				
- strengthened	(2,433)	(2,361)	-	-
- weakened	2,676	2,597	-	-

(b) *Interest rate risk*

The Group's exposure to interest rate risk is related mainly to its borrowing facilities, which are on fixed and floating rate terms. The cash balances of the Group, and the interest rate and terms of repayment of borrowings are disclosed in notes 5 and 18 respectively.

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

A 1% (2019 : 1%) increase/(decrease) in the floating rate terms of the Group's borrowings at the balance sheet date would (decrease) /increase profit by the following amount:

	Group		Company	
	2020 AU\$'000	2019 AU\$'000	2020 AU\$'000	2019 AU\$'000
Profit or loss impact	50	75	50	75

This analysis assumes that all other variables remain constant. There is no impact on other components of equity (2019: Nil).

(c) *Credit risk*

Credit risk is the risk of financial loss to the Group or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group and the Company's receivables from customers and the Company's non-trade amounts due from subsidiaries.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk. Details of concentration of revenue are included in note 33.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information, and in some cases bank references. Sale limits are established for each customer, which represents the maximum open amount without requiring approval from the Management; these limits are reviewed quarterly. Customers failing to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

4 Financial risk management (continued)

(c) Credit risk (continued)

The Group limits its exposure to credit risk from trade receivables by establishing maximum payment periods of one and three months for customers.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including their geographic location, industry, trading history with the Group, aging profile, maturity and existence of previous financial difficulties.

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 short-term nature of the COVID-19 pandemic has not materially affected the credit policy as set out above as the terms and conditions of our contracts have not been altered. The volume of work has reduced as a result of the effects of the pandemic, however this has not affected our clients ability to pay.

The trade receivables of the Group comprise 3 debtors (2019: 2 debtors) that individually represented 6%, 10% and 46% (2019: 20% and 48%) of trade receivables and in aggregate 62% (2019: 68%) of the trade receivables, with one customer accounting for AU\$16.3 million (30 June 2019: AU\$31.3 million), representing 46% of the trade receivables carrying amount.

The Group's maximum exposure to credit risk arose mainly from trade receivables, which had a balance at 30 June 2020 of AU\$34.6 million (2019: AU\$65.4 million). This exposure is further analysed below:

	Group	
	2020	2019
	AU\$'000	AU\$'000
By currency denomination:		
Australian dollar	32,160	62,902
Singapore dollar	46	–
Malaysia ringgit	1,359	2,090
Thai baht	1,133	396
	34,698	65,388
By segment :		
Projects	4,377	12,712
Access Services	5,719	9,357
Fabrication & Manufacturing	7,889	6,903
Maintenance Services	16,026	35,233
Port & Marine Services	687	1,183
	34,698	65,388

The Company's maximum exposure to credit risk arose mainly from amounts due from subsidiaries, which had a balance at 30 June 2020 of AU\$32.8 million (2019: AU\$61.9 million) (refer to note 9).

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables and other receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and Company.

There were no terms renegotiated during the year for trade receivables that were past due (2019: None).

Financial assets that are past due and/or impaired

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

4 Financial risk management (continued)

(c) Credit risk (continued)

A summary of the Group's and Company's exposures to credit risk for trade receivables, contract assets and amounts due from subsidiaries are as follows:

	Group 2020		Group 2019	
	Not credit- impaired AU\$'000	Credit Impaired AU\$'000	Not credit- impaired AU\$'000	Credit Impaired AU\$'000
Receivables measured at lifetime ECL				
Trade receivables and contract assets	35,394	1,737	65,853	1,786
Loss allowance	(696)	(1,737)	(465)	(1,786)
Total	34,698	–	65,388	–

The age analysis of the Group's trade receivables and contract assets is as follows:

	Group 2020		Group 2019	
	Gross AU\$'000	Impairment AU\$'000	Gross AU\$'000	Impairment AU\$'000
Not past due	26,596	5	54,878	465
Past due less than 3 months	4,909	111	1,936	–
Past due 3 to 6 months	1,637	–	1,403	301
Past due greater than 6 months	3,989	2,317	9,422	1,485
	37,131	2,433	67,639	2,251

As at 30 June 2020, there was an allowance for impairment of AU\$2.4 million against trade receivables (2019: AU\$2.2 million) in the Group. There are no other receivables that are neither past due nor impaired where adverse credit events or circumstances have occurred that would lead to concern over the credit quality of such assets (Refer to note 6(a)).

As at 30 June 2020, the Company had an allowance for impairment of AU\$168.1 million (2019: AU\$135.4 million) against amounts due from subsidiaries (refer to note 9).

Movements in allowance for impairment in respect of trade receivables and contract assets

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows:

	Group Lifetime ECL AU\$'000
At 1 July 2018 per FRS 39	(6,140)
Adjustment on initial application of SFRS(I) 9	(465)
At 1 July 2018 per SFRS(I) 9	(6,605)
Additional provision for doubtful debt	(3,870)
Amounts written off	8,224
At 30 June 2019 per SFRS(I) 9	(2,251)
Additional provision for doubtful debt	(900)
Amounts written off	718
At 30 June 2020 per SFRS(I) 9	(2,433)

Notes to the Consolidated Financial Statements (continued)

For the financial year ended
30 June 2020

4 Financial risk management (continued)

(d) Liquidity risk

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

	Less than 1 year AU\$'000	Between 1 and 2 years AU\$'000	Between 2 and 5 years AU\$'000	Over 5 years AU\$'000	Total Contractual cashflows AU\$'000	Carrying amount of liabilities AU\$'000
Group						
2020						
Trade and other payables	26,616	–	–	–	26,616	26,616
Borrowings	9,934	3,291	69,558	–	82,783	75,396
Lease liabilities	2,845	2,880	5,008	19,979	30,712	14,202
	39,395	6,171	74,566	19,979	140,111	116,214
2019						
Trade and other payables	38,329	–	–	–	38,329	38,329
Borrowings	11,734	3,178	72,098	–	87,010	74,917
	50,063	3,178	72,098	–	125,339	113,246
	Less than 1 year AU\$'000	Between 1 and 2 years AU\$'000	Between 2 and 5 years AU\$'000		Total Contractual cashflows AU\$'000	Carrying amount of liabilities AU\$'000
Company						
2020						
Other payables	755	–	–	–	755	755
Borrowings	7,676	2,803	69,558	–	80,037	72,747
Due to subsidiaries	11,485	–	–	–	11,485	11,485
	19,916	2,803	69,558		92,277	84,987
2019						
Other payables	766	–	–	–	766	766
Borrowings	11,357	3,178	72,098	–	86,633	74,539
Due to subsidiaries	8,196	–	–	–	8,196	8,196
	20,319	3,178	72,098	–	95,595	83,501

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	
	2020 AU\$'000	2019 AU\$'000	2020 AU\$'000	2019 AU\$'000
Surety bond facility	15,825	17,359	15,825	17,359
Guarantee facility	5,805	22,637	5,805	22,637

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

4 Financial risk management (continued)

(e) *Capital risk*

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

Management monitors capital based on a gearing ratio. The Group and the Company are required by the banks to maintain certain financial ratios such as gearing ratios and interest cover ratios.

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	
	2020 AU\$'000	2019 AU\$'000	2020 AU\$'000	2019 AU\$'000
Net debt	66,797	57,744	72,184	71,097
Total equity	35,020	97,917	20,073	70,522
Total capital	101,817	155,661	92,257	141,619
Gearing ratio	65.6%	37.1%	78.2%	50.2%

In the prior year lease liabilities arising upon the adoption of SFRS(1) - 16 were not recognised and therefore not included in net debt for FY2019.

(f) *Financial instruments by category*

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

	Group		Company	
	2020 AU\$'000	2019 AU\$'000	2020 AU\$'000	2019 AU\$'000
Financial assets at amortised cost ⁽¹⁾	59,565	85,917	34,038	66,043
Financial liabilities measured at amortised cost ⁽²⁾	119,625	119,311	84,987	83,501

Fair value of financial instruments

The carrying amount of current assets, current liabilities and non-current liabilities are assumed to approximate to their fair value because the effects of discounting are not material, due to the short period to maturity or that they were discounted at the market rate of interest at the reporting date.

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

² Refer to notes 9, 16, 17, 18 and 19

Notes to the Consolidated Financial Statements *(continued)*

For the financial year ended
30 June 2020

5 Cash and cash equivalents

	Group		Company	
	2020 AU\$'000	2019 AU\$'000	2020 AU\$'000	2019 AU\$'000
Cash and cash equivalents represented by:				
Cash at bank	21,088	14,460	563	3,442
Restricted cash	1,713	2,713	–	–
	22,801	17,173	563	3,442

Restricted cash was held as term deposits with effective interest rates ranging from 0.09% to 1.09% (2019: 1.21% to 1.8%) per annum.

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

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

	Group	
	2020 AU\$'000	2019 AU\$'000
Balance as above	22,801	17,173
*Restricted cash	(1,713)	(2,713)
Balance per consolidated statement of cash flows	21,088	14,460

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

6 Trade receivables and contract assets

	Group	
	2020 AU\$'000	2019 AU\$'000
Trade receivables		
- Third party debtors	23,744	27,840
- Less: Allowance for impairment of receivables (note 6(a))	(2,433)	(2,251)
	21,311	25,589
Contract assets		
- Accrued revenue	11,133	20,844
- Construction contracts (note 6(b))	2,244	18,955
- Retentions	10	–
	34,698	65,388

At 30 June 2020, all amounts included in trade receivables and contract assets arising from construction contracts are due for settlement within 12 months (2019: 12 months).

At 30 June 2020, the Group's most significant customer accounted for AU\$16.3 million (30 June 2019: AU\$31.3 million) of the trade receivables carrying amount.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended
30 June 2020

6 Trade receivables and contract assets (continued)

(a) Allowance for impairment of receivables

	Group	
	2020 AU\$'000	2019 AU\$'000
Beginning of financial year	(2,251)	(6,140)
Additional allowance for impairment of receivables	(900)	(4,335)
Written off during the year	718	8,224
End of financial year	<u>(2,433)</u>	<u>(2,251)</u>

(b) Contract balances

The following table provides information about receivable and contract assets from contracts with customers.

	2020 AU\$'000	2019 AU\$'000
Trade receivables	21,311	25,589
Contract assets	13,387	39,799

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on construction of structural, mechanical and piping installation works, hire contracts and Port & Marine rental of accommodation. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

An impairment loss on contract assets amounting to AU\$4.0 million was recognised for the period ended 30 June 2019. No impairment was recognised for the period ended 30 June 2020.

Contract assets balance decreased by AU\$26.4 million since 30 June 2019 to AU\$13.4 million at 30 June 2020 due to the reduced level of activity and the delayed start in the new work opportunities as a result of unprecedented effects of the COVID-19 pandemic.

Significant judgements are used to estimate total contract costs to complete. In making these estimates, management has relied on the expertise of surveying engineers and craftsmen to determine the progress of the construction and also on past experience of completed projects. The estimated total contract costs are reviewed every reporting period and adjusted where necessary, with the corresponding adjustment to profit margin being recognised prospectively from the date of change.

7 Other receivables and prepayments

	Group		Company	
	2020 AU\$'000	2019 AU\$'000	2020 AU\$'000	2019 AU\$'000
Current				
Prepayments	2,645	1,130	105	29
Deposits	186	449	1	1
Sundry receivables	1,880	2,907	654	659
	<u>4,711</u>	<u>4,486</u>	<u>760</u>	<u>689</u>
Non-current				
Prepayment	864	–	–	–

Notes to the Consolidated Financial Statements *(continued)*

For the financial year ended
30 June 2020

8 Inventories

	Group	
	2020	2019
	AU\$'000	AU\$'000
Spares and consumables	3,880	1,735

Included in the inventories is an amount of approximately AU\$1.4m (2019: Nil) fuel sold that is under a bill and hold arrangement.

Inventories pledged as security

The Group has pledged inventories, having a carrying amount of approximately AU\$2.5 million (2019: AU\$1.7 million) to secure syndicated loan facilities granted to the Group. Refer to note 18 for details of the security.

9 Due from / (to) subsidiaries

Company	Total due	Provision	Total
2020	AU\$'000	for doubtful	AU\$'000
2019	AU\$'000	debts	AU\$'000
2020	AU\$'000	AU\$'000	AU\$'000
Due from subsidiaries	200,900	(168,080)	32,820
Due to subsidiaries	(11,485)	–	(11,485)
2019			
Due from subsidiaries	197,329	(135,388)	61,941
Due to subsidiaries	(8,196)	–	(8,196)

(a) *Provision for doubtful debts*

	Group	
	2020	2019
	AU\$'000	AU\$'000
Beginning of financial year	(135,388)	(127,551)
Increase in provision	(33,619)	–
Currency translation movement	927	(7,837)
End of financial year	(168,080)	(135,388)

Both the receivables and payables bear interest at 5.0% (2019: 5.0%) per annum. There are no advances due from subsidiaries that are due for repayment within the next 12 months (2019: Nil). There are AU\$11.5 million advances due to subsidiaries for which the Company does not have an unconditional right to defer settlement beyond 12 months from the balance sheet date (2019: AU\$8.2 million).

During the year, the Group has recognised impairment of non-current assets as discussed in note 25. Further to this process, the Company has also evaluated the recoverability of balances with subsidiaries. Management has assessed the ability of each subsidiary to repay amounts advanced and this has occasioned management to impair AU\$33.6 million receivable from Port and Marine subsidiaries (2019 : Nil).

Notes to the Consolidated Financial Statements (continued)

For the financial year ended
30 June 2020

10 Investments in subsidiaries

	Company	
	2020 AU\$'000	2019 AU\$'000
Investments in subsidiaries	71,276	88,261

	Company	
	2020 AU\$'000	2019 AU\$'000
Equity investment at cost		
Beginning of financial year	88,261	82,823
Impairment loss	(16,381)	–
Currency translation movement	(604)	5,438
End of financial year	71,276	88,261

Following the impairment recognised at Group level in relation to its Port and Marine assets (refer to note 25), the Company has performed a review of the carrying value of its investments in relevant subsidiaries. The Company has estimated the recoverable amount of the investment in subsidiary based on recoverable amount of the Group's Port and Marine CGU. As a result, an impairment of AU\$16.4 million has been recognised against investments, as well as allowances against receivables from these subsidiaries as described in note Due from / (to) subsidiaries. At 30 June 2020, the carrying amount (net of impairment allowance) of the relevant subsidiaries amounted to AU\$15.9 million.

Name of entity	Principal activity	Country of incorporation / Principal place of business	Equity holding	
			2020 %	2019 %
AusGroup Singapore Pte. Ltd ⁽¹⁾	Engineering and service	Singapore	100	100
Modern Access Services Singapore Pte. Ltd	Engineering and service	Singapore	100	100
AusGroup Companies Pty Ltd	Investment holding / property	Australia	100	100
AGC Industries Pty Ltd ⁽⁴⁾	Engineering and service	Australia	100	100
Seagate Structural Engineering Pty Ltd	Property	Australia	100	100
MAS Australasia Pty Ltd ⁽⁴⁾	Engineering and service	Australia	100	100
AusGroup Corporation Co., Ltd	Engineering and service	Thailand	100	100
Specialist People Pty Ltd	Labour supply	Australia	100	100
Ezion Offshore Logistics Hub Pte Ltd	Investment holding	Singapore	100	100
Resource People Pty Ltd	Labour supply	Australia	100	100
NT Port and Marine Pty Ltd ⁽⁴⁾	Marine supply base and provision of ship chartering services	Australia	100	100

10 Investments in subsidiaries (continued)

Name of entity	Principal activity	Country of incorporation / Principal place of business	Equity holding	
			2020 %	2019 %
Teras Global Pte Ltd ⁽¹⁾	Chartering services	Singapore	100	100
Ezion Offshore Logistics Hub (Exmouth) Pty Ltd ⁽²⁾	Marine supply base	Australia	–	100
Teras Australia Pty Ltd ⁽³⁾	Ship management and provision of ship chartering services	Australia	100	100
Mechanical Access Services Australasia Sdn Bhd	Engineering and service	Malaysia	100	100
Access Australasia Sdn Bhd	Engineering and service	Malaysia	100	100
AusGroup People Pty Ltd	Labour supply	Australia	100	100
REC Maintenance and Construction Pty Ltd	Labour supply	Australia	100	–

(1) The Company is in the process of strike off, expected to be struck off in FY2021.

(2) Company dissolved during the year.

(3) Subsequent to year end, the company has been dissolved.

(4) Significant foreign-incorporated subsidiaries.

KPMG LLP is the auditor of all Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

Joint operations

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

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

Notes to the Consolidated Financial Statements (continued)

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30 June 2020

11 Property, plant and equipment

Group	Freehold land AU\$'000	Freehold buildings AU\$'000	Leasehold land & buildings AU\$'000	Plant & equipment AU\$'000	Total AU\$'000
Cost					
At 1 July 2018	1,380	7,088	52,906	86,584	147,958
Additions	–	–	12,399	1,004	13,403
Disposals	–	(13)	(116)	(20,517)	(20,646)
Effect of movements in exchange rates	–	–	2,936	1,487	4,423
At 30 June 2019	1,380	7,075	68,125	68,558	145,138
Additions	–	–	159	561	720
Disposals	–	–	(225)	(4,708)	(4,933)
Effect of movements in exchange rates	–	–	–	(99)	(99)
At 30 June 2020	1,380	7,075	68,059	64,312	140,826
Accumulated depreciation and impairment losses					
At 1 July 2018	–	(1,935)	(7,369)	(63,070)	(72,374)
Depreciation	–	(177)	(1,882)	(3,773)	(5,832)
Disposals	–	–	52	17,164	17,216
Effect of movements in exchange rates	–	–	(366)	(1,268)	(1,634)
Reversal of impairment loss	–	–	16	2,554	2,570
At 30 June 2019	–	(2,112)	(9,549)	(48,393)	(60,054)
Depreciation	–	(177)	(1,853)	(3,093)	(5,123)
Disposals	–	–	204	4,128	4,332
Impairment loss	–	–	(30,255)	–	(30,255)
Effect of movements in exchange rates	–	–	–	93	93
At 30 June 2020	–	(2,289)	(41,453)	(47,265)	(91,007)
Carrying amounts					
At 1 July 2018	1,380	5,153	45,537	23,514	75,584
At 30 June 2019	1,380	4,963	58,576	20,165	85,084
At 30 June 2020	1,380	4,786	26,606	17,047	49,819

(i) Impairment loss

During the year ended 30 June 2020, the Group recognised AU\$30.2 million impairment loss (2019: \$nil million) with respect to property, plant and equipment. Refer to note 25 for further details.

At 30 June 2020, the carrying amount (net of impairment) of property, plant and equipment relating to the Port and Marine CGU amounted to AU\$26.2 million (2019: AU\$58.3 million).

At 30 June 2019, an assessment of carrying amount of scaffolding asset has resulted a reversal of AU\$2.5 million of impairment loss that no longer required due to the disposal.

(ii) Non-current assets pledged as security

The Group has pledged freehold land and buildings, leasehold land and buildings and certain plant and equipment, having a carrying amount of approximately AU\$49.8 million (2019: AU\$85.1 million) to secure syndicated loan facilities granted to the Group. Refer to note 18 for details of the security.

12 Leases

Leases as lessee (SFRS(I) 16)

The Group leases office premises, warehouse and factory facilities. The leases typically run for a period of 3 to 10 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals.

The office premises, warehouse and factory leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under SFRS(I) 1-17.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

Amount recognised in balance sheet

	Land and buildings AU\$'000
2020	
Balance at 1 July	15,459
Depreciation charge for the year	(2,484)
Additions to right-of-use assets	820
Balance at 30 June	<u>13,795</u>

Amounts recognised in profit or loss

	AU\$'000
2020 – Leases under SFRS(I) 16	
Interest on lease liabilities	1,035
Expenses relating to short-term leases	847
2019 – Operating leases under SFRS(I) 1-17	
Lease expense	4,792

Amounts recognised in statement of cash flows

	2020 AU\$'000
Total cash outflow for leases	<u>3,112</u>

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of AU\$7.7 million.

12 Leases (continued)

Leases as lessor

The Group leases out its port area facility and staging area for wood chips pending shipment. All leases are classified as operating leases from a lessor perspective.

The Group leases out its port area facility and staging area for wood chips pending shipment. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The Group received fixed monthly fee for the leasing out of the port area facility and staging area for wood chips pending shipment. Rental income recognised by the Group during 2020 was AU\$0.4 million (2019: AU\$0.5 million).

13 Goodwill

	Group	
	2020	2019
	AU\$'000	AU\$'000
Beginning of financial year	10,994	10,994
End of financial year	10,994	10,994
Carrying value	10,994	10,994

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	
	2020	2019
	AU\$'000	AU\$'000
Access services	9,859	9,859
Maintenance services	528	528
Projects	607	607
	10,994	10,994

The Group has assessed goodwill for impairment. Refer to note 25 for details of impairment assessments undertaken including details of key assumptions in those assessments.

Notes to the Consolidated Financial Statements *(continued)*

For the financial year ended
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14 Other intangible assets

Group	Exclusive right to operate port facility AU\$'000	Internally developed software and software licences AU\$'000	Customer contracts, relationships acquired via business combinations AU\$'000	Other intangible assets AU\$'000	Total AU\$'000
2019					
Cost					
Beginning of financial year	88,796	13,212	5,369	1,232	108,609
Additions	–	655	–	–	655
Exchange differences	4,727	–	–	–	4,727
End of financial year	93,523	13,867	5,369	1,232	113,991
Accumulated amortisation and impairment					
Beginning of financial year	(56,687)	(12,617)	(5,369)	(1,232)	(75,905)
Amortisation charge (note 26)	(802)	(146)	–	–	(948)
Exchange differences	(3,017)	–	–	–	(3,017)
End of financial year	(60,506)	(12,763)	(5,369)	(1,232)	(79,870)
Carrying value at 30 June 2019	33,017	1,104	–	–	34,121
Group					
2020					
Cost					
Beginning of financial year	93,523	13,867	5,369	1,232	113,991
Additions	–	553	68	–	621
End of financial year	93,523	14,420	5,437	1,232	114,612
Accumulated amortisation and impairment					
Beginning of financial year	(60,506)	(12,763)	(5,369)	(1,232)	(79,870)
Amortisation charge (note 26)	(799)	(384)	–	–	(1,183)
Impairment loss	(19,745)	–	–	–	(19,745)
End of financial year	(81,050)	(13,147)	(5,369)	(1,232)	(100,798)
Carrying value at 30 June 2020	12,473	1,273	68	–	13,814

(i) *Impairment loss*

During the year ended 30 June 2020, the Group recognised an impairment loss of AU\$19.7 million (2019 : nil impairment). Refer to note 25 for further details. At 30 June 2020, the carrying amount (net of impairment) of intangible assets relating to the Port and Marine CGU amounted to AU\$12.5 million (2019: AU\$33.0 million).

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

During FY2019, the exclusive right to operate port facility asset was pledged as security as part of the broader renegotiation of the Group's financing arrangement, as described in note 18.

Notes to the Consolidated Financial Statements *(continued)*

For the financial year ended
30 June 2020

15 Deferred income tax assets / (liabilities)

(i) *Deferred tax assets*

	Group	
	2020	2019
	AU\$'000	AU\$'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	1,396	5,204
Provisions and payables	1,664	4,446
Others	1,584	699
	4,644	10,349
Set-off of deferred tax liabilities pursuant to set-off provisions	(4,644)	(10,349)
Net deferred tax assets	-	-

Movement in deferred tax assets	Property, plant and equipment AU\$'000	Provisions and payables AU\$'000	Others AU\$'000	Total AU\$'000
At 1 July 2018	699	6,560	1,051	8,310
(Charged) / credited:				
- to profit or loss in income tax benefit (note 28)	4,505	(2,114)	(352)	2,039
At 30 June 2019	5,204	4,446	699	10,349
(Charged) / credited:				
- to profit or loss in income tax benefit (note 28)	(3,808)	(2,782)	885	(5,705)
At 30 June 2020	1,396	1,664	1,584	4,644

See note 15(iii) for disclosure of unrecognised deferred tax assets in these financial statements.

(ii) *Deferred tax liabilities*

	Group	
	2020	2019
	AU\$'000	AU\$'000
Intangibles	(5,121)	(11,044)
Other	(150)	(41)
	(5,271)	(11,085)
Set-off of deferred tax assets pursuant to set-off provisions	4,644	10,349
Net deferred tax liabilities	(627)	(736)

Notes to the Consolidated Financial Statements *(continued)*

For the financial year ended
30 June 2020

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

(ii) *Deferred tax liabilities (continued)*

Group	Property, plant and equipment AU\$'000	Intangibles AU\$'000	Other AU\$'000	Total AU\$'000
At 1 July 2018	–	(9,631)	(41)	(9,672)
(Charged)/credited				
- to profit or loss in income tax expense (note 28)	–	(1,413)	–	(1,413)
At 30 June 2019	–	(11,044)	(41)	(11,085)
(Charged)/credited				
- to profit or loss in income tax expense (note 28)	–	5,924	(109)	5,815
At 30 June 2020	–	(5,120)	(150)	(5,270)

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

(iii) *Deferred tax assets not recognised*

	Group	
	2020 AU\$'000	2019 AU\$'000
Unrecognised tax benefits from:		
Tax credits		
Unused tax credits for which no deferred tax asset has been recognised	38,714	38,714
Tax losses		
Tax losses for which no deferred tax asset has been recognised	14,823	10,268
Other deferred tax assets not recognised		
Other deductible temporary differences	23,528	9,116

16 Trade payables and contract liabilities

	Group	
	2020 AU\$'000	2019 AU\$'000
Trade payables		
- Non-related parties	6,108	11,247
Construction contracts		
- Provision for foreseeable contract losses	–	4,332
	6,108	15,579

Notes to the Consolidated Financial Statements (continued)

For the financial year ended
30 June 2020

16 Trade payables and contract liabilities (continued)

(i) Provision for foreseeable contract losses

	Group	
	2020 AU\$'000	2019 AU\$'000
Beginning of financial year	4,332	2,497
Increase in provision	–	4,239
Utilisation of provision	(4,332)	(2,404)
End of financial year	–	4,332

17 Other payables

	Group		Company	
	2020 AU\$'000	2019 AU\$'000	2020 AU\$'000	2019 AU\$'000
Current				
Accrued expenses	3,969	4,167	447	494
Employee benefit accruals	2,040	5,152	–	–
Payroll tax and other statutory liabilities	4,773	3,319	–	1
Other payables	9,726	10,112	308	271
	20,508	22,750	755	766

18 Borrowings

	Group		Company	
	2020 AU\$'000	2019 AU\$'000	2020 AU\$'000	2019 AU\$'000
Current				
Secured loans	4,996	6,928	4,996	6,928
Insurance premium funding	2,218	378	–	–
Lease liabilities	1,853	–	–	–
	9,067	7,306	4,996	6,928
Non-current				
Secured loans	–	577	–	577
Multi currency notes	41,270	41,308	41,270	41,308
Loan from substantial shareholder (note 32(f))	26,481	25,726	26,481	25,726
Insurance premium funding	431	–	–	–
Lease liabilities	12,349	–	–	–
	80,531	67,611	67,751	67,611
Total borrowings (interest-bearing)	89,598	74,917	72,747	74,539

18 Borrowings (continued)

	Group	
	2020	2019
	AU\$'000	AU\$'000
Secured borrowings:		
Multi currency notes	41,270	41,308
DBS Term Loan - SGD	–	7,505
DBS Revolving Credit Facility	4,996	–
Total secured borrowings	46,266	48,813
Unsecured borrowings:		
Loan from substantial shareholder	26,481	25,726
Insurance premium funding	2,649	378
Lease liabilities	14,202	–
Total unsecured borrowings	43,332	26,104
Total borrowings	89,598	74,917

(a) *Loan and overdraft facilities*

Multi currency notes

The Notes (AU\$41.3m) are a non-current liability and are secured.

The key terms of Notes are:

- maturity date is 3 December 2022; and
- interest will be paid monthly at a rate of 5% per annum from 3 December 2018, 6% per annum from 3 December 2019 and 7% per annum from 3 December 2020.

Loans from DBS Bank Ltd

The DBS short-term loan was refinanced by the Revolving Credit Facility (see below).

Revolving credit facility from DBS Bank Ltd

During the year, the Company secured a Revolving Credit Facility (“RCF”) from DBS bank and at 30 June 2020 \$5.0 million was drawn under this facility. The RCF refinanced the DBS Short Term Loan - SGD which gave the Group access to additional working capital until 30 June 2020. During the year, the Company has re-negotiated the final loan repayment date which is repayable by monthly instalments until December 2020.

DBS also provides bank guarantee facilities to the Group to support performance bonds and financial guarantees provided to the Group’s clients.

Loan from substantial shareholder

In June 2018, it was agreed with Ezion Holdings Limited (“Ezion”) to reduce the interest rate from 5.0% to 2.0% per annum for a period of one year effective from 1 November 2017. The repayment date on the loan has been extended until after 31 October 2023 while the interest remained at 2% per annum.

As at 30 June 2020 the amount owing on the loan by the Company to Ezion was AU\$26.5 million (30 June 2019: AU\$25.7 million) and is unsecured.

18 Borrowings (continued)

(a) Loan and overdraft facilities (continued)

(i) Security pledged and financial covenants

Security pledged

Multi currency notes

Notes are secured, on a shared first ranking basis, against all property and assets of NT Port and Marine Pty Ltd on a fixed and floating basis and 100% of the shares of Ezion Offshore Logistics Hub Pte. Ltd ("EOLH") pursuant to a share charge.

DBS Bank Ltd

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

Existing fixed and floating charge over all the present and future assets of AusGroup Limited, AusGroup Singapore Pte Ltd, Modern Access Services Singapore Pte Ltd, AusGroup Companies Pty Ltd, AGC Industries Pty Ltd, Specialist People Pty Ltd and Resource People Pty Ltd.

Existing deed of subordination, executed by Ezion Holdings Ltd and Ezion Offshore Logistics Hub Pte Ltd;

Existing deed of subordination, executed by Ezion Holdings Ltd;

Existing first legal mortgage over commercial property at 15 Beach Street, Kwinana beach, Western Australia.

A deed of charge executed by AusGroup Companies Pty Ltd incorporating an all-monies charge over fixed deposit account maintained by AusGroup Companies Pty Ltd with DBS Bank Ltd ("The lender") for an amount not less than AU\$2.5 million (2019: AU\$2.5 million).

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

	Group	
	2020	2019
	AU\$'000	AU\$'000
Bank facilities	155,920	218,981

Facility covenants

Multi currency notes

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

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

The Group has complied with the financial covenants on its Multi Currency notes after making adjustments for extraordinary and exceptional items in accordance with the Trust deed predominantly relating to the adverse impact of COVID-19 on the financial performance in the fourth quarter of FY2020 which has had a detrimental impact on earnings and the carrying value of the Group's assets. The Group was in compliance with the Multi-Currency note covenant during the test period to 31 December 2019 which was before the adverse impact of COVID-19 occurred.

18 Borrowings (continued)

(a) Loan and overdraft facilities (continued)

(i) Security pledged and financial covenants (continued)

DBS Bank Ltd facilities and loans

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

The Group is in breach of the maximum gearing ratio, minimum net worth and the minimum EBITDA to interest cost cover covenants at 30 June 2020. However, waivers for these breaches for FY2020 have been obtained from DBS bank Ltd after year end. The Group continues to discuss loans and facilities with DBS Bank Ltd, including financial covenants, to ensure that appropriate facilities are in place based on the Group's forecast business requirements. Under the facilities, the Company and the Group have a negative pledge requirement to ensure that no security is created, or permitted to be created, or have outstanding any security on or over the whole or any part of the respective undertakings, assets, property, revenues or rights to receive dividends, present or future.

(ii) Loan and overdraft interest

2020

Facilities	Approved Amount	Effective interest rate
Multi-currency Debt Issuance	SGD\$41.3 million	6% per annum from 4 December 2019 7% per annum from 3 December 2020
DBS Term Loan	SGD\$10 million	1 month SIBOR + 3.20%
DBS Revolving Credit Facility	AUD\$12.2 million	1 month BBSW + 4%

2019

Facilities	Approved Amount	Effective interest rate
Multi-currency Debt Issuance	SGD\$41.3 million	5% per annum from 3 December 2018 6% per annum from 4 December 2019 7% per annum from 3 December 2020
DBS Term Loan	SGD\$10 million	1 month SIBOR + 3.20%

(iii) Lease liabilities

Terms and debt repayment schedule

Terms and conditions of outstanding lease liabilities are as follows:

Group	Nominal interest rate	Year of maturity	2020	
			Face value AU\$'000	Carrying amount AU\$'000
Non-port related lease assets	6.25%	2021 - 2023	3,931	3,572
Port related lease assets	7.5%	2024 - 2060	26,781	10,630

Notes to the Consolidated Financial Statements (continued)

For the financial year ended
30 June 2020

18 Borrowings (continued)

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Borrowings \$'000	Insurance Funding \$'000	Lease liabilities* \$'000	Total \$'000
Balance at 1 July 2018	119,928	1,014	–	120,942
Repayment of borrowings / insurance funding	(37,034)	(2,868)	–	(39,902)
Proceeds from insurance funding	–	2,232	–	2,232
Total changes from financing cash flows	(37,034)	(636)	–	(37,670)
Other changes				
Debt to equity conversion	(8,239)	–	–	(8,239)
The effect of changes in foreign exchange rates	5,686	–	–	5,686
Recovery of costs incurred from related party	(6,000)	–	–	(6,000)
Interest expense - shareholder loan	666	–	–	666
Borrowing costs	(468)	–	–	(468)
Balance at 30 June 2019	74,539	378	–	74,917
Balance at 1 July 2019	74,539	378	–	74,917
Recognition of lease liabilities on initial application of SFRS(I) 16	–	–	15,459	15,459
Repayment of borrowings / insurance funding	(10,169)	(8,819)	–	(18,988)
Proceeds from borrowings	7,500	–	–	7,500
Proceeds from insurance funding	–	11,090	–	11,090
Repayment of lease liabilities	–	–	(3,112)	(3,112)
Total changes from financing cash flows	(2,669)	2,271	(3,112)	(3,510)
Other changes				
The effect of changes in foreign exchange rates	499	–	–	499
New leases	–	–	820	820
Interest expense	128	–	1,035	1,163
Borrowing costs	250	–	–	250
Balance at 30 June 2020	72,747	2,649	14,202	89,598

* As a result of the adoption of SFRS(I)16.

19 Accruals for other liabilities and charges

	Group	
	2020 AU\$'000	2019 AU\$'000
Current		
Annual leave	1,965	3,160
Redundancy allowance/rostered day off/sick leave	527	1,354
Long service leave	172	585
Fringe benefit tax payable	1	16
	2,665	5,115
Non-current		
Long service leave	746	950

Notes to the Consolidated Financial Statements *(continued)*

For the financial year ended
30 June 2020

20 Provisions

	Group	
	2020 AU\$'000	2019 AU\$'000
Current		
Restructuring provision	–	30
Onerous lease provision	–	136
Total provisions	–	166

Movements in provisions

Due to the completion of major project work and in order to right-size the business there was a restructure of the branch network which resulted in onerous lease and restructuring provisions in previous years.

21 Share capital

	Group and Company	
	2020 AU\$'000	2019 AU\$'000
Ordinary shares issued and fully paid:		
Beginning of financial year	216,349	162,647
Shares issued for cash net of transaction costs	–	46,350
Shares issued through debt to equity exercise	–	7,352
End of financial year	216,349	216,349

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

	Group and Company	
	2020	2019
Number of issued shares:		
Opening balance	3,048,230,431	1,504,805,466
Issuance of shares	–	1,326,714,101
Shares issued through debt to equity exercise	–	216,710,864
Closing balance	3,048,230,431	3,048,230,431

In FY2019, the Company completed the placement of 750,000,000, 200,000,000 and 100,000,000 new ordinary shares in the capital of the Company at an issue price of S\$0.035 for each Subscription Share to AOC Acquisitions Pte. Ltd., Mr. Toh Bee Yong and Mr. Poh Boon Kher Melvin, respectively. The Company also allotted and issued an aggregate of 276,714,101 Rights Shares for S\$0.035 each to other shareholders. The total number of new shares issued from this placement and Rights Issue amounted to 1,326,714,101 for consideration of S\$46.4 million (AU\$46.3 million).

In FY2019, the Company completed a further Ezion Loan capitalization by issue of 136,410,868 Right Shares to Ezion in exchange for settlement of US\$3.5 million (AU\$4.8 million) of the Shareholder loan with Ezion. The Company also issued 80,299,996 new ordinary shares at an issue price of S\$0.042 (transaction price S\$0.034) to Noteholders, in exchange for the settlement of approximately S\$3.4 million (AU\$3.3 million) owing on the Multi Currency Notes, generating gains from these transactions of AU\$0.8 million (S\$0.9 million). The total number of shares issued through these debt to equity exercises amounted to 216,710,864 for net consideration of AU\$7.4 million.

22 Other reserves

	Group		Company	
	2020 AU\$'000	2019 AU\$'000	2020 AU\$'000	2019 AU\$'000
Other reserves:				
Capital reserve	(163)	(163)	(163)	(163)
Share based payment reserve	5,848	5,438	5,848	5,438
Foreign currency translation reserve	15,106	18,907	27,564	27,918
	20,791	24,182	33,249	33,193
Movements:				
Capital reserve:				
Beginning and end of financial year	(163)	(163)	(163)	(163)
Share based payment reserve:				
Beginning of financial year	5,438	5,460	5,438	5,460
Share based payment expense (note 31)	410	(22)	410	(22)
At end of financial year	5,848	5,438	5,848	5,438
Foreign currency translation reserve:				
Beginning of financial year	18,907	18,229	27,918	25,891
Net currency translation difference arisen from dissolved entities transferred to profit and loss	(3,814)	–	–	–
Net currency translation difference of financial statements of foreign subsidiaries and the Company	13	678	(354)	2,027
At end of financial year	15,106	18,907	27,564	27,918

Share based payment reserve

AusGroup Employee Share Option Scheme 2007, AusGroup Share Option Scheme 2010, AusGroup Share Scheme 2010 and options issued to Ezion Holdings Limited and Eng Chiaw Koon have now expired. The Group currently has two schemes in operation (collectively referred to as "the schemes"):

(a) Share options

Share options were granted to non-executive directors, key management and employees under the AusGroup Employee Share Option Scheme ("ESOS") which became operative on 9 October 2019.

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

Once the options have vested, they are exercisable for a contractual option term of 10 years from the date at which the ESOS 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.

As at 30 June 2020, no share options are to be issued under the option scheme.

22 Other reserves (continued)

(b) Share Plan

The AusGroup Performance Share Plan 2019 ("PSP") for employees of the Group (including any executive and non-executive director) and/or a subsidiary was approved by shareholders and adopted on 9 October 2019. The PSP is an integral and important component of the Group's new compensation scheme and is designed to reward and retain the Group's employees whose services and contributions are vital to the well-being and success of the Group.

The selection of a Participant and the number of Shares which are the subject of each Award granted to a Participant in accordance with the PSP shall be determined at the absolute discretion of the Plan Committee. The Plan Committee plans to exercise this discretion judiciously, taking into account criteria such as his rank, job performance, years of service and potential for further development, his contribution to the success and development of the Company and the extent of effort required to achieve the performance target within the performance period.

The PSP shall continue to be in force at the discretion of the Plan Committee, subject to a maximum period of 10 years from the date which the PSP became operative.

On 15 July 2020, the Company allotted and issued 15,000,000 ordinary shares in the capital of the Company to Shane Francis Kimpton, the Managing Director and Chief Executive Officer of the Company, under the PSP.

23 Revenue

	Group	
	2020 AU\$'000	2019 AU\$'000
Contract revenue	251,258	265,487
Sale of goods	175	70
Hire revenue	6,033	15,447
Port & Marine services	4,779	5,246
	262,245	286,250

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Contract revenue

Nature of services	The Group provides construction services relating to structural, mechanical and piping installation works. The Group also provides maintenance services ranging from breakdown maintenance to shutdowns and sustaining capital works.
When revenue is recognised	Construction contracts qualify for over time revenue recognition as the constructed assets have no alternative use for the Group due to contractual restrictions, and the Group generally has enforceable rights to payment for performance completed till date. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs of each contract.
Significant payment terms	Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified construction milestones. If the value of the construction services rendered exceeds payments received from the customer, a contract asset is recognised.

23 Revenue (continued)

Hire revenue

Nature of services	The Group provides hiring and installation of scaffolding equipment.
When revenue is recognised	Revenue is recognised over time after the equipment are delivered to the customers and the scaffolding assets are being utilised by the customers.
Significant payment terms	Invoices are issued on monthly basis and are payable within 30 business days. No element of financing is deemed present as the credit terms are consistent with market practice. Hence, no interest is charged to customers.

Port & Marine services

Nature of goods or services	The Group sells fuel and provides rental accommodation services.
When revenue is recognised	Revenue for sale of goods is recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied. Revenue for rental services is recognised over the rental period of the accommodation.
Significant payment terms	Invoices are issued on monthly basis and are payable within 30 business days. No element of financing is deemed present as the credit terms are consistent with market practice. Hence, no interest is charged to customers.

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

(a) *Disaggregation of revenue from contracts with customers*

In the following table, revenue is disaggregated by timing of revenue recognition.

	2020 AU\$'000	2019 AU\$'000
Timing of revenue recognition		
Products transferred at a point in time	4,954	5,316
Products and services transferred over time	257,291	280,934
	262,245	286,250

24 Other operating income

	Group	
	2020 AU\$'000	2019 AU\$'000 *Restated
Interest income	95	354
Profit on sale of property, plant and equipment	922	1,043
Net foreign exchange (loss)/income	(134)	336
Other income	537	1,118
Bad debts recovery	–	440
Recovery of costs incurred from related party (refer note 32(f))	–	6,000
	1,420	9,291

* See Note 30

25 Impairment of non-current assets

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

The Group has identified the following indicators of impairment at 30 June 2020 which has led the Group to assess the recoverable value for CGUs:

- Port Melville is now fully operational and has completed the commercialisation of its facilities. Fuel sales during the year have been impacted by the general lack of activity in the oil and gas sector due to the COVID-19 pandemic decreasing the market demand for fuel and this has also impacted the activity levels (vessel movements) required to reach an operational steady state. The oil and gas commodity prices have been adversely affected by the COVID-19 pandemic and other global factors leading to many major oil and gas operators impairing exploration asset values which have a downstream negative impact on the port and marine business activities forecasted over the near term. This has led to the decision to impair the port and marine assets in the current year.

(a) Impairment charges recognised in the financial statements

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

Impairment of CGUs based on year end assessment	Method	2020	2019
		Impairment charge AU\$'000	Impairment charge AU\$'000
Port and Marine - Property, plant and equipment	FVLCD	30,255	–
Port and Marine - Other intangible assets	FVLCD	19,745	–
Total		50,000	–
Impairment based on assessment of individual asset values			
	Method		
Fabrication and Manufacturing – Australia	VIU	–	–
Projects	VIU	–	–
Access Services	VIU	–	–
Maintenance Services	VIU	–	–
Corporate	VIU	–	–
Total		50,000	–

(i) Material impairment assessment of CGUs for the current year

Port and Marine: Fair value less costs of disposal basis

The valuation model uses an income based approach and is based on the present value of expected cash flows in the business over the life of the right to operate the port held by the Group. The expected cash flows have been adjusted to incorporate the downturn in market activities due to the impact of COVID-19 and the resultant volatile market outlook for oil and gas commodity prices. The fair value measure was categorised as level 3 fair value based on the inputs in the valuation techniques used.

The recoverable amount of the Port and Marine CGU is estimated to be \$45.6 million (2019: \$93.1 million) on a FVLCD with the impairment loss to be determined at \$50 million after considering the COVID-19 impact, which results in a reduction in the carrying value of the CGU to \$39.2 million (2019: \$91.3 million).

Other Australian based CGUs

It has been determined there were no impairment triggers for the Australian Based CGUs for 2020. However, Access Services CGU was tested for impairment as it included goodwill which is tested annually. The recoverable amount of the Access Services CGU based on a VIU is estimated to be \$32.2 million (2019: \$37.5 million based on VIU). The carrying amount of the CGU as at 30 June 2020 was \$30.4 million (2019: \$27.0 million). No impairment has been recognised in the year (2019: \$Nil).

25 Impairment of non-current assets (*continued*)

(b) *Key assumptions*

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

(i) *Key assumptions in VIU models*

The key assumptions used to determine the value in use for the relevant Australian based CGUs mentioned above where that CGU has either material goodwill or impairments recognised are based on a discount rate of 14.0% pre-tax discount rate applied to cash flow projections (2019: 17.6%) and a growth rate of 2.0% (2019: 2.02%) (weighted average growth rate used to extrapolate cash flow beyond the initial forecast period based on management budgets of five years).

(ii) *Key assumptions in FVLCD models*

In 2020 the recoverable amount has been determined on a FVLCD basis for the Port and Marine CGU, with the valuation principle based on the present value of future cash flows. The following sets out the key assumptions in the Port and Marine FVLCD model.

The operations included in the valuation model of the Port and Marine CGU are based on the activity of Port Melville related assets and the activity of the supply base located in Darwin. The business model used for the valuation of the CGU is based on marine fuel sales and woodchip sales, providing options to the oil and gas operators to utilise more accessible fuel and also the use of the Port Melville industrial precinct and storage laydown facilities.

During FY2020, the port has continued to focus on the growth of the oil and gas service provision which in the latter part of the year has been affected by the slow-down in activity due to the effects of the COVID-19 pandemic, with this effect included in the valuation assessment resulting in a material decrease on the near-term objectives of the services. Whilst there has been further development of the oil and gas exploration activities in the Bonaparte basin, which is adjacent to Port Melville, the Final Investment Decision which was expected in March 2020 has been delayed and is now expected in early 2021. Accordingly, the incorporation of these developments would more fairly reflect the value of the port in its expanded state rather than in its current state, therefore a valuation on the basis of FVLCD is still the most appropriate option. This will allow management to take into account the expected investment in order for the port to offer a diverse range of services over the remaining asset life of 39 years.

In prior years, the Group engaged external specialists in the field of Port and Marine Services with specific expertise in the economic forecast for oil and gas developments, to perform a FVLCD valuation on a discounted cash flow basis as at 30 June 2016 of the oil and gas related opportunities for the Port and Marine CGU. This information has been used in the current year FVLCD valuation as the market conditions expected timing of this development to be delayed. The value derived from the woodchip, fuel sales, accommodation, ullage and laydown leasing revenue stream assumptions have been added to expert's valuation to determine the FVLCD for the current year.

Forecast revenue assumptions

Fuel Supply & Sales

During FY2020, the Port & Marine CGU has continued with deliveries of fuel to a diverse range of clients including Australian Commonwealth Government departments, commercial maritime transport industry, domestic market consumption and various NT Government departments.

Port & Marine CGU has also provided services to the Tiwi Islands and vessels servicing NT waters such as port services and accommodation.

These services will continue to expand and will provide an alternative fuel supply and port service offering to Darwin Port, with the continuing focus to increase the CGU's footprint across the fuel supply market, targeting a market penetration of both the domestic fuel market on the Tiwi Islands and securing supply contracts with international oil and gas operators.

25 Impairment of non-current assets (*continued*)

(b) *Key assumptions (continued)*

(ii) *Key assumptions in FVLCD models (continued)*

Woodchips and Pine log sales

The other key source of revenue included in the Port & Marine CGU valuation is the revenue earned on the forestry product sales. There is ample resource on the Tiwi Islands to service this industry and the client requirements for the life of the model as they adopt more mature plantation and forestry techniques with diversification of the product line into hybrid species and biofeed stock now being developed. The market conditions due to the effect of COVID-19 has led to a timing delay of this activity.

Other sales revenues (Oil and Gas exploration)

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

The independent valuation expert's report was produced at the end of calendar year 2016 and is still relevant for 2019/20 and the key oil and gas development in the Bonaparte basin is still under consideration. The report has considered revenue from expected/foreseeable contracts based on the current operations of Port Melville, ongoing discussions with potential customers as advised by management from Port Melville, associated with the oil and gas exploration sector. The approach taken to modelling forecast revenue has been bottom up, beginning with a view on oil and gas activity expected to take place in the catchment area. From this assessment, typical tonnage and fuel assumptions through ports have been estimated, which form the basis of a view on total revenues. These revenues have then been risk adjusted according to the ability of Port Melville to secure them.

Over the life of the right to operate the port lease (valid until 2059), the total market has been assessed based on the current activity in the area, including factoring in the effects of COVID-19 on the expected future cash flows, but has also taken into account possible development and capital spend in oil and gas as this may lead to additional revenue streams when these projects come online. These include development of various fields, primarily within the Bonaparte basin, but excludes revenue for development of fields currently expected to occur after 2035 as the income is not considered to have sufficient certainty at this stage. Revenue has been included for the full valuation period up to 2059 for some other areas, where the Group has existing revenue streams, as there is considered to be a greater level of certainty attached to these items.

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

Other revenue (storage and laydown services)

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

Discount rate

The discount rate applied to the valuation model was 8.91% (2019: 8.91%) post tax nominal (pre-tax equivalent: 12.73% (2019: 12.73%) for the Port and Marine business). It was determined by calculating the most appropriate rate to apply to the forecast cash flows, after considering risk adjusted forecast oil and gas revenue and the current operations of the Port and Marine business which are not linked to the oil and gas industry and after including the adjusted cost of servicing external debts.

25 Impairment of non-current assets (*continued*)

(b) *Key assumptions (continued)*

(ii) *Key assumptions in FVLCD models (continued)*

Other assumptions

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

Area	Basis of assumption
Port tariff	The rates used in the valuation are based on the Group's current published tariff table. Historic data concerning annual increases in port tariff applied by other ports has been used in order to determine the inflation rate used in the calculation of model revenue in future years. The forecast tariff rates were benchmarked by the independent expert based on their prior experience in valuing ports.
Fuel Volumes	Fuel sales have been determined after research into the total NT / Darwin market volumes for prior years and factoring in expected growth after 2021/22 (base years for the model) to account for the effects of COVID-19.
Fuel Sales	Prices have been based on sales made during the last three years with sales made both in the domestic market (Tiwi Island) and to Oil and gas operators and international customers. The independent fuel sales expert has provided indications on likely sales price ranges indicative of the respective market sectors.
Fuel Prices (cost of purchase)	Prices have been based on the six parcels of fuel purchased to date. The prices have all been quoted for deviation costs from the normal shipping routes to call at Port Melville and have been included as a sunk cost in all pricing.
Costs	The costs used in the valuation model are consistent with the current operating costs required to operate the facilities at East Arm, Darwin, Port Melville and are deemed appropriate to operate the facilities in future years.
Capital expenditure ("Capex")	The level of Capex in the valuation model has been determined based on what is required to maintain a full service offering to support the business operations foreseen in the model.
Period of cash flows	The model has been based on the remaining term of the right to operate the port already held in the Group (terminates in 2060).
Cost inflation	Costs have been assumed to increase based on the consumer price index issued by the RBA adjusted to remove the effects of recovery from COVID-19.

25 Impairment of non-current assets (continued)

(b) Key assumptions (continued)

(ii) Key assumptions in FVLCD models (continued)

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

- Estimates of revenue are partially dependent on securing contracts in relation to specific customer projects in all chosen market sectors including the oil and gas industries and in the newly developed target markets of potential marine fuel sales over the remaining 39 year asset life, and although management remain confident that there will be projects available to support the revenue assumptions, there is uncertainty that all these projects will be available or that Port Melville will capture the proportion of these projects foreseen in the model (refer to note 25 (c) in relation to sensitivities in revenue);
- Fuel prices may vary over time and therefore the amount of inventory held at any one time will be estimated such that there are sufficient volumes to meet imminent shipping requirements in order to avoid price erosion on margins based on spot sales contracts.
- Market penetration and market share criteria data are largely untested although knowledge of the industry is now based on the three years' sales and fuel purchases and will grow as sales increase.
- Some of the projected revenue is also dependent on activity in the oil and gas industry which tends to be cyclical and therefore modelled activity may differ in timing and/or extent from that actually experienced in the coming years after factoring in the effects of COVID-19 on the market conditions.
- Estimates of fuel volumes available in the market are determined by management's best estimates based on available market information coupled with considered opinion from the independent fuel expert after factoring in the effects of COVID-19 on the market conditions.
- There are other ports, including Port Darwin, operating in the area which may take a different proportion of the market than projected, although projections of estimated revenue volume (which in turn is a key driver of other key model inputs such as estimated costs and capital expenditure) have taken into account the relative positions of these ports and therefore the risk in this area has been carefully considered.

Please refer to note 25(c) for numerical information regarding the sensitivity of the impairment charge recognised to reasonably possible changes in key assumptions. This includes the key assumption of revenue, but also considers other reasonably possible changes in the most significant assumptions discussed in this section.

(c) Sensitivity of impairment models to changes in assumptions

The following table sets out the sensitivity of the Group's results in relation to reasonably possible changes in assumptions used in determining recoverable value in relation to the Port and Marine:

Port and Marine	Potential increase/(decrease) in FVLCD 2020 \$'million
Fuel sales price decreased by 10%	(19.9)
Fuel sales price increased by 10%	18.0
Fuel volumes increased by 10%	4.6
Fuel volumes decrease by 10%	(4.8)
Discount rate increased by 1.0%	(9.8)
Discount rate decreased by 1.0%	12.1
Fuel purchase price increased by 10%	(14.9)
Fuel purchase price decreased by 10%	13.5

In addition, the recoverable amount of the Access Services CGU exceeds its carrying value at 30 June 2020 by AU\$1.8 million (2019: AU\$10.5 million). The recoverable value of this CGU would equal its carrying amount if revenue forecast in the model were to decrease by 2% or the discount rate was to increase by 0.55% to 10.35%. The Group has not identified any further reasonably possible changes for other key assumptions that could cause the carrying amount of the CGU to exceed its recoverable amount.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended
30 June 2020

26 Expenses by nature

	Group	
	2020 AU\$'000	2019 AU\$'000
(Loss)/profit has been determined after charging:		
Materials (included in cost of sales)	12,940	13,026
Allowance for foreseeable contract losses (included in cost of sales)	–	4,239
Redundancy cost associated with the effects of COVID-19	1946	–
Federal Government subsidy for Covid-19 relief		
Subsidy in cost of sales	2058	–
Subsidy included in administrative expenses	612	–
Total Federal Government subsidy for Covid-19 relief	2670	–
Depreciation of property, plant and equipment		
- included in cost of sales	3,499	5,103
- included in administrative expenses	1,624	729
Total depreciation charge (note 11)	5,123	5,832
Depreciation of right-to-use asset		
- included in cost of sales	832	–
- included in administrative expenses	1,652	–
Total depreciation charges (note 12)	2,484	–
Amortisation of other intangible assets		
- included in cost of sales	799	799
- included in administrative expenses	384	149
Total amortisation charge (note 14)	1,183	948
Employee compensation		
- included in cost of sales	137,972	178,000
- included in operating and administrative expenses	20,730	21,284
Total employee compensation (note 31)	158,702	199,284
Reversal of impairment loss (note 11)	–	(2,570)
Audit fees:		
Auditor of the Company (KPMG)	98	120
Other auditors (KPMG)	335	410
Non-audit fees:		
Auditor of the Company (KPMG)	–	28
Other auditors (KPMG)	6	–

Notes to the Consolidated Financial Statements (continued)

For the financial year ended
30 June 2020

27 Finance costs

	Group	
	2020	2019
	AU\$'000	AU\$'000 *Restated
Note interest	2,684	4,070
Bank and other interest	765	2,383
Shareholder loan interest	124	337
Bank fees	138	151
Bank guarantee fees	251	79
Lease liabilities (2019 : Hire purchase)	1,035	6
Remission of interest charges	–	(5,520)
Foreign exchange loss on shareholder loan	794	–
	5,791	1,506

* See Note 30

28 Income tax expense

	Group	
	2020	2019
	AU\$'000	AU\$'000 *Restated
Income tax expense on continuing operations:		
Current tax expense	1,027	1,852
Deferred tax expense	(110)	(626)
	917	1,226

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

(Increase)/Decrease in deferred tax assets (note 15)	5,705	(2,039)
Increase/(Decrease) in deferred tax liabilities (note 15)	(5,815)	1,413
	(110)	(626)

	Group	
	2020	2019
	AU\$'000	AU\$'000 *Restated
Numerical reconciliation of income tax expense to prima facie tax payable:		
(Loss)/profit from continuing operations before income tax	(62,529)	3,188

Reconciliation

Tax calculated at Australian tax rate of 30% (2019 : 30%)	(18,759)	956
Effect of tax rates in foreign jurisdictions	(297)	(1,281)
Tax effect of non-deductible expenses	1,034	920
Deferred tax asset not recognised :		
- Current year tax losses	5,189	4,566
- Other deferred tax assets	13,002	(5,046)
Non-recoverable withholding tax credits	748	1,123
Previously un-recognised tax losses utilised	–	(12)
	917	1,226

* See Note 30

Notes to the Consolidated Financial Statements (continued)

For the financial year ended
30 June 2020

29 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:

	2020 Number of shares	2019 Number of shares
Issued and paid-up ordinary shares as at 30 June	3,048,230,431	3,048,230,431

	2020 AU\$'000	2019 AU\$'000 Restated*
(Loss)/profit attributable to the owners of the Company:		
- from continuing operations	(63,446)	1,962
- from discontinued operation (refer note 30)	3,940	337
	(59,506)	2,299

(a) Basic earnings per share

	2020 Number of shares	2019 Number of shares
Weighted average number of ordinary shares on issue	3,048,230,431	2,400,072,297
	2020 Cents	2019 Cents
Basic (loss)/earnings per share (AU\$ cents per share)		
- from continuing operations	(2.1)	0.1
- from discontinued operation	0.1	-
	(2.0)	0.1

(b) Diluted earnings per share

	Number of shares	Number of shares
Weighted average number of ordinary shares on issue	3,048,230,431	2,400,072,297
Adjustments for calculation of diluted earnings per share:		
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	3,048,230,431	2,400,072,297
	2020 Cents	2019 Cents
Diluted (loss)/earnings per share (AU\$ cents per share)		
- from continuing operations	(2.1)	0.1
- from discontinued operation	0.1	-
	(2.0)	0.1

Nil options (2019: Nil option) were included in the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive. All options expired at 30 June 2019.

*See Note 30

Notes to the Consolidated Financial Statements *(continued)*

For the financial year ended
30 June 2020

30 Discontinued operation

(a) Description

During the year, the Company has deregistered/struck off subsidiaries that are dormant and accordingly the financial results of those subsidiaries were classified as discontinued operations. In accordance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations, prior periods' figures in the consolidated statement of comprehensive income have been re-presented to disclose discontinued operations. The results and cash flow information are presented below.

(b) Results of discontinued operation

	2020 AU\$'000	2019 AU\$'000
Cost of sales	–	(13)
Gross profit / (loss)	–	(13)
*Other operating income	3,814	452
Expenses	126	(44)
Finance cost	–	(58)
Profit before tax from discontinued operations	3,940	337
Net profit from discontinued operation	3,940	337

* The other operating income recognised in FY2020 comprises a transfer from foreign currency translation reserve to profit or loss as a result of dissolution of the subsidiaries.

Basic earnings per share (cents)	0.1	–
Diluted earnings per share (cents)	0.1	–

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

	2020 AU\$'000	2019 AU\$'000
Cash flows from/ (used in) discontinued operations		
Net cash used in operating activities	(72)	(2,785)
Net cash generated from financing activities	49	2,751
Net cash used in discontinued operations	(23)	(34)

31 Employee compensation

	Group	
	2020 AU\$'000	2019 AU\$'000
Salaries and other short-term employee benefits	141,155	179,510
Employer's contribution to defined contribution plans including superannuation and Central Provident Fund	11,002	13,653
Employee share option scheme expense (refer to note 22)	410	(22)
Termination benefits	6,135	6,143
Total employee compensation (note 26)	158,702	199,284

Notes to the Consolidated Financial Statements (continued)

For the financial year ended
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32 Related party transactions

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

(a) Sale of services

	Group	
	2020 AU\$'000	2019 AU\$'000
Services provided by director of the Company, Eng Chiaw Koon under consultancy agreement with Ezion Holdings Limited	233	110

(b) Purchases of goods and services

	Group	
	2020 AU\$'000	2019 AU\$'000
Purchase of accommodation village from Aus Am Pte Ltd a subsidiary of Charisma Energy Services Limited, whereby Ezion Holdings Limited has 42% interest ⁽¹⁾	–	11,800
Interest accrued on loan from Ezion Holdings Limited ⁽¹⁾	148	666
Management fee and reimbursement of expenses paid on behalf by Ezion Holdings Limited ⁽²⁾	19	64

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

(2) The transactions are done in line with the Interested Person Transactions mandate as approved by shareholders.

(c) Key management personnel

	Group	
	2020 AU\$'000	2019 AU\$'000
Salaries and other short-term employee benefits	2,466	4,154
Termination benefits	341	–
Employer's contribution to defined contribution plans including superannuation and Central Provident Fund	103	137
Employee share option scheme expense	132	276
	3,042	4,567

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

	Group	
	2020 AU\$'000	2019 AU\$'000
Current payable relating to service received from entities controlled by Ezion	(262)	(238)
Current payable relating to purchase of accommodation village from Aus Am Pte Ltd	(6,560)	(8,620)

Notes to the Consolidated Financial Statements *(continued)*

For the financial year ended
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32 Related party transactions (continued)

(e) Advances (from) / to subsidiaries

Company	Total due AU\$'000	Provision for doubtful debts AU\$'000	Total AU\$'000
2020			
Due from subsidiaries	200,900	(168,080)	32,820
Due to subsidiaries	(11,485)	–	(11,485)
2019			
Due from subsidiaries	197,329	(135,388)	61,941
Due to subsidiaries	(8,196)	–	(8,196)

(f) Loan from substantial shareholder

	Group and Company	
	2020 AU\$'000	2019 AU\$'000
Beginning of the year	25,726	34,172
Recovery of costs incurred from related party	–	(6,000)
Interest charged	148	666
Repayment through Ezion Loan Capitalisation	–	(4,840)
Currency translation differences	607	1,728
End of the year (note 18)	26,481	25,726

The Group has an unsecured loan with Ezion, a substantial shareholder of the Company which is denominated in USD. The amount outstanding as at 30 June 2020 was US\$18.2 million, equivalent to AU\$26.5 million (2019: US\$18.1 million, equivalent to AU\$25.7 million). This loan accrues interest at 2.0% (2019: 2.0%) per annum capitalised to the loan balance. Repayment of the loan is due on 30 October 2023.

In FY2019, part of the loan was repaid through a debt-to-equity exercise.

33 Segment information

The following summary describes the operations of each reportable segment.

Description of segments

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

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

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

Reportable Segments	Operations
Projects	Provides construction services include structural, mechanical, piping (SMP), painting, insulation and fireproofing (PIF) and engineering procurement and construction (EPC). Revenue from Projects segment is recognised in contract revenue.
Access Services	Provide access services include scaffolding, engineering and design, labour supply and stock control, logistics, transportation and rope services. Revenue from Access Services segment is recognised in contract revenue, sales of goods and hire revenue.
Fabrication and manufacturing	Provide turnkey solutions to the oil and gas sector through all phases of the asset life-cycle from exploration, construction, commissioning and operation through to maintenance and repair and decommissioning. Revenue from Fabrication and manufacturing segment is recognised in contract revenue. The Singapore segment is now discontinued (refer Note 30).
Maintenance Services	Provides preventative and breakdown maintenance services as well as shut down services and sustaining capital works. Revenue from Maintenance Services segment is recognised in contract revenue.
Port & Marine Services	Provides a full range of support services to the local wood chipping business and the offshore oil and gas industry through the provision of diesel fuel, port laydown, logistics and transportation of high, wide and heavy cargoes to remote and environmentally sensitive locations. Revenue from Port & Marine Services segment is recognised in Port & Marine revenue.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended
30 June 2020

33 Segment information (continued)

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

Group 2020	Projects AU\$'000	Access Services AU\$'000	Fabrication & Manufacturing - Australia AU\$'000	Fabrication & Manufacturing - Singapore (Discontinued) AU\$'000	Maintenance Services AU\$'000	Port & Marine Services (including discontinued entities) AU\$'000	Corporate/ Unallocated AU\$'000	Total AU\$'000
TOTAL REVENUE								
Revenue from external customers	71,439	25,955	37,320	–	122,752	4,779	–	262,245
RESULTS								
Adjusted EBITDA	2,893	4,538	524	4,606	6,710	(3,362)	(9,112)	6,797
Depreciation and amortisation	(23)	(2,545)	(1,030)	–	–	(3,653)	(1,539)	(8,790)
Interest income	3	1	–	–	–	–	91	95
Interest expense	(1)	(46)	(102)	–	–	(4,183)	(1,459)	(5,791)
Impairment losses	(10)	(484)	–	–	(322)	(50,049)	(35)	(50,900)
Profit / (loss) before tax	2,862	1,464	(608)	4,606	6,388	(61,247)	(12,054)	(58,589)
ASSETS								
Total segment assets	6,106	33,002	17,171	–	17,018	53,183	28,896	155,376
Additions to non-current assets (other than financial assets and deferred tax)	–	867	300	–	463	–	531	2,161
LIABILITIES								
Total segment liabilities	776	3,716	3,718	–	3,009	21,087	88,050	120,356

Notes to the Consolidated Financial Statements (continued)

For the financial year ended
30 June 2020

33 Segment information (continued)

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

Group 2019	Projects AU\$'000	Access Services AU\$'000	Fabrication & Manufacturing - Australia AU\$'000	Fabrication & Manufacturing - Singapore (Discontinued) AU\$'000	Maintenance Services AU\$'000	Port & Marine Services (including discontinued entities) AU\$'000	Corporate/ Unallocated AU\$'000	Total AU\$'000
TOTAL REVENUE								
Revenue from external customers	90,746	95,212	11,301	-	83,745	5,246	-	286,250
RESULTS								
Adjusted EBITDA	(3,657)	27,608	(1,417)	7	5,275	(3,688)	(9,132)	14,996
Depreciation and amortisation	-	(2,892)	(685)	-	-	(2,627)	(576)	(6,780)
Interest income	71	2	-	-	-	-	281	354
Interest expense	7	2,039	-	-	-	(6,550)	2,940	(1,564)
Impairment losses	(4,000)	(7)	(11)	-	(301)	(16)	-	(4,335)
Net gain on partial debt restructure	-	-	-	-	-	-	854	854
Profit / (loss) before tax	(7,579)	26,750	(2,113)	7	4,974	(12,881)	(5,633)	3,525
ASSETS								
Total segment assets	5,159	39,147	21,362	952	33,375	93,966	25,020	218,981
Additions to non-current assets (other than financial assets and deferred tax)	-	212	909	-	-	12,282	655	14,058
LIABILITIES								
Total segment liabilities	5,831	11,476	1,832	34	5,387	926	95,578	121,064

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

Notes to the Consolidated Financial Statements *(continued)*

For the financial year ended
30 June 2020

33 Segment information (continued)

(b) *Segment assets for reportable segments*

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

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

	Group	
	2020	2019
	AU\$'000	AU\$'000
Segment assets for reportable segments	126,480	193,961
Cash and cash equivalents	21,566	15,578
Other receivables and prepayments	4,650	6,634
Property, plant and equipment	1,834	1,488
Intangible assets	846	1,320
	155,376	218,981

(c) *Segment liabilities for reportable segments*

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

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

	Group	
	2020	2019
	AU\$'000	AU\$'000
Segment liabilities for reportable segments	32,306	25,486
Trade payables	1,531	6,178
Other payables	5,973	8,783
Borrowings	75,396	74,916
Accruals for other liabilities and charges	2,651	4,114
Deferred tax liabilities and current tax payable (including set off of deferred tax pursuant to set-off provisions)	731	1,587
Lease liabilities - SFRS(I) 16	1,768	-
	120,356	121,064

33 Segment information (continued)

(d) *Other segment information*

	Revenue AU\$'000	%	Segment assets AU\$'000	%	Non-current assets (Exclude deferred tax assets) AU\$'000	%
2020						
Australia	258,164	98.4%	149,272	96.0%	85,585	95.8%
Singapore	893	0.4%	3,741	2.4%	3,687	4.2%
Thailand	3,188	1.2%	813	0.6%	14	–%
Malaysia	–	–%	1,550	1.0%	–	–%
Total	262,245	100.0%	155,376	100.0%	89,286	100.0%
2019						
Australia	284,802	99.5%	206,619	94.5%	125,786	96.6%
Singapore	–	–%	9,434	4.4%	4,353	3.3%
Thailand	568	0.2%	663	0.1%	60	0.1%
Malaysia	880	0.3%	2,265	1.0%	–	–%
Total	286,250	100.0%	218,981	100.0%	130,199	100.0%

Major customer

Revenue from one customer of the Group's Maintenance Services segment represents approximate AU\$135.8 million (2019: AU\$83.3 million) of the Group's total revenues.

34 Events occurring after the reporting period

COVID-19 has led to volatile market conditions and the unknown longevity of the impacts stemming from this pandemic may have an impact on the Group in FY2021.

Apart from the above, no further matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

35 Litigation and claims

Karara Mining Limited

The action in the Supreme Court of Western Australia in relation to claims submitted to Karara Mining Limited ("KML") by AGC Industries Pty Limited ("AGCI"), a wholly owned subsidiary of the Group, in relation to its contracted works completed in 2013. On 3 May 2019, the Supreme Court of Western Australia delivered judgement for the legal proceedings between AGC and KML in the Supreme Court of Western Australia, dismissing AGCI's claims. During FY2020, an out of court settlement was reached with KML and an agreement was reached to rescind the Appeal process with no additional effect to the Group.

SHAREHOLDINGS STATISTICS AS AT 18 SEPTEMBER 2020

Class of equity securities	:	Ordinary share
No. of equity securities	:	3,063,230,431
No. of treasury shares	:	Nil
No. of subsidiary holdings	:	Nil
Voting rights	:	One vote per share

Analysis of Shareholdings

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	11	0.15	356	0.00
100 – 1,000	144	1.93	121,747	0.01
1,001 - 10,000	2,467	33.06	17,866,512	0.58
10,001 - 1,000,000	4,715	63.20	530,552,494	17.32
1,000,001 and above	124	1.66	2,514,689,322	82.09
	7,461	100.00	3,063,230,431	100.00

Top 20 Shareholders

No.	Name of Shareholders	No. of Shares	%
1	Raffles Nominees(Pte) Limited	872,216,012	28.47
2	DBS Nominees Pte Ltd	705,378,824	23.03
3	Ezion Holdings Limited	409,232,604	13.36
4	Poh Boon Kher Melvin (Fu Wenke Melvin)	100,000,000	3.26
5	Citibank Nominee Singapore Pte Ltd	28,907,459	0.94
6	Phillip Securities Pte Ltd	24,127,300	0.79
7	Barry Alfred Carson and Jennifer Margaret Carson	20,651,518	0.67
8	Maybank Kim Eng Securities Pte.Ltd	20,517,110	0.67
9	Gea Ban Guan	18,300,000	0.60
10	IFast Financial Pte Ltd	17,160,550	0.56
11	Shane Francis Kimpton	15,000,000	0.49
12	Ip Yuen Kwong	14,000,000	0.46
13	United Overseas Bank Nominees Pte Ltd	13,846,614	0.45
14	OCBC Securities Pte Ltd	10,826,100	0.35
15	OCBC Nominees Singapore Pte Ltd	9,112,000	0.30
16	Goh Kim Siah	7,000,000	0.23
17	Lee Chee Seng	7,000,000	0.23
18	CGS-CIMB Securities (Singapore) Pte Ltd	5,867,100	0.19
19	UOB Kay Hian Pte Ltd	5,480,500	0.18
20	Ho Beng Siang	4,850,000	0.16
		2,309,473,691	75.39

Shareholdings Statistics as at 18 September 2020 (continued)

Shareholdings Held in Hands of Public

Based on information available to the Company and to the best knowledge of the Company as at 18 September 2020, approximately 38.5% 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 and subsidiary holdings held in the issued capital of the Company.

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders as at 18 September 2020)

Names of Substantial Shareholders	No. of shares in which shareholders have a direct interest	%	No. of shares in which shareholders are deemed to have an interest	%
Ezion Holdings Limited	409,232,604	13.36	–	–
Bernard Toh Bee Yong ⁽¹⁾	356,093,525	11.62	–	–
Poh Boon Kher Melvin ⁽²⁾	299,799,712	9.79	–	–
AOC Acquisitions Pte. Ltd.	750,000,000	24.48	–	–
Asdew Acquisitions Pte. Ltd. ⁽³⁾	68,326,974	2.23	750,000,000	24.48
Wang Yu Huei ⁽⁴⁾	–	–	818,326,974	26.71

Notes:

- (1) 156,093,525 shares of the total number of shares held by Bernard Toh Bee Yong are registered in the name of DBS Nominees Pte Ltd.
- (2) 199,799,712 shares of the total number of shares held by Poh Boon Kher Melvin are registered in the name of DBS Nominees Pte Ltd.
- (3) Asdew Acquisitions Pte. Ltd. holds a majority of the total voting rights of AOC Acquisitions Pte. Ltd. and is therefore deemed to have interest in the shares held by AOC Acquisitions Pte. Ltd. by virtue of the provisions of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore.
- (4) Wang Yu Huei is a majority shareholder and director of Asdew Acquisitions Pte. Ltd. and is therefore deemed to have interest in the shares held by Asdew Acquisitions Pte. Ltd. and AOC Acquisitions Pte. Ltd. by virtue of the provisions of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore.

COMPANY INFORMATION

Board of Directors

Mr Wu Yu Liang
Independent Director and Non-Executive Chairman

Mr Shane Francis Kimpton
Managing Director and Chief Executive Officer

Mr Eng Chiaw Koon
Non-Independent and Non-Executive Director

Mr Chew Heng Ching
Independent Non-Executive Director

Ms Ooi Chee Kar
Independent Non-Executive Director

Mr Melvin Poh Boon Kher
Non-Independent and Non-Executive Director

Mr Wang Yu Huei
Non-Independent and Non-Executive Director

Mr Toh Shi Jie
Non-Independent and Non-Executive Director

Audit Committee

Ms Ooi Chee Kar (Chair)
Mr Wu Yu Liang
Mr Chew Heng Ching

Nominating Committee

Mr Chew Heng Ching (Chair)
Ms Ooi Chee Kar
Mr Wu Yu Liang

Remuneration and Human Capital Committee

Mr Chew Heng Ching (Chair)
Mr Wu Yu Liang
Ms Ooi Chee Kar

Company Secretary

Ms Kim Yi Hwa

Registered Office

438B Alexandra Road #05-08/10
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E info@ausgrouppltd.com

Share Registrar and Share Transfer Office

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

Company Registration Number

200413014R

Website

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Auditors

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Partner-in-Charge: Chiang Yong Torng
Date of Appointment: 17 May 2016

Internal Auditors

Deloitte Touche Tohmatsu
Tower 2, Brookfield Place
123 St Georges Terrace
Perth, Western Australia 6000
Australia

Solicitors

Morgan Lewis Stamford LLC
10 Collyer Quay
#27-00 Ocean Financial Centre
Singapore 049315

Bankers

DBS Bank Ltd
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FMG Cloudbreak -
Tank Project



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