
**Announcement pursuant to Rule 704(5) and Rule 704(6) of the Listing Manual –
Disclaimer of Opinion by Auditor of the Financial Statements for Year Ended 30 June 2020 and
Material Adjustments to the Unaudited Results for Year Ended 30 June 2020**

Pursuant to Rule 704(5) of the Listing Manual, the Board of Directors of AusGroup Limited (the "Company") together with its subsidiaries (the "Group") wishes to announce that the independent auditor of the Company, KPMG LLP, has issued a disclaimer of opinion in their Independent Auditor's Report dated 25 September 2020 for the financial statements of the Company and the Group for the financial year ended 30 June 2020.

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

Pursuant to Rule 704(6) of the Listing Manual, the Board would also like to announce the material adjustments arising from the variances between the Financial Statements for the year ended 30 June 2020 and the unaudited financial statements announced on 28 August 2020 (the "Preliminary Unaudited FY 2020 Financial Results") annexed to this announcement as Appendix 3.

By Order of the Board
AusGroup Limited

Shane Francis Kimpton
Managing Director
25 September 2020

Issued by AusGroup Limited.

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ABOUT AUSGROUP LIMITED

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

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

Report on the audit of the financial statements

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.

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.

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

Report on the audit of the financial statements (continued)

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

Appendix 2 - Extracts from the financial statements for the year ended 30 June 2020

2 Summary of significant accounting policies (extract)

(a) Basis of preparation

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\$59.6 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.

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.

2 Summary of significant accounting policies (extract, continued)

(a) Basis of preparation (continued)

Going Concern (continued)

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.

18 Borrowings (extract)

	Group		Company	
	2020	2019	2020	2019
	AU\$'000	AU\$'000	AU\$'000	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

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 (extract, 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.

25 Impairment of non-current assets (extract)

(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	Impairment charge
		AU\$'000	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			
Fabrication and Manufacturing – Australia 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 (extract, 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.

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.

25 Impairment of non-current assets (extract, continued)

(b) Key assumptions (continued)

(ii) Key assumptions in FVLCD models (continued)

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 (extract, 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.

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.

25 Impairment of non-current assets (extract, continued)

(c) Sensitivity of impairment models to changes in assumptions

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

	Potential increase/(decrease) in FVLCD 2020 \$'million
Port and Marine	
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.

Appendix 3 – Material adjustments between the financial statements for the year ended 30 June 2020 and the unaudited financial statements announced on 28 August 2020

A. CONSOLIDATED STATEMENT OF (LOSS)/PROFIT AND OTHER COMPREHENSIVE INCOME

	Group		Variance	Note
	30/06/2020	30/06/2020		
	(Final)	(Unaudited)		
	AU\$'000	AU\$'000	AU\$'000	
Continuing operations				
Revenue	262,245	262,789	(544)	2
Cost of sales	(250,582)	(251,262)	680	2
Gross profit	11,663	11,527	136	
Other operating income	1,420	1,420	-	
Other operating costs	(10,096)	(10,096)	-	
Impairment of property, plant and equipment	(30,255)	-	(30,255)	1
Impairment of intangible assets	(19,745)	-	(19,745)	1
Administrative expenses	(8,397)	(8,397)	-	
Marketing and distribution expenses	(1,328)	(1,328)	-	
(Loss)/profit from operations	(56,738)	(6,874)	(49,864)	
Finance costs	(5,791)	(5,791)	-	
(Loss)/profit before income tax	(62,529)	(12,665)	(49,864)	
Income tax expense	(917)	(917)	-	
(Loss)/profit from continuing operations	(63,446)	(13,582)	(49,864)	
Discontinued operations				
Profit/(loss) from discontinued operations, net of tax	3,940	3,940	-	
Net (loss)/profit for the period	(59,506)	(9,642)	(49,864)	

Explanation for the variances

1. 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.

The timeframe for full recovery from the effects caused by the COVID-19 pandemic is currently uncertain. The impact of these factors on the analysis of the recoverable amount over the near term for the NT Port and Marine business has resulted in this non-cash impairment of AU\$50 million on the carrying value of the NT Port and Marine cash generating unit.

2. As part of finalising the financial statements for the year ended 30 June 2020, an late audit adjustments were identified and result a positive impact of AU\$0.1 million to the profit or loss.

B. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Group			Company			Note
	30/06/2020 (Final) AU\$'000	30/06/2020 (Unaudited) AU\$'000	Variance AU\$'000	30/06/2020 (Final) AU\$'000	30/06/2020 (Unaudited) AU\$'000	Variance AU\$'000	
CURRENT ASSETS							
Cash and cash equivalents	22,801	22,801	-	563	563	-	
Trade receivables	34,698	35,242	(544)	-	-	-	2
Other receivables and prepayments	4,711	4,711	-	760	760	-	
Inventories	3,880	3,880	-	-	-	-	
Due from subsidiaries	-	-	-	-	-	-	
Other assets	-	-	-	-	-	-	
Total current assets	66,090	66,634	(544)	1,323	1,323	-	
NON-CURRENT ASSETS							
Property, plant and equipment	49,819	80,074	(30,255)	-	-	-	1
Goodwill	10,994	10,994	-	-	-	-	
Intangible assets	13,814	33,559	(19,745)	-	-	-	1
Right-of-use assets	13,795	13,795	-	-	-	-	
Other receivables and prepayments	864	864	-	-	-	-	
Due from subsidiaries	-	-	-	32,820	66,439	(33,619)	1
Investments in subsidiaries	-	-	-	71,276	87,657	(16,381)	1
Deferred income tax assets	-	-	-	-	-	-	
Total non-current assets	89,286	139,286	(50,000)	104,096	154,096	(50,000)	
Total assets	155,376	205,920	(50,544)	105,419	155,419	(50,000)	
CURRENT LIABILITIES							
Trade payables	6,108	6,108	-	-	-	-	
Other payables	20,508	21,188	(680)	755	755	-	2
Due to subsidiaries	-	-	-	11,485	11,485	-	
Borrowings	9,067	9,067	-	4,996	4,996	-	
Accruals for other liabilities and charges	2,665	2,665	-	-	-	-	
Provisions	-	-	-	-	-	-	
Current income tax liabilities	104	104	-	359	359	-	
Total current liabilities	38,452	39,132	(680)	17,595	17,595	-	
NON-CURRENT LIABILITIES							
Deferred income tax liabilities	627	627	-	-	-	-	
Due to subsidiaries	-	-	-	-	-	-	
Borrowings	80,531	80,531	-	67,751	67,751	-	
Accruals for other liabilities and charges	746	746	-	-	-	-	
Provisions	-	-	-	-	-	-	
Total non-current liabilities	81,904	81,904	-	67,751	67,751	-	
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital	216,349	216,349	-	216,349	216,349	-	
Capital reserve	(163)	(163)	-	(163)	(163)	-	
Share-based payment reserve	5,848	5,848	-	5,848	5,848	-	
Foreign currency translation reserve	15,106	15,106	-	27,564	27,564	-	
Retained earnings	(202,120)	(152,256)	(49,864)	(229,525)	(179,525)	(50,000)	PL
Total equity	35,020	84,884	(49,864)	20,073	70,073	(50,000)	
Total liabilities and equity	155,376	205,920	(50,544)	105,419	155,419	(50,000)	

Explanation for the variances

1. The reduction in carrying value of Group property, plant and equipment and intangible assets relates to the impairment of Port and Marine assets (refer to section A, note 1).

As a result of the impairment recognised by the Group, the Company has also assessed the recoverability of loans due from subsidiaries and the carrying value of investments in subsidiaries in relation to the Port and Marine business. This has occasioned a further write down of loans and receivables by AU\$33.6 million and investments in subsidiaries by AU\$16.4 million.