



Civmec Limited

# CONSOLIDATED FINANCIAL REPORT

30 June 2019

For personal use only

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# CORPORATE REGISTRY

## BOARD OF DIRECTORS

Mr James Finbarr Fitzgerald  
(Executive Chairman)

Mr Patrick John Tallon  
(Chief Executive Officer)

Mr Kevin James Deery  
(Chief Operating Officer)

Mr Chong Teck Sin  
(Lead Independent Director)

Mr Wong Fook Choy Sunny  
(Independent Director)

Mr Douglas Owen Chester  
(Independent Director)

## AUDIT COMMITTEE

Mr Chong Teck Sin  
(Chairman)

Mr Douglas Owen Chester

Mr Wong Fook Choy Sunny

## REMUNERATION COMMITTEE

Mr Wong Fook Choy Sunny  
(Chairman)

Mr Douglas Owen Chester

Mr Chong Teck Sin

## NOMINATING COMMITTEE

Mr Douglas Owen Chester  
(Chairman)

Mr Wong Fook Choy Sunny

Mr Chong Teck Sin

## RISKS & CONFLICTS COMMITTEE

Mr Chong Teck Sin  
(Chairman)

Mr Douglas Owen Chester

Mr Wong Fook Choy Sunny

## COMPANY SECRETARIES

Ms Chan Lai Yin

Ms Lee Pay Lee

## REGISTERED OFFICE

80 Robinson Road, #02-00  
Singapore 068898

Tel: (65) 6236 3333

Fax: (65) 6236 4399

## PRINCIPAL OFFICE AND CONTACT DETAILS

16 Nautical Drive,  
Henderson WA 6166  
Australia

Tel: (61) 8 9437 6288

Fax: (61) 8 9437 6388

## SHARE REGISTRAR AND SHARE TRANSFER AGENT

Tricor Barbinder Share Registration Services  
(a division of Tricor Singapore Pte Ltd)

80 Robinson Road, #02-00  
Singapore 068898

## Computershare

Level 11  
172 St Georges Terrace  
Perth WA 6000  
Australia

## AUDITORS

### Moore Stephens LLP

10 Anson Road, #29-15 International Plaza  
Singapore 079903

### Partner in Charge: Ms Lao Mei Leng

(Appointed since the financial year ended  
30 June 2016)

## PRINCIPAL BANKER

### National Australia Bank

Level 14  
100 St Georges Terrace  
Perth WA 6000  
Australia

## CORPORATE WEBSITE

<http://www.civmec.com.au>

# DIRECTORS' STATEMENT

30 June 2019

The Directors present their report to the members together with the audited consolidated financial statements of Civmec Limited (the 'Company') and its subsidiaries (collectively referred to as the 'Group') for the financial year ended 30 June 2019 and the statement of financial position of the Company as at 30 June 2019.

In the opinion of the Directors:

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year 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 report are as follows:

Mr James Finbarr Fitzgerald	Executive Chairman
Mr Patrick John Tallon	Chief Executive Officer
Mr Kevin James Deery	Chief Operating Officer
Mr Chong Teck Sin	Independent Director
Mr Wong Fook Choy Sunny	Independent Director
Mr Douglas Owen Chester	Independent Director

## 2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR 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 or debentures of the Company or any other body corporate, other than as disclosed under 'Share Options' and 'Shares' in this report.

## 3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The interests of the Directors holding office at the end of the financial year in the share capital of the Company and related corporations as recorded in the register of Directors' shareholdings were as follows:

	HOLDINGS REGISTERED IN THE NAME OF DIRECTORS		HOLDINGS IN WHICH A DIRECTOR IS DEEMED TO HAVE AN INTEREST	
	AT 1.7.18	AT 30.6.19	AT 1.7.18	AT 30.6.19
	NO. OF ORDINARY SHARES			
<b>The Company</b>				
Mr James Finbarr Fitzgerald	-	-	97,720,806	97,720,806
Mr Patrick John Tallon	54,000	54,000	97,566,806	97,566,806
Mr Kevin James Deery	-	-	13,295,250	13,295,250

There was no change in any of the above-mentioned interests between the end of the financial year and 21 July 2019.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment, if later or at the end of the financial year.

# DIRECTORS' STATEMENT

30 June 2019

## 4. SHARE OPTIONS

### CIVMEC LIMITED EMPLOYEE SHARE OPTION SCHEME

The Civmec Limited Employee Share Option Scheme (the 'CESOS') for key management personnel and employees of the Group formed part of the Civmec Limited prospectus dated 5 April 2012.

The Remuneration Committee (the 'RC') administering the Scheme comprises Directors, Mr Wong Fook Choy Sunny (Chairman of the Committee), Mr Chong Teck Sin and Mr Douglas Owen Chester.

As part of Civmec's dual listing on the Australian Securities Exchange ('ASX'), no further grants will be made under the CESOS.

#### Options Granted under the Scheme

As at 30 June 2019, the following options to subscribe for ordinary shares of the Company pursuant to the CESOS were granted.

DATE OF GRANT	EXERCISE PERIOD	EXPIRY DATE	NUMBER OF OPTIONS
11 September 2013	12 September 2014 to 10 September 2023	11 September 2023	4,000,000

The options granted by the Company do not entitle the holder of the options, by virtue of such holding, to any right to participate in any share issue of any other company.

#### Options Exercised

During the financial year, there were no shares of the Company or its subsidiaries issued by virtue of the exercise of options to take up unissued shares.

#### Options Outstanding

Details of all the options to subscribe for ordinary shares of the Company pursuant to the CESOS, outstanding as at 30 June 2019 are as follows:

EXPIRY DATE	EXERCISE PRICE	NUMBER OF OPTIONS
11 September 2023	S\$0.65	4,000,000

## 5. PERFORMANCE SHARE PLAN

### CIVMEC LIMITED PERFORMANCE SHARE PLAN

The Civmec Limited Performance Share Plan (the 'CPSP') for key management personnel and employees of the Group was approved and adopted by shareholders at the Annual General Meeting held on 25 October 2012.

The Remuneration Committee (the 'RC') administering the Scheme comprises Directors, Mr Wong Fook Choy Sunny (Chairman of the Committee), Mr Chong Teck Sin and Mr Douglas Owen Chester.

The CPSP forms an integral and important component of the employee compensation plan, which is designed to primarily reward and retain key management and employees of the Company whose services are integral to the success and the continued growth of the Company.

#### Principal terms of the Scheme

##### (i) Participants

Under the rules of the Scheme, employees including Executive Directors and Associated Company Employees, who are not Controlling Shareholders or their associates, are eligible to participate in the Scheme.

Persons who are Controlling Shareholders and their Associates shall be eligible to participate in the Civmec Performance Share Plan if:

- (a) their participation in the Civmec Limited Performance Share Plan; and
- (b) the actual number and terms of the Awards to be granted to them have been approved by independent Shareholders of the Company in separate resolutions for each such person.

# DIRECTORS' STATEMENT

30 June 2019

## 5. PERFORMANCE SHARE PLAN (Continued) CIVMEC LIMITED PERFORMANCE SHARE PLAN (Continued) Principal terms of the Scheme (Continued)

### (ii) Size of the Scheme

The aggregate number of new Shares in respect of which Awards may be granted on any date under the CPSP, when added to (i) the aggregate number of Shares issued and issuable in respect of options granted under the Civmec Employee Share Option Scheme, and (ii) any other share schemes to be implemented by the Company, shall not exceed 15% of the number of issued Shares on the day immediately preceding the relevant Date of the Award (or such other limit as the SGX-ST may determine from time to time).

### (iii) Grant of Awards

Under the rules of the Plan, there are no fixed periods for the grant of Awards. As such, offers for the grant of Awards may be made at any time, from time to time at the discretion of the Committee.

In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made after the second market day from the date on which the aforesaid announcement is made.

### (iv) Lapse of Awards

Special provisions in the rules of the Plan deal with the lapse of Awards in circumstances which include the termination of the participant's employment in the Company, the bankruptcy of the participant, a take-over of the Company and the winding-up of the Company.

### (v) Release of Awards

After the end of each performance period, the Remuneration Committee (the 'RC') will review the performance targets specified in respect of the Award and if they have been satisfied, will release Awards to Participants.

### (vi) Duration of the Plan

The Plan shall continue in operation for a maximum duration of ten years and may be continued for any further period thereafter with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

### Awards Granted under the Scheme

The details of the awards granted under the Scheme during the financial year are as follows:

YEAR OF AWARD	NO. OF HOLDERS	NO. OF SHARES
Nil		

## 6. PERFORMANCE RIGHTS PLAN

### CIVMEC LIMITED PERFORMANCE RIGHTS PLAN

The Civmec Limited Performance Rights Plan (the 'CPRP') for key senior executives of the Group was approved and adopted by shareholders at the Annual General meeting held on 25 October 2018.

The Remuneration Committee (the 'RC') administering the Scheme comprises Directors, Mr Wong Fook Choy Sunny (Chairman of the Committee), Mr Chong Teck Sin and Mr Douglas Owen Chester.

The CPRP is designed to reinforce the vital equity culture at the top management level and to further align the interests of the Company's top management with those of Shareholders.

### Principal terms of the Scheme

#### (i) Participants

Under the rules of the Scheme, Key Senior Executives who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time, shall be eligible to participate in the Plan at the absolute discretion of the Committee. It also serves as an incentive for the recruitment and retention of talented senior executives.

Persons who are Controlling Shareholders and their Associates shall be eligible to participate in the CPRP if:

- (a) their participation in the Civmec Limited Performance Rights Plan; and

# DIRECTORS' STATEMENT

30 June 2019

## 6. PERFORMANCE RIGHTS PLAN (Continued)

### CIVMEC LIMITED PERFORMANCE RIGHTS PLAN (Continued)

#### Principal terms of the Scheme (Continued)

##### (i) Participants (Continued)

- (b) the actual number and terms of the Performance Rights to be granted to them have been approved by independent Shareholders of the Company in separate resolutions for each such person.

##### (ii) Size of the Scheme

The aggregate number of Ordinary Shares which may be delivered pursuant to the CPRP granted under the Plan on any date, when added to (i) the total number of Shares issued or issuable in respect of Performance Rights granted under the Plan, and (ii) any other share schemes adopted by the Company, shall not exceed 15% of the total number of issued Shares on the day immediately preceding the relevant Date of the Award (or such other limit as the SGX-ST may determine from time to time).

##### (iii) Grant of Awards

The grant of Awards may be made on an annual basis following the Company's Annual General Meeting, or at any time, from time to time at the discretion of the Committee.

When considering the value of the Award to be provided, the Committee primarily considers the number of Award shares and the performance condition within the performance period.

##### (iv) Lapse of Awards

Special provisions in the rules of the Plan deal with the lapse of Awards in circumstances which include the termination of the participant's employment in the Company, the bankruptcy of the participant, the retirement of the participant, a misconduct of the participant, a take-over of the Company and the winding-up of the Company.

##### (v) Vesting of Performance Rights

The Performance Rights are subject to the following vesting criteria:

1. Satisfaction of gateway hurdles
2. Achievement of company performance measures

#### Gateway Hurdles

The following two gateway hurdles need to be satisfied for any vesting, regardless of achievement of company performance measures.

- Personal performance reviews have been received over the performance period at a satisfactory level (as determined by the Committee); and
- The participant remains employed with Civmec

#### Company Performance Measures

To the extent the gateway hurdles are satisfied, 100% of the vesting will be based on the absolute earnings per share (aEPS) outcome. The vesting schedule is as follows:

LONG TERM INCENTIVE (LTI) PROPORTION VESTING	AEPS (100%)
50%	Target =90% of three-year average annual result
Pro-rata between 50% and 100%	Outcome achieved between target and stretch
100%	Stretch >110% of three-year average annual result

The Committee has discretion to extend the original measurement period and the difficulty of hurdles where it deems to be appropriate.

##### (vi) Release of Awards

After the end of each performance period, the Remuneration Committee (the 'RC') will review the performance targets specified in respect of the Award and if they have been satisfied, will release Awards to Participants.

##### (vii) Duration of the Plan

The Plan shall continue in operation for a maximum duration of ten years and may be continued for any further period thereafter with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

# DIRECTORS' STATEMENT

30 June 2019

## 6. PERFORMANCE RIGHTS PLAN (Continued) CIVMEC LIMITED PERFORMANCE RIGHTS PLAN (Continued)

### Awards Granted under the Scheme

The details of the Awards granted under the Scheme are as follows:

YEAR OF AWARD	NO. OF RIGHTS
FY 2018/19	8,109,993

### FY2019 Performance rights grant

Rights will vest in two tranches as follows:

- Tranche 1 (50%): 2 year performance period (1 July 2018 to 30 June 2020)
- Tranche 2 (50%): 3 year performance period (1 July 2018 to 30 June 2021)

The number of performance rights in the Company held during the financial year by each Director and key management personnel (KMP) of the consolidated entity, is set out below:

	BALANCE 1.07.2018	GRANTED	VESTED	EXPIRED/ OTHER	BALANCE 30.06.2019
<b>Directors</b>					
James Finbarr Fitzgerald*	-	750,000	-	-	750,000
Patrick John Tallon*	-	750,000	-	-	750,000
Kevin James Deery	-	750,000	-	-	750,000
<b>Key management personnel:</b>					
Justine Campbell	-	750,000	-	-	750,000
Rodney Bowes	-	624,000	-	-	624,000
Charles Sweeney	-	624,000	-	-	624,000
Adam Goldsmith	-	546,000	-	-	546,000

\*pending shareholders' approval at AGM 2019.

# DIRECTORS' STATEMENT

30 June 2019

## 7. AUDIT COMMITTEE

The members of the Audit Committee ('AC') at the end of the financial year are as follows:

**Mr Chong Teck Sin** Chairman

**Mr Wong Fook Choy Sunny** Member

**Mr Douglas Owen Chester** Member


All members of the Audit Committee are non-executive Directors. The Audit Committee performs the functions specified by the Listing Manual of the Singapore Exchange Securities Trading Limited ('SGX-ST'), the Listing Rules of the Australian Securities Exchange ('ASX'), the Code of Corporate Governance and Section 201B(5) of the Singapore Companies Act, Chapter 50.

The nature and extent of the functions performed by the Audit Committee are detailed in the Corporate Governance Report set out in the Annual Report of the Company.

## 8. INDEPENDENT AUDITORS

The independent auditors, Moore Stephens LLP, have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors

  
James Finbarr Fitzgerald  
Executive Chairman

Singapore  
28 August 2019

  
Patrick John Tallon  
Executive Director

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## INTRODUCTION

The Board of Directors (the 'Board') and the Management of Civmec Limited ('Civmec' or the 'Company') together with its subsidiaries (the 'Group'), recognise the importance of good corporate governance in ensuring greater transparency and protecting the interests of shareholders, as well as strengthening investors' confidence in its management and financial reporting and are, accordingly, committed to maintaining a high standard of corporate governance throughout the Group.

This corporate governance report ('Report') describes the Company's corporate governance practices that were in place during the financial year ended 30 June 2019 ('FY2019') with specific reference to the Principles of the Code of Corporate Governance 2012 (the 'Code').

In line with the commitment of the Company to maintaining high standards of corporate governance, the Company will continually review its corporate governance processes to strive to fully comply with the Code.

The Board is pleased to report compliance of the Company with the Code, the Listing Manual of the Singapore Exchange Securities Limited (the 'SGX-ST'), and the Listing Rules of the Australian Securities Exchange (the 'ASX'), where applicable, except where otherwise stated.

## BOARD'S CONDUCT OF AFFAIRS

**Principle 1: Effective Board to lead and control the Company. The Board is collectively responsible for the long-term success of the Company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.**

The primary role of the Board is to protect and enhance shareholders' value and to ensure that the Company is run in accordance with best international management and corporate governance practices, appropriate to the needs and development of the Company.

Apart from its statutory duties and responsibilities, the Board oversees the management and affairs of the Group and approves the Group's corporate strategy and directions. The Board is also responsible for implementing policies in relation to financial matters, which include risk management and internal control and compliance. In addition, the Board reviews the financial performance of the Group, approves investment proposals and sets values and standards, including ethical standards for the Company and the Group.

All Directors are aware of their fiduciary duties and exercise due diligence and independent judgement in ensuring that their decisions are objective and in the best interests of the Company.

The Board has delegated the day-to-day management of the Group to Management, headed by the Executive Chairman, Mr James Finbarr Fitzgerald, the Chief Executive Officer, Mr Patrick John Tallon and the Chief Operating Officer, Mr Kevin James Deery. Matters that are specifically reserved for the approval of the Board include, among others:

- reviewing the adequacy and integrity of the Group's internal controls, risk management systems, compliance and financial reporting systems;
- approving the annual budgets and business plans;
- approving major investment or expenditure;
- approving material acquisitions and disposal of assets;
- approving the Company's periodic and full-year results announcements for release to the SGX-ST and ASX;
- approving annual report and audited financial statements;
- monitoring Management's performance;
- recommending share issuance, dividend payments and other returns to shareholders;
- ensuring accurate, adequate and timely reporting to, and communication with Shareholders; and
- assuming responsibility for corporate governance.

The Company has adopted a policy on signing limits, setting out the level of authorisation required for specific transactions, including those that require Board approval.

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## BOARD'S CONDUCT OF AFFAIRS (Continued)

### PRINCIPLE 1 (Continued)

All the Board members are actively engaged and play an important role in ensuring good corporate governance within the Company. Visits to the Company's business premises are arranged to acquaint the non-executive Directors with the Company's operations and ensure that all the Directors are familiar with the Company's business, policies and governance practices.

The profile of each Director is presented in the section headed 'Board of Directors' of this Annual Report.

The Directors have access to the Company Secretary and Management. They may also seek independent professional advice concerning the Company's affairs when necessary. Prior to their respective appointments to the Board, each of the Directors was given an orientation and induction programme to familiarise them with the Company's business activities, strategic directions, policies and key new projects. In addition, newly appointed Directors are introduced to the senior management team. Upon appointment of each Director, the Company provides a letter to the Director setting out the Director's duties and obligations.

To assist in the execution of its responsibilities, the Board has established several Board Committees namely; Audit Committee ('AC'), Nominating Committee ('NC'), Remuneration Committee ('RC') and Risks and Conflicts Committee ('RCC'). These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of these committees is also regularly monitored and reviewed by the Board. The roles and responsibilities of these committees are described in the following sections of this report.

The Board meets on a regular basis and when necessary, to address any specific significant matters that may arise. Board meetings are scheduled in advance. The Constitution of the Company provides for Directors to conduct meetings by teleconferencing or videoconferencing or other similar means of communication whereby all persons participating in the meeting are able to hear each other. The Board and Board Committees may also make decisions by way of circulating resolutions.

The number of Board and Board Committee meetings held and attended by each Board member during the financial year ended 30 June 2019 ('FY2019') is set out below:

	BOARD	BOARD COMMITTEES			
		AUDIT COMMITTEE	REMUNERATION COMMITTEE	NOMINATING COMMITTEE	RISKS AND CONFLICTS COMMITTEE
<b>Number of Meetings Held</b>	4	4	2	2	4
	<b>Number of Meetings Attended</b>				
James Finbarr Fitzgerald	4	4*	2*	2*	4*
Patrick John Tallon	4	4*	2*	2*	4*
Kevin James Deery	4	4*	2*	2*	4*
Chong Teck Sin	4	4	2	2	4
Wong Fook Choy Sunny	4	4	2	2	4
Douglas Owen Chester	4	4	2	2	4

\*By invitation

All Directors are updated regularly on changes to the Company's policies and are kept updated on relevant new laws and regulations including Directors' duties and responsibilities, corporate governance and financial reporting standards. Newly appointed Directors are given briefings by the Management on the business activities of the Group.

The Company encourages the Directors to learn and develop as Directors. The Directors may attend training, conferences and seminars which may have a bearing on their duties and contribution to the Board, organised by professional bodies, regulatory institutions and corporations at the Company's expense, to keep themselves updated on the latest developments concerning the Group and to keep abreast of the latest regulatory changes.

Each quarter, the Board was briefed and/or updated on recent changes to the accounting standards and industry developments and business initiatives.

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## BOARD COMPOSITION AND GUIDANCE

### Principle 2: Strong and independent element on the Board.

As at the date of this Report, the Board comprises six (6) Directors, three (3) of whom are Executive Directors and the remaining three (3) Directors being Independent Directors who make up half of the Board. The Company has adopted the Code's definition of 'Independent Director' and its guidance in respect of relationships which would deem a Director to be regarded as non-independent.

No individual, or group of individuals, dominates the Board's decision-making as half of the Board consist of Independent Directors. Collectively, the Executive Directors and Independent Directors bring a wide range of experience and expertise as they all currently occupy or have occupied senior positions in industry and/or government, and as such, each contributes significantly to Board decisions.

The Board in concurrence with the Nominating Committee ('NC') is of the view that the current Board and the Board Committees comprise an appropriate balance and diversity of skills, experience and knowledge of the Company, which provides broad diversity of expertise such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge who, as a group, provide core competencies necessary to meet the Company's requirements. Further details on the key information and the profile of the Directors including their academic and professional qualifications, and other directorships in other listed companies is set out on related pages of this annual report.

The current Board composition provides a diversity of skill, experience, and knowledge to the Company as follows:

CORE COMPETENCIES	BALANCE AND DIVERSITY OF THE BOARD	
	NUMBER OF DIRECTORS	PROPORTION OF BOARD
Business Management	6	100%
Accounting or finance	6	100%
Legal or corporate governance	6	100%
Strategic planning experience	6	100%
Relevant industry knowledge or experience	4	67%
<b>GENDER</b>		
Male	6	100%
Female	0	0

The Company values diversity and equal opportunity and has in place a diversity policy to ensure that its workforce is comprised of individuals with diverse skills, values, backgrounds and experience to the benefit of the Group. Diversity refers to characteristics such as age, gender, sexual orientation, race, religion, disability and ethnicity. All appointments and employment of employees including Directors are based strictly on merit and equal opportunity and not driven by any gender bias. Civmec's annual Sustainability Report clearly articulates the Company's strategy, targets, performance and future focus in relation to diversity.

The independence of each Director is reviewed annually by the NC in accordance with the Code's definition of independence. Each Independent Director is required to declare his independence by duly completing and submitting a 'Confirmation of Independence' form. The declaration, which is drawn up based on the definitions and guidelines set forth in Guideline 2.1 in the Code, requires each Director to assess whether he considers himself independent and not having any of the relationships identified in the Code. Each Director is required to declare any circumstances in which he may be considered non-independent. The NC will then review the Confirmation of Independence to determine whether a Director is independent. As well, the NC considers the actions and conduct of the Independent Directors, including in formal Board meetings, to assess their independence. The NC has carefully reviewed and subsequently determined that the Independent Directors are independent. None of the Independent Directors has served on the Board beyond nine (9) years from the date of his first appointment. Guideline 2.4 of the Code is therefore not applicable to the Board. However, taking into account the need for Board refreshment, the Board will, develop a policy on this at the appropriate time. The Board reviews the size of the Board on an annual basis, and considers the present Board size as appropriate for the current scope and nature of the Group's operations.

In order to strengthen the independence of the Board, the Company has appointed a Lead Independent Director, Mr Chong Teck Sin, to co-ordinate and lead the Independent Directors, providing a non-executive perspective and balanced viewpoint.

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## BOARD COMPOSITION AND GUIDANCE (Continued) PRINCIPLE 2 (Continued)

The Independent Directors communicate regularly without the presence of the other Executive Directors and Management, to discuss matters such as succession and leadership development planning, board processes and corporate governance matters. Feedback on the outcomes of these discussions is provided to the Executive Chairman.

The Lead Independent Director will represent the Independent Directors in responding to shareholders' questions and comments that are directed to the Independent Directors as a group.

The Non-Executive Directors provide constructive review and assist the Board to facilitate and develop proposals on strategy and monitor the performance of the Management in meeting agreed objectives. The Non-Executive Directors have full access to and co-operation from the Company's Management and officers. They have full discretion to have separate meetings without the presence of Management and to invite any Directors or officers to the meetings as and when warranted.

To facilitate an effective review of Management, the Non-Executive Directors meet as and when necessary and at least once a year with Auditors without the presence of the Management.

The Board and Management fully appreciate that a fundamental of good corporate governance is an effective and robust Board whose members engage in open and constructive debate and challenge Management on its assumptions and proposals.

The Company has in place processes to ensure that the Non-Executive Directors are well supported by accurate, complete and timely information, have unrestricted access to Management and have sufficient time and resources to discharge their oversight function effectively. These include informal meetings for Management to brief the Directors on pertinent issue and provide the Board with regular information on projects and initiatives. To keep the Board abreast of relevant business developments, the Company regularly circulates to the Board, analyst and media commentaries on matters in relation to the Company and the industries in which it operates.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

**Principle 3: Clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. Chairman and Chief Executive Officer to be separate persons to ensure appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.**

Mr James Finbarr Fitzgerald is the Executive Chairman of the Company, while Mr Patrick John Tallon is an Executive Director and Chief Executive Officer ('CEO').

The two roles are separated whereby the Executive Chairman bears responsibility for providing guidance on the corporate direction of the Group and leadership to the Board, and the CEO has executive responsibility for the Company's day-to-day business. The Executive Chairman and the Chief Executive Officer are not related.

The Executive Chairman ensures that Board meetings are held when necessary and approves the agenda in consultation with other Directors and ensures that Board members are provided with complete, accurate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Company.

The Executive Chairman monitors communications and relations between the Company and its shareholders, and between the Board and Management to encourage constructive relations and dialogues between them. The Executive Chairman also works to facilitate the effective contribution of Directors and assists to ensure procedures are in place to comply with the Company's guidelines on corporate governance.

At the Annual General Meeting ('AGM') and other shareholders' meetings, the Executive Chairman ensures constructive dialogue between Board, Management and shareholders, and upholds high standards of corporate governance.

Whilst the Board does not have an independent Chairman, the roles of the Executive Chairman and that of the CEO are clearly delineated. The Board believes that while the Chairman is not independent, the current composition of the Board with its combined skills and capability, and its mix of experience, best serve the interests of shareholders. In addition, the Company has appointed a Lead Independent Director, Mr Chong Teck Sin. As well as representing the views of the Independent Directors, he is also available to shareholders and to facilitate a two-way flow of information between shareholders, the Executive Chairman and the Board. All the Board Committees are led and solely comprise of Independent Directors.

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## BOARD MEMBERSHIP

**Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.**

The Company has established an NC to make recommendations to the Board on all Board appointments. The NC comprises of three members, all of whom including the NC Chairman, are Independent Non-Executive Directors:

Mr Douglas Owen Chester	Chairman
Mr Chong Teck Sin	Member
Mr Wong Fook Choy Sunny	Member

The formal terms of reference of the NC are to:

- nominate Directors (including Independent Directors) taking into consideration their competencies, contribution, performance and ability to commit sufficient time and attention to the affairs of the Group and considering their respective commitments outside the Group;
- review and recommend to the Board the composition of the Audit Committee, Remuneration Committee and Risks and Conflicts Committee;
- re-nominate Directors for re-election in accordance with the Constitution at each AGM and having regard to the Director's contribution and performance;
- determine annually whether or not a Director of the Company is independent;
- decide whether or not a Director is able to and has been adequately carrying out their duties as a Director;
- assess the performance of the Board as a whole and contribution of each Director to the effectiveness of the Board;
- review and recommend succession plans for Directors, in particular, the Executive Chairman and the CEO; and
- review and recommend training and professional development programmes for the Board.

The process for the selection and appointment of new Board members is as follows:

- the NC evaluates the balance of skills, knowledge and experience of the Board and, in light of such evaluation and in consultation with the Board, prepares a description of the role and the essential and desirable competencies for a particular appointment;
- if required, the NC may engage consultants to undertake research on, or assess, candidates for new positions on the Board;
- the NC meets with short-listed candidates to assess their suitability and ensure that the candidates are aware of the expectations; and
- the NC makes recommendations to the Board for approval.

Pursuant to Article 118 of the Company's Constitution, all the directors are required to retire from office at every AGM of the Company.

After due review, the Board has accepted the recommendation of the NC and, accordingly, the below named directors will be offering themselves for re-election at the forthcoming AGM:

1. James Finbarr Fitzgerald
2. Patrick John Tallon
3. Kevin James Deery
4. Chong Teck Sin
5. Wong Fook Choy Sunny
6. Douglas Owen Chester

For the year under review, the NC held two (2) meetings and evaluated the Board's performance as a whole and the contribution of each Director to the effectiveness of the Board. The NC has adopted a formal process and criteria to assess the effectiveness of the Board and each of the Directors. The evaluation is carried out annually.

The Board and the Management are of the view that the current Board structures in the principal subsidiaries are already well organised and constituted. The Board and Management will from time to time renew the Board structures of the principal subsidiaries and will make an appropriate decision to consider the appointment of the Independent Director into the principal subsidiaries, if necessary.

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## BOARD MEMBERSHIP (Continued) PRINCIPLE 4 (Continued)

Mr Chong Teck Sin was appointed a Director of the Group's subsidiary, Civmec Construction & Engineering, Singapore Pte. Ltd.

The Company does not have a practice of appointing alternate Directors.

The dates of Directors' initial appointment, last re-election and their directorships are set out below:

NAME OF DIRECTOR	DATE OF INITIAL APPOINTMENT	DATE OF LAST RE-ELECTION	PRESENT DIRECTORSHIPS IN LISTED COMPANIES	PAST DIRECTORSHIPS IN LISTED COMPANIES*
James Finnbar Fitzgerald	27 Mar 2012	25 Oct 2018	-	-
Patrick John Tallon	27 Mar 2012	25 Oct 2018	-	-
Kevin James Deery	27 Mar 2012	25 Oct 2018	-	-
Chong Teck Sin	27 Mar 2012	25 Oct 2018	Changan Minsheng APLL Logistics Co. Ltd <sup>(1)</sup> InnoTek Limited AIMS APAC REIT Management Limited	AVIC International Maritime Holdings Limited
Wong Fook Choy Sunny	27 Mar 2012	25 Oct 2018	Mencast Holdings Ltd Excelpoint Technology Ltd InnoTek Limited	China Medical (International) Group Limited KTL Global Ltd
Douglas Owen Chester	2 Nov 2012	25 Oct 2018		Stamford Land Corporation Limited Kim Heng Offshore & Marine Holdings Limited

\* Within the past three years

Notes:

(1) Listed on Hong Kong Stock Exchange

The NC has considered and taken the view that it would not be appropriate at this time to set a limit on the number of listed company directorships that a Director may hold. Directors have different capabilities, the nature of the organisations in which they hold appointments and the committees on which they serve are of different complexities, and accordingly, each Director would personally determine the demands of their competing directorships and obligations and assess the number of listed company directorships they could hold and serve effectively. Currently, none of the Directors hold more than five (5) directorships in other listed companies.

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## BOARD MEMBERSHIP (Continued)

### PRINCIPLE 4 (Continued)

In addition, the NC also determines annually whether a Director with multiple board representations is able to and has been adequately carrying out their duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of the individual Director and the respective Directors' actual conduct on the Board. The NC is satisfied that for FY2019 sufficient time and attention have been devoted by the Directors to the affairs of the Company and the Group. As such, there is presently no need to implement internal guidelines to address their competing time commitments notwithstanding that some of the Directors have multiple board representations.

The NC will, however, continue to review, from time to time, the Board representations and other principal commitments to ensure that Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

## BOARD PERFORMANCE

### Principle 5: Formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board.

The NC undertakes an annual formal review and evaluation of both the Board's performance as a whole, as well as individual Directors' performance, such as Board commitment, standard of conduct, competency, training & development and interaction with other Directors, Management and stakeholders.

All Directors complete an evaluation questionnaire designed to seek their view on the various aspects of their individual and Board performance so as to assess the overall effectiveness of the Board.

The completed questionnaire is collated by the Company Secretary and the results of the evaluation exercise are subsequently considered by the NC, before making recommendations to the Board. The Chairman of the Board may take actions as may be appropriate according to the results of the performance evaluation, which will be based on objective performance criteria proposed by the NC and approved by the Board.

The performance of individual Directors is assessed based on factors which include their attendance, participation at Board and Board Committee Meetings and contributions to the Board in long range planning and the business strategies as well as their industry and business knowledge.

Each member of the NC abstains from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of their performance and re-nomination as a Director.

The NC conducted a performance evaluation of the Board and Board Committees for FY2019 consistent with this process and determined that all Directors have demonstrated full commitment to their roles and contributed effectively in the discharge of their duties. Both the NC and the Board are of the view that the Board has met its performance objectives for FY2019.

## ACCESS TO INFORMATION

### Principle 6: Board members should be provided with complete, adequate and timely information prior to Board meetings and on an ongoing basis.

The Board has separate and independent access to the senior Management of the Company and the Company Secretaries at all times. Requests for information are dealt with promptly by Management. The Board is informed of all material events and transactions as and when they occur. The Management consults Board members as necessary and appropriate. Detailed Board papers, agenda and related material, background or explanatory information relating to matters to be discussed are sent out to the Directors, usually at least a week prior to each meeting, so that all Directors may better understand the issues beforehand, allowing more time at meetings for discussion and deliberations.

Directors are provided with a copy of documents containing a wide range of relevant information, including, quarterly and annual financial results, progress reports of the Group's operations, corporate developments, business developments, management information, sector performance, budgets, forecast, capital expenditure and personnel statistics, reports from both external and internal auditors, significant project updates, business strategies, risk analysis and assessments and relevant regulatory updates.

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## ACCESS TO INFORMATION (Continued) PRINCIPLE 6 (Continued)

Management's proposals to the Board for approval include background and explanatory information such as, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board Committee meetings. In order to keep Directors abreast of the Group's operations, the Directors are also updated on initiatives and developments on the Group's business as soon as practicable and/or possible and on an ongoing basis.

The Company Secretaries administer and are available to attend Board meetings, and assist the Chairman in implementing appropriate Board procedures to facilitate compliance with the Company's Constitution. The Company Secretaries also ensure that the requirements of the Companies Act (Chapter 50), SGX-ST Listing Manual, ASX Listing Rules and other governance matters applicable to the Company are complied with. The Company Secretaries work together with the Company to ensure that the Company complies with all relevant rules and regulations. The appointment and removal of the Company Secretaries are subject to the approval of the Board.

The Board in fulfilling its responsibilities can, as a collective body or individually as Board members, when deemed fit, direct the Company and at the Company's expense, appoint independent professionals to render advice.

## REMUNERATION MATTERS

**Principle 7: The policy on executive remuneration and for fixing remuneration packages of individual Directors should be formal and transparent. No Director should be involved in deciding his own remuneration.**

The Company has established a Remuneration Committee (RC) to make recommendations to the Board on remuneration packages of individual Directors and key management personnel. The RC is comprised of three (3) members, all of whom including the RC Chairman, are Independent Non-Executive Directors:

Mr Wong Fook Choy Sunny	Chairman
Mr Chong Teck Sin	Member
Mr Douglas Owen Chester	Member

The formal terms of reference of the RC, are to:

- recommend to the Board a framework of remuneration for the Directors and key management personnel;
- determine specific remuneration packages for each Executive Director;
- review annually the remuneration of employees related to the Directors and substantial shareholders to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes, level of responsibilities, performance and value creation; and
- perform such other acts as may be required by the SGX-ST and the Code, or ASX, from time to time.

The recommendations of the RC are submitted for endorsement by the entire Board. Each member of the RC abstains from voting on any resolutions in respect of their own remuneration package. Also, in the event that a member of the RC is related to the employee under review, they will abstain from participating in that review. Directors are not involved in the discussion and in deciding their own remuneration.

The RC has established a framework of remuneration for the Board and key management personnel covering all aspects of remuneration but not limited to Directors' fees, salaries, allowances, bonuses, incentive schemes and benefits-in-kind.

The RC also oversees the administration of the Civmec Limited Employee Share Option Scheme ('CESOS'), the Civmec Limited Performance Share Plan ('CPSP') and the Civmec Limited Performance Rights Plan ('CPRP') upon the terms of reference as defined in the CESOS, CPSP and CPRP. The CESOS, CPSP and CPRP were established on 27 March 2012, 25 October 2012 and 25 October 2018 respectively, with a 10-year tenure commencing on the establishment date.

The Company does not have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Share Plan scheme.

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## REMUNERATION MATTERS (Continued) PRINCIPLE 7 (Continued)

The RC has access to expert professional advice on human resource and remuneration matters whenever there is a need to consult externally.

During the financial year, the fixed remuneration of executives was benchmarked against peers based on the industry salary surveys sourced from AON Hewitt McDonald.

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of Executive Directors to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company and the Group. The Executive Directors owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Directors and key management personnel in the event of such exceptional circumstances of breach of fiduciary duty.

**Principle 8: The level of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.**

In making its recommendations to the Board on the level and mix of remuneration, the RC strives to be competitive, linking rewards with performance. It takes into consideration the essential factors to attract, retain and motivate the Directors and senior management needed to run the Company successfully, linking rewards to corporate and individual performance, and aligning their interest with those of the shareholders.

Executive Directors and key management personnel remuneration comprises a fixed and a variable component, the latter of which is in the form of a bonus linked to the performance of the individual as well as the Company. In addition, short-term and long-term incentives, such as the CESOS, CPSP and CPRP, are in place to strengthen the pay-for-performance framework by rewarding and recognising the key executives' contributions to the growth of the Company. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote long-term sustainability of the Group.

The Company has renewed the service agreements with the Executive Directors, Mr James Finbarr Fitzgerald, Mr Patrick John Tallon and Mr Kevin James Deery. Each service agreement is valid for a period of three (3) years with effect from the date of expiry of the previous period. During the renewal period of three (3) years, either party may terminate the Service Agreement at any time by giving to the other party not less than six (6) months' notice in writing, or in lieu of notice, payment of amount equivalent to six (6) months' salary. The Executive Directors do not receive Director's fees.

The remuneration packages of the Executive Directors and the key senior management personnel are based on service contracts and their remuneration is determined having due regard to the performance of the individuals, the Group as well as market trends.

During FY2019, no Share Options under the CESOS were granted, as required under the ASX Listing Rules. Refer to the Directors' Statement for details of Performance Rights granted to Executive Directors and key management personnel.

The remuneration of the Independent Directors is in the form of a fixed fee which is subject to shareholders' approval at the AGM. Each member of the RC abstains from voting on any resolution, participating in any deliberation of the RC, and making any recommendation in respect of their own remuneration.

The Independent Directors' fees were derived using the fee structure as follows:

	ANNUAL FEES (\$\$)
Independent Director who is the Chairman of Audit Committee	80,000
Other Independent Directors	70,000

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## REMUNERATION MATTERS (Continued)

### Principle 9: Clear disclosure on remuneration level and mix of remuneration, and the procedure for setting remuneration in the Company's annual report.

For competitive reasons, the Company does not disclose remuneration of each individual Director for the year ended 30 June 2019. Instead, the Company discloses the bands of remuneration as follows:

FOR THE YEAR ENDED 30 JUNE 2019					
NAME OF DIRECTOR	SALARY	BONUS	DIRECTORS' FEES	ALLOWANCES AND OTHER BENEFITS	TOTAL \$
<b>A\$600,000 to A\$1,000,000</b>					
James Finbarr Fitzgerald	93%	-	-	7%	100%
Patrick John Tallon	95%	-	-	5%	100%
<b>A\$300,000 to A\$599,999</b>					
Kevin James Deery	93%	-	-	7%	100%
<b>Below A\$250,000</b>					
Chong Teck Sin	-	-	100%	-	100%
Douglas Owen Chester	-	-	100%	-	100%
Wong Fook Choy Sunny	-	-	100%	-	100%

Details of remuneration paid to key management personnel (who are not Directors of the Company) of the Group for the financial year ended 30 June 2019 are set out below. For competitive reasons, the Company discloses only the band of remuneration of each management personnel as follows:

FOR THE YEAR ENDED 30 JUNE 2019					
NAME OF KEY EXECUTIVE	DESIGNATION	SALARY	BONUS	ALLOWANCES AND OTHER BENEFITS	TOTAL \$
<b>A\$300,000 to A\$599,999</b>					
Justine Campbell	Chief Financial Officer	90%	-	10%	100%
Rodney Bowes	Executive Group Manager Proposals	86%	3%	11%	100%
Charles Sweeney	Executive General Manager – Construction	82%	9%	9%	100%
Adam Goldsmith	Executive General Manager – Commercial & Risk	92%	-	8%	100%

The annual aggregate remuneration paid to all the above-mentioned Directors and key management personnel of the Group is A\$4,171,000 (2018: A\$4,449,000) in FY2019.

Thomas Tallon, being the brother of Patrick Tallon, the CEO, who holds the position of 'Supervisor – Construction' with a remuneration of A\$203,000 (2018: A\$200,000) for FY2019, was employed by the Company during year ended 30 June 2019. During the year, the son of James Fitzgerald, being Sean Fitzgerald, worked for the Group, earning A\$30,784. Apart from those disclosed above, the Company does not have any employees who are immediate family members of a Director or CEO during FY2019. The RC is of the view that the remuneration of Thomas Tallon is in line with the staff remuneration guidelines and commensurate with his job scope and level of responsibilities.

More details in relation to the CESOS, CPSP and CPRP can be found in the 'Directors' Statement' in the 'Financials' section of the Annual Report.

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## ACCOUNTABILITY AND AUDIT

**Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.**

The Management has provided all members of the Board, on a quarterly basis, with management accounts, operations review, sundry reports and any other information the Board may require together with such explanation and information as the Board may require to enable the Board to make a balanced and accurate assessment of the Company's performance, position and prospects.

The Board is mindful of its obligations to furnish timely information to its shareholders, the public and regulators and to ensure full disclosure of material information to its shareholders in compliance with the statutory requirements and the SGX-ST Listing Manual and ASX Listing Rules.

In this respect the Board is responsible for the release of quarterly and full year results, price sensitive information, the Annual Report and other material corporate developments in a timely manner and within the legally-prescribed period.

In addition, all price sensitive information was publicly released either before the Company met with any of the Company's investors or analysts or simultaneously with such meetings. Financial results and other corporate announcements of the Company are disseminated through announcements via SGXNET and ASX Online.

**Principle 11: Maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the Company's assets.**

The Company has established a Risks and Conflicts Committee (RCC) to advise and make recommendations to the Board on risk and conflict matters.

The RCC comprises three (3) members, all of whom, including the RCC Chairman, are Independent Non-Executive Directors:

Mr Chong Teck Sin	Chairman
Mr Douglas Owen Chester	Member
Mr Wong Fook Choy Sunny	Member

The RCC is guided by its Terms of Reference which highlights its primary responsibilities are to:

- review and monitor the Group's risk management framework and activities, including the Group's levels of risk tolerance and risk policies;
- report to the Board regarding the Group's risk exposures, including review of the risk assessment model used to monitor the risk exposures and Management's views on the acceptable and appropriate level of risk faced by the Group's Business Units;
- recommend and adopt appropriate measures to control and mitigate the business risks of the Group, as and when these may arise; and
- perform any other functions as may be agreed by the Board.

During the year, the RCC has:

- reviewed the Risk Register and Risk Management Framework;
- revised the Risk Mitigation Plan presented by Management to mitigate and monitor the risk exposure;
- reviewed the Project Risk and Opportunity Reporting Improvements; and
- reviewed the Policies adopted by the Company such as Bribery & Corruption Policy and Procedures and the Code of Conduct.

The Group's internal controls and systems are designed to provide reasonable assurance on the integrity and reliability of the financial information and to safeguard and maintain accountability of its assets. Procedures are in place to identify major business risks and to evaluate potential financial effects, as well as for the authorisation of capital expenditure and investments.

The external auditors carry out, in the course of their statutory audit, an annual review of the effectiveness of the Group's key internal controls, including financial, operational, compliance, information technology controls as well as risk management systems to the extent of their scope as laid out in their audit plan. Any material weaknesses in internal controls, together with recommendation for improvement, are reported to the AC and RCC.

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## ACCOUNTABILITY AND AUDIT (Continued)

### PRINCIPLE 11 (Continued)

The Company's internal audit function prepares an annual internal audit plan, which takes account of the Company's key risks and other assurance activities performed, enabling internal audit resources to be targeted to areas of greatest value across the Company's operations, including group and subsidiary structures. Processes subject to internal audit include financial, administrative, operational and project specific activities and systems. The internal audit function provides advice on the effectiveness of risk management processes and material internal controls, recommends corrective actions and control improvements and follows up on the implementation of action plans designed by management to address any control deficiencies or improvement opportunities. Internal audit reports containing internal audit results, recommendations and agreed action plans are presented to the AC on a quarterly basis.

The Group appoints internal auditors to carry out a review of the adequacy and effectiveness of the Group's key internal controls, including financial, operational, compliance and information technology controls as well as risk management systems to the extent of their scope as laid out in their audit plan.

In the absence of evidence to the contrary, the Board is satisfied the system of internal controls maintained by the Company and that was in place throughout the financial year and up to the date of this report provides reasonable, but not absolute, assurance against material financial misstatements or losses, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, operational and compliance risks. Based on the risk management and internal control systems established and implemented by the Group, and work conducted by the internal auditors, external auditors and our internal audit team, the Board, with the concurrence of the AC, is satisfied the Company's system of internal controls and risk management procedures maintained by the Group are adequate and effective to meet the needs of the Company in addressing the financial, operational, compliance, information technology controls and risk management systems in the Group's current business environment, with no material weaknesses identified.

The Board has received assurances from the CEO and Chief Financial Officer:

- (i) that 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
- (ii) that the Company's risk management and internal control systems are adequate and effective.

The Board notes that all internal control systems are designed to manage rather than eliminate risks and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities.

The Company will publish its Sustainability Report later in 2019, which will further consider the management of any material economic, environmental and social sustainability risks faced by the Group.

### **Principle 12: Establish an Audit Committee with written terms of reference which clearly set out its authority and duties.**

The Audit Committee comprises the following three (3) members, all of whom, including the AC Chairman, are Non-Executive Independent Directors:

Mr Chong Teck Sin	Chairman
Mr Douglas Owen Chester	Member
Mr Wong Fook Choy Sunny	Member

None of the AC members are previous partners or directors of the Group's auditors, Moore Stephens LLP and none of the AC members hold any financial interest in Moore Stephens LLP.

The Board ensures that the members of the AC are appropriately qualified to discharge their responsibilities and they possess the requisite accounting and/or financial management expertise and experience.

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## ACCOUNTABILITY AND AUDIT (Continued)

### PRINCIPLE 12 (Continued)

The AC is governed by Terms of Reference with its primary responsibilities as follows:

- to assist the Board in discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records, and develop and maintain effective systems of internal control with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group;
- to provide a channel of communication between the Board, the Management team, the external auditors and internal auditors on matters relating to audit;
- to monitor Management's commitment to the establishment and maintenance of a satisfactory control environment and an effective system of internal control (including any arrangements for internal audit);
- to monitor and review the scope and results of external audit and its cost effectiveness and the independence and objectivity of the external auditors; and
- to monitor and review the scope and results of internal audit and the cost effectiveness of the internal auditors.

In addition, the functions of the AC are to:

- review with the external auditors the audit plans, their evaluation of the system of internal controls, their management letter and the management's response thereto;
- review with the internal auditors the internal audit plans and their evaluation of the adequacy of the internal control and accounting system before submission of the results of such review to the Board for approval;
- review the quarterly and annual financial statements and any formal announcements relating to the Group's financial performance before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the SGX-ST Listing Manual, ASX Listing Rules and any other relevant and statutory or regulatory requirements;
- review the internal control and procedures and ensure co-ordination between the external auditors and the Management, review the assistance given by the Management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);
- review and consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;
- review and consider the appointment or re-appointment of the internal auditors and matters relating to resignation or dismissal of the auditors;
- review interested person transactions (if any);
- review the Group's hedging policies, procedures and activities (if any) and monitor the implementation of the hedging procedure/policies, including reviewing the instruments, processes and practices in accordance with any hedging policies approved by the Board;
- review potential conflicts of interest, if any, and set out a framework to resolve or mitigate such potential conflicts of interests;
- undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;
- review and discuss with investigators, any suspected fraud, irregularity, or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response thereto;

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## ACCOUNTABILITY AND AUDIT (Continued)

### PRINCIPLE 12 (Continued)

- generally to undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual and ASX Listing Rules, and by such amendments made thereto from time to time;
- review the effectiveness and adequacy of the administrative, operating, internal accounting and financial control procedures;
- review the findings of internal investigation into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have material impact on the Group's operating results and/or financial position;
- review key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET and ASX Online; and
- review the Group's compliance with such functions and duties as may be required under the relevant statutes or the SGX-ST Listing Manual and ASX Listing Rules, including such amendments made thereto from time to time.

The AC has the power to conduct or authorise investigations into any matters within its scope of responsibility. The AC is authorised to obtain independent professional advice whenever deemed necessary for the discharge of its responsibilities. Such expenses will be borne by the Company.

The AC has the co-operation of and complete access to the Company's management. It has full discretion to invite any Director or Executive Officer to attend the meetings, and has been given reasonable resources to enable the discharge of its functions.

As at the Report date, the AC has:

- reviewed the scope of work of the external auditors;
- reviewed the scope of work of the internal auditors;
- reviewed audit plans and discussed the results of the respective findings and their evaluation of the Company's system of internal accounting controls;
- reviewed interested person transactions of the Company;
- met with the Company's external auditors and internal auditors without the presence of the Management;
- reviewed the external auditors' independence and objectivity; and
- reviewed the Company's procedures for detecting fraud and whistle-blowing matters and ensured that arrangements are in place by which any employee, may in confidence, raise concerns about improprieties in matters of financial reporting, financial control, or any other matters. A report is presented to the AC on a quarterly basis whenever there is a whistle-blowing issue.

The AC having reviewed the external auditors' non-audit services, is satisfied there were no non-audit services rendered that would affect the independence of the external auditors. The AC recognises the need to maintain a balance between the independence and objectivity of the external auditors and the work carried out by the external auditors based on monetary consideration.

The aggregate amount of agreed fees to be paid to the external auditors, Moore Stephens LLP for FY2019 is A\$104,000 (equivalent S\$102,000) which comprises audit fee of A\$83,000 (equivalent S\$82,000) and A\$21,000 (equivalent S\$20,000) non-audit fees. The AC has recommended to the Board the re-appointment of Moore Stephens LLP as the Company's external auditors at the forthcoming AGM.

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## ACCOUNTABILITY AND AUDIT (Continued)

### PRINCIPLE 12 (Continued)

The AC is kept abreast by the external auditors of changes to accounting standards, SGX-ST Listing Rules and ASX Listing Rules, and other regulations which could have an impact on the Group's business and financial statements.

The Company has established a whistle-blowing policy where staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters, and has ensured that arrangements are in place for independent investigations of such matters and for appropriate follow up actions. All whistle-blowing reports will be addressed to the AC Chairman, either directly or through STOPLine, the whistle-blowing service provider. Staff are regularly informed of the existence of the whistle-blowing mechanism and encouraged to report relevant matters.

There were no reports received through the whistle-blowing system during FY2019.

### **Principle 13: Establish an effective internal audit function that is adequately resourced and independent of the activities it audits.**

The Board recognises the importance of maintaining an internal audit function, independent of the activities it audits, to maintain a sound system of internal control within the Company to safeguard shareholders' investments and the Company's assets.

The Company's internal audit function is outsourced to Deloitte Touche Tohmatsu, which is independent of the Company's business activities. The internal auditors conduct the audit based on the standards set by internationally recognised professional bodies. The annual internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. The internal auditors review the effectiveness of key internal controls in accordance with the internal audit plan.

Staffed by suitably qualified and experienced executives, the internal auditors have unrestricted direct access to the AC and unfettered access to all the Company's documents, properties and personnel. The internal auditors have a direct and primary reporting line to the AC and assist the AC in overseeing and monitoring the implementation and improvements required on internal control weaknesses identified. The AC reviews the adequacy and effectiveness of the internal audit function quarterly.

The role of the internal auditors is to support the AC in ensuring that the Group maintains a sound system of internal controls by monitoring and assessing the effectiveness of key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigations as directed by the AC.

The RCC reviews all significant control policies and procedures and highlights all significant risk matters to the Board for discussion and to take appropriate actions, if required.

The Company's external auditors also conduct annual reviews of the effectiveness of the Group's material internal controls for financial reporting in accordance with the scope as laid out in their audit plans.

The AC regularly reviews the performance of the internal auditors and determines their reappointment and level of remuneration.

The AC reviews the adequacy of the function of the internal audit annually and based on this review believes that the internal auditors have adequate resources to perform their function effectively and objectively.

The AC is satisfied with the effectiveness of the existing internal control systems put in place by the Management to meet the needs of the Group in its current business environment.

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

**Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.**

**Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.**

**Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

The Company recognises the importance of regular, timely and effective communication with the shareholders. The Company does not practise selective disclosure. In line with continuous disclosure obligations of the Company pursuant to the SGX-ST Listing Manual, the Companies Act of Singapore and the ASX Listing Rules, it is the Board's policy that all the shareholders should be equally informed, on a timely basis via SGXNET and ASX Online, of all major developments that will or expect to have an impact on the Company or the Group.

The Company ensures that shareholders have the opportunity to participate effectively and vote at shareholders' meetings. In this regard, shareholders are informed of shareholders' meetings through notices contained in annual reports or a circular sent to all shareholders. These notices are also published in the local newspaper and posted on SGXNET and ASX Online.

In addition to SGXNET and ASX Online, announcements and its Annual Report, the Company updates shareholders of its corporate developments through its corporate website at [www.civmec.com.au](http://www.civmec.com.au). Shareholders are invited and given the opportunity to voice their views, put forth any questions and seek clarification on questions they may have regarding the Company. The Directors, Management and the external auditors are normally available at the AGM to answer shareholders' queries. Shareholders are also informed of the rules and voting procedures governing such meetings.

Resolutions are, as far as possible, structured separately and may be voted on independently.

The Group fully supports the Code's principle to encourage shareholders' participation in and vote at all the general meetings. The Company's Constitution allows the appointment of not more than two proxies by shareholders to attend the AGM and vote on his/her/their behalf. Shareholders who hold shares through nominees are allowed, upon prior request through their nominees, to attend the general meetings as proxies without being constrained by the two-proxy requirement.

The Company, however, has not implemented measure to allow shareholders who are unable to vote in person at the Company's AGM the option to vote in absentia, such as via mail, electronic mail or facsimile transactions as the authentication of shareholder indemnity information and other related security issues still remain a concern.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings and responses from the Board and the Management, and makes these minutes available to shareholders at the registered office of the Company at 80 Robinson Road #02-00, Singapore 068898 during normal business hours upon written request.

For greater transparency, the Company has adopted the voting of all its resolutions by poll at the general meetings and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages are announced at the meeting and via announcements on SGXNET and ASX Online made on the same day.

The Company conducts regular investor and analyst briefings with institutional investors to update its business operations and to solicit feedback as well as hearing its investors' views and address their concerns, if any and where appropriate. All investors and analyst briefings presentation materials are uploaded onto SGXNET and ASX Online for all investors' information.

The Company has in place an investor relations policy which sets out the principles and practices that the Company applies in order to provide shareholders and prospective investors with information necessary to make well informed investment decisions and to ensure a level playing field.

In addition, the Group has engaged Chapter One Advisors as its media and investor relations team that communicates with its shareholders and analysts regularly. The investor relations team supports the Company to promote relations with, and acts as liaison for, institutional investors and public shareholders.

# REPORT ON CORPORATE GOVERNANCE

30 June 2019

## SHAREHOLDERS RIGHTS AND RESPONSIBILITIES (Continued)

### PRINCIPLE 14, 15, 16 (Continued)

The Group's website also includes a tab labelled 'Investors' which provides investors with all the information they may require.

Civmec Limited is committed to providing excellent returns to its shareholders through a combination of longer term capital growth and regular dividend payments. The Board considers a range of factors in determining the dividend payable in any year, including the business environment, balance sheet, working capital requirements of the business and potential investment opportunities. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. Any payouts are clearly communicated to shareholders in public announcements and via announcements on SGXNET and ASX Online when the Company discloses its financial results. The Company has proposed a tax exempt (foreign source) First and Final Dividend of S\$0.7 Singapore cents per ordinary share for the financial year ended 30 June 2019, payment of which is subject to shareholders' approval at the forthcoming AGM.

## OTHER GOVERNANCE PRACTICES

### Material Contracts

There were no material contracts of the Company and its subsidiaries, including loans, involving the interests of any Director, the CEO or the controlling shareholders either still subsisting at the end of FY2019.

### Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and these interested persons' transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. There were no material interested person transactions for FY2019.

### Dealing in Securities

The Company has put in place a policy prohibiting share dealings by Directors and employees of the Company when they are in possession of price sensitive information and for the period of two (2) weeks before the release of quarterly results and one month before the release of the full-year results, with the restriction ending on the day after the announcement of the relevant results. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities during permitted trading periods. An officer should also not deal in the Company's securities on short-term consideration and/or possession of unpublished material and price-sensitive information relating to the relevant securities.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIVMEC LIMITED

30 June 2019

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

We have audited the financial statements of Civmec Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2019, and the consolidated income statement, 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.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the 'Act') and Singapore Financial Reporting Standards (International) ('SFRS(I)s') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Accounting for construction contracts</b></p> <p>We refer to Note 3(a)(ii), 3(a)(iii) and 3(b)(i) under "Critical Accounting Judgements and Key Sources of Estimation Uncertainty", Note 4, Note 31 and Note 32(b) to the financial statements.</p> <p>During the financial year ended 30 June 2019, revenue from construction contracts amounted to A\$483.9 million which represented 99.1% of the total revenue of the Group. The Group's initial application of SFRS(I) 15 <i>Revenue from Contracts with Customers</i> has resulted in transitional adjustments as disclosed in Note 32(b) to the financial statements.</p> <p>Contract revenue comprises the initial amount agreed in the contract and variations in the contract as constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently removed.</p>	<p><b>Our response</b></p> <ul style="list-style-type: none"><li>We performed procedures to understand the projects through discussions with management and examination of project documents including contracts and correspondences with customers on delays and extension of time. We evaluated and validated relevant key controls put in place by the management over the construction contract revenue and costs recognition on construction contracts.</li><li>In relation to the contract revenue for projects, on a sample basis, we have:<ul style="list-style-type: none"><li>Traced the contract sums to the contracts and variation orders entered by the Group and its customers.</li><li>Challenged the appropriateness of the variations and claims included in the computation of the construction contract revenue.</li><li>Held discussions with management and the Group's legal advisors and specialist consultants where appropriate, to evaluate management's assessment that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently removed.</li><li>Assessed the adequacy of the provision for onerous contracts based on our understanding of the projects. This includes reviewing management's assessment of provision for onerous contracts by focusing on projects with low or negative margins.</li></ul></li></ul>

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIVMEC LIMITED

30 June 2019

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Accounting for construction contracts</b> (Continued)</p> <p>The amount of revenue recognised is based on the Group's progress towards completion of the construction contract, determined based on the proportion of construction costs incurred to date to the estimated total contract costs ('input method'). The Group uses the input method to measure project progress and recognises contract revenue in accordance with SFRS(I) 15 <i>Revenue from Contracts with Customers</i>.</p> <p>Estimates of revenues, costs or the extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.</p> <p>The determination of estimated contract revenue, total contract costs and costs to complete require significant judgement which may impact on the amounts of construction contract revenue and profits recognised during the year, including the provision for onerous contracts. We have therefore, identified this as a key audit matter.</p>	<p><b>Our response</b> (Continued)</p> <ul style="list-style-type: none"> <li>In relation to total contract costs, on a sample basis, we have: <ul style="list-style-type: none"> <li>Tested costs incurred to date and agreed these to supporting documentation.</li> <li>Evaluated the appropriateness of inputs, amongst others, materials, subcontractor and labour costs used by management in their estimation of the total cost to complete and obtained supporting documentation on the major inputs.</li> <li>We examined key project documentation and discussed the progress of the significant projects with the Group's key project personnel and management for significant events that could impact the estimated total contract costs and stage of completion.</li> </ul> </li> <li>We have recomputed the percentage of completion based on actual cumulative contract costs incurred to date to the total estimated contract costs for individually significant projects.</li> <li>We checked the arithmetic accuracy of the revenue and profit recognised based on the percentage of completion computation for individually significant projects and traced the revenue for the current year based on the measurement of progress to the accounting records.</li> <li>We have also assessed the adequacy of the disclosures of the key accounting estimates and the sensitivity of the inputs to the estimates and found the disclosures in the financial statements to be appropriate.</li> <li>We also evaluated management's assessment of the impact to revenue recognition and reviewed the transitional adjustments resulting from the adoption of SFRS(I) 15.</li> </ul> <p><b>Our findings</b> We are satisfied that the judgements applied by management in accounting for construction contracts are reasonable.</p>
<p><b>Recoverability of trade and other receivables and contract assets</b></p> <p>We refer to Note 3(a)(i) under "Critical Accounting Judgements and Key Sources of Estimation Uncertainty", Note 4(b), Note 11 and Note 30(a) to the financial statements.</p> <p>The carrying amount of trade and other receivables and contract assets of the Group was A\$63.6 million and A\$117.4 million as at 30 June 2019 respectively. We focused on this area because of its significance and the degree of judgement required in determining the carrying amount of trade and other receivables as at the reporting date.</p> <p>In accordance with SFRS(I) 9 <i>Financial Instruments</i>, the Group assesses periodically and at each financial year end, the expected credit loss associated with its receivables. When there is expected credit loss impairment, the amount and timing of future cash flows are estimated based on historical, current and forward-looking loss experience for assets with similar credit risk characteristics.</p>	<p><b>Our response</b></p> <ul style="list-style-type: none"> <li>We obtained an understanding of the Group credit policy and evaluated the processes for identifying impairment indicators.</li> <li>We have reviewed and tested the ageing of trade and other receivables.</li> <li>We have reviewed management's assessment on the credit worthiness of selected customers.</li> <li>We have also assessed current ongoing negotiations and settlements of significant contracts subject to modifications, to identify if the collectability of contract consideration is highly probable.</li> <li>We further discussed with the key management and the component auditors on the adequacy of the allowance for impairment recorded by the Group and reviewed the supporting documents provided by management in relation to their assessment.</li> <li>We have also reviewed the adequacy and appropriateness of the impairment charge based on the available information.</li> </ul> <p><b>Our findings</b> Based on our audit procedures, we found management's assessment of the recoverability of trade and other receivables and contract assets to be reasonable and the disclosures to be appropriate.</p>

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIVMEC LIMITED

30 June 2019

## Other Information

Management is responsible for the other information. The other information comprises the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIVMEC LIMITED

30 June 2019

## Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lao Mei Leng.

**Moore Stephens LLP**

Public Accountants and Chartered Accountants

Singapore

28 August 2019

# CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2019

	NOTE	GROUP	
		2019 A\$'000	2018 A\$'000 (REPORTED UNDER SFRS(I))
Revenue	4(a)	488,511	702,415
Cost of sales		(462,978)	(664,009)
<b>Gross profit</b>		25,533	38,406
Other income	5	5,389	8,457
Share of profit of associate/joint ventures	17	39	260
Administrative expenses		(16,687)	(17,863)
Other expenses		(277)	-
Finance costs	8	(5,005)	(4,112)
<b>Profit before income tax</b>	6	8,992	25,148
Income tax expense	9	(1,962)	(7,730)
<b>Profit for the year</b>		7,030	17,418
Profit attributable to:			
Owners of the Company		6,075	18,112
Non-controlling interest		955	(694)
		7,030	17,418
Earnings per share attributable to equity holders of the Company (cents per share):			
- Basic	10	1.21	3.62
- Diluted	10	1.21	3.62

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	GROUP	
	2019 A\$'000	2018 A\$'000 (REPORTED UNDER SFRS(I))
Profit for the year	7,030	17,418
<b>Other comprehensive income:</b>		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences on re-translation from functional currency to presentation currency	(185)	93
Reclassification of translation reserve to the profit or loss account on deconsolidation	92	-
<b>Total comprehensive income for the year</b>	<b>6,937</b>	<b>17,511</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	5,982	18,205
Non-controlling interest	955	(694)
	<b>6,937</b>	<b>17,511</b>

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION

As at 30 June 2019

		GROUP			COMPANY		
	NOTE	2019 A\$'000	2018 A\$'000 (REPORTED UNDER SFRS(I))	1 JULY 2017 A\$'000 (REPORTED UNDER SFRS(I))	2019 A\$'000	2018 A\$'000 (REPORTED UNDER SFRS(I))	1 JULY 2017 A\$'000 (REPORTED UNDER SFRS(I))
ASSETS							
Current assets							
Cash and cash equivalents	13	40,662	23,369	22,712	6	5	24
Trade and other receivables	11	63,558	125,662	52,186	29,513	34,285	27,612
Contract assets	4(b)	117,443	140,201	84,553	-	-	-
Other assets	12	1,063	1,747	1,192	9	-	3
Income tax recoverable	9	4,024	5,313	7,769	4,043	-	4,249
		226,750	296,292	168,412	33,571	34,290	31,888
Non-current assets							
Investment in subsidiaries	16	-	-	-	7,579	7,579	7,579
Investment in joint ventures	17	41	-	122	-	-	-
Trade and other receivables	11	-	-	153	-	-	-
Property, plant and equipment	14	201,004	143,711	128,524	-	-	-
Intangible assets	15	10	10	10	-	-	-
Deferred tax assets	9	1,930	2,520	1,097	394	16	11
		202,985	146,241	129,906	7,973	7,595	7,590
TOTAL ASSETS		429,735	442,533	298,318	41,544	41,885	39,478
LIABILITIES AND EQUITY							
Current liabilities							
Trade and other payables	20	57,543	119,881	59,234	174	136	145
Contract liabilities	4(b)	69,333	30,989	15,999	-	-	-
Borrowings	21	8,930	43,275	4,983	-	-	-
Provisions	22	5,557	9,197	4,831	-	-	-
Income tax payable		-	-	-	-	1,356	-
		141,363	203,342	85,047	174	1,492	145
Non-current liabilities							
Borrowings	21	108,248	64,434	53,555	-	-	-
Provisions	22	4,634	3,935	2,955	-	-	-
Deferred tax liabilities	9	1,362	-	-	-	-	-
		114,244	68,369	56,510	-	-	-
TOTAL LIABILITIES		255,607	271,711	141,557	174	1,492	145

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION (Continued)

As at 30 June 2019

		GROUP			COMPANY		
	NOTE	2019 A\$'000	2018 A\$'000 (REPORTED UNDER SFRS(I))	1 JULY 2017 A\$'000 (REPORTED UNDER SFRS(I))	2019 A\$'000	2018 A\$'000 (REPORTED UNDER SFRS(I))	1 JULY 2017 A\$'000 (REPORTED UNDER SFRS(I))
<b>Capital and Reserves</b>							
Share capital	23	29,807	29,807	29,807	29,807	29,807	29,807
Treasury shares	23	(10)	(10)	(10)	(10)	(10)	(10)
Other reserves	25	7,818	7,911	7,818	4,483	4,513	4,483
Retained earnings		136,591	134,147	119,485	7,090	6,083	5,053
<b>Total equity attributable to the Owners of the Company</b>		174,206	171,855	157,100	41,370	40,393	39,333
Non-controlling interest		(78)	(1,033)	(339)	-	-	-
<b>TOTAL EQUITY</b>		174,128	170,822	156,761	41,370	40,393	39,333
<b>TOTAL LIABILITIES AND EQUITY</b>		429,735	442,533	298,318	41,544	41,885	39,478

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

GROUP	SHARE CAPITAL A\$'000	TREASURY SHARES A\$'000	OTHER RESERVES				RETAINED EARNINGS A\$'000	TOTAL A\$'000	NON- CONT- ROLLING INTEREST A\$'000	TOTAL A\$'000
			MERGER RESERVE A\$'000	FOREIGN CURRENCY TRANSLATION RESERVE A\$'000	SHARE OPTION RESERVE A\$'000					
Balance as at 01 July 2018	29,807	(10)	7,578	93	240		134,147	171,855	(1,033)	170,822
Profit for the year	-	-	-	-	-		6,075	6,075	955	7,030
Other comprehensive income for the year:										
Exchange differences on re-translation from functional currency to presentation currency	-	-	-	(185)	-		-	(185)	-	(185)
Reclassification of translation reserve to the profit or loss account on deconsolidation	-	-	-	92	-		-	92	-	92
Total comprehensive income for the year	-	-	-	(93)	-		6,075	5,982	955	6,937
Dividends paid (Note 23(a))	-	-	-	-	-		(3,631)	(3,631)	-	(3,631)
Balance as at 30 June 2019	29,807	(10)	7,578	-	240		136,591	174,206	(78)	174,128

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 30 June 2019

GROUP	SHARE CAPITAL A\$'000	TREASURY SHARES A\$'000	OTHER RESERVES				RETAINED EARNINGS A\$'000	TOTAL A\$'000	NON- CONT- ROLLING INTEREST A\$'000	TOTAL A\$'000
			MERGER RESERVE A\$'000	FOREIGN CURRENCY TRANSLATION RESERVE A\$'000	SHARE OPTION RESERVE A\$'000					
Balance as at 01 July 2017	29,807	(10)	7,578	-	240		119,485	157,100	(339)	156,761
Profit for the year	-	-	-	-	-		18,112	18,112	(694)	17,418
Other comprehensive income for the year:										
Exchange differences on re-translation from functional currency to presentation currency	-	-	-	93	-		-	93	-	93
Total comprehensive income for the year	-	-	-	93	-		18,112	18,205	(694)	17,511
Dividends paid (Note 23(a))	-	-	-	-	-		(3,450)	(3,450)	-	(3,450)
Balance as at 30 June 2018	29,807	(10)	7,578	93	240		134,147	171,855	(1,033)	170,822

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

		GROUP	
	NOTE	2019 A\$'000	2018 A\$'000
<b>Cash Flows from Operating Activities</b>			
Profit before income tax		8,992	25,148
Adjustment for:			
Depreciation of property, plant and equipment	14	10,015	10,425
Loss/(gain) on disposal of property, plant and equipment	5	277	(272)
Share of profit of joint ventures	17	(41)	(217)
Share of loss of an associate		2	-
Gain on deconsolidation of a subsidiary	5	(2,091)	-
Finance cost	8	5,005	4,112
Interest income	5	(689)	(354)
Foreign exchange differences		(97)	78
Operating cash flow before working capital changes		21,373	38,920
Changes in working capital:			
Decrease/(increase) in trade and other receivables		62,748	(73,351)
Decrease/(increase) in contract assets		22,758	(55,648)
Decrease/(increase) in other current assets		684	(555)
(Decrease)/increase in trade and other payables		(68,702)	53,649
Increase in contract liabilities		45,671	19,114
(Decrease)/increase in provisions		(2,940)	5,345
Cash generated from/(used in) operations		81,592	(12,526)
Interest received		617	354
Finance cost paid		(4,627)	(3,611)
Income tax refund		7,346	3,882
Income tax paid		(6,067)	(7,827)
Net cash generated from/(used in) operating activities		78,861	(19,728)
<b>Cash Flows from Investing Activities</b>			
Proceeds from disposal of property, plant and equipment		641	1,605
Purchase of property, plant and equipment	14	(68,227)	(26,954)
Repayment from a related party		182	-
Cash distribution from joint venture		-	432
Net cash used in investing activities		(67,404)	(24,917)
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		345,599	397,359
Repayment of borrowings		(336,132)	(348,607)
Dividends paid	23(a)	(3,631)	(3,450)
Net cash generated from financing activities		5,836	45,302
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial year		17,293	657
Cash and cash equivalents at the end of the financial year	13	23,369	22,712
Cash and cash equivalents at the end of the financial year		40,662	23,369

The reconciliation of movements of liabilities to cash flows arising from financing activities is presented below:

	OPENING A\$'000	CASH FLOWS		NON-CASH CHANGES	CLOSING A\$'000
		PROCEEDS A\$'000	REPAYMENT A\$'000	EXCHANGE A\$'000	
2019 Borrowings	107,709	345,599	(336,132)	2	117,178
2018 Borrowings	58,538	397,359	(348,607)	419	107,709

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. GENERAL INFORMATION

Civmec Limited (the 'Company') was incorporated in the Republic of Singapore on 3 June 2010 under the Singapore Companies Act, Chapter 50 (the 'Act') as an investment holding company for the purpose of acquiring the subsidiary companies pursuant to the Restructuring Exercise. On the 29 March 2012 the company changed its name to Civmec Limited. The Company was listed on the Singapore Exchange Securities Ltd ('SGX-ST') since 13 April 2012. On 22 June 2018, the Company was listed on the Australian Securities Exchange ('ASX'). The Company is now holding dual listing status. The Company has provided an option to shareholders to convert their shares with SGX-ST for shares with ASX, at the ratio of 1:1.

The registered office and principal place of business of the Company is at 80 Robinson Road #02-00, Singapore 068898.

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries, joint ventures, associate, and joint operations are set out in Note 16, 17, 18 and 19 respectively.

The financial statements for the financial year ended 30 June 2019 were approved and authorised for issue on the date of the statement by the board of directors in accordance with a resolution of the directors on the date of the Directors' Statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ('SFRS(I)') under the historical cost convention, except as disclosed in the accounting policies below.

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.

### Adoption of SFRS(I)

As required by the listing requirements of the SGX-ST, the Group has adopted SFRS(I) on 1 July 2018. These financial statements for the year ended 30 June 2019 are the first set of financial statements the Group has prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 30 June 2018 were prepared in accordance with the previous Singapore Financial Reporting Standards ('SFRS').

In adopting SFRS(I) on 1 July 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 30 June 2019. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

### Optional exemptions applied on adoption of SFRS(I)

For first-time adopters, SFRS(I) 1 allows the exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to business combinations that occurred before the date of transition on 1 July 2017. The same classification as in its previous SFRS financial statements has been adopted.
- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 July 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under SFRS 21.

Under the previous SFRS, goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2(i) to the financial statements.

Goodwill and fair value adjustments which arose on acquisition of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in A\$ at the rates prevailing at the date of acquisition.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

#### Optional exemptions applied on adoption of SFRS(I) (Continued)

- c) The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.
- d) The Group has elected to apply the requirements in SFRS(I) 1-23 *Borrowing Costs* from the date of transition to SFRS(I) on 1 July 2017. Borrowing costs that were accounted for previously under SFRS prior to the date of transition are not restated.
- e) The Group has elected to apply the exemption to adopt SFRS(I) 2 *Share-based Payment* for equity instruments granted after 7 November 2002 that vested before the date of transition on 1 July 2017. Retrospective application of SFRS(I) 2 is encouraged but not required.
- f) The Group has elected the short-term exemption to adopt SFRS(I) 9 *Financial Instruments* on 1 July 2018. Accordingly, the information presented for 2018 is presented, as previously reported, under SFRS 39 *Financial Instruments: Recognition and Measurement*. Arising from this election, the Group is exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* to the extent that the disclosures as required by SFRS(I) 7 to items within the scope of SFRS(I) 9.
- g) The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 July 2018 and have used the following practical expedients as allowed under SFRS(I) 1 as follows:
  - i. The Group has not restated those completed contracts that began and ended in the same annual reporting period in 2018 and contracts completed at 1 July 2017;
  - ii. for completed contracts that have variable consideration, the Group has used the transaction price at the date the contract was completed, rather than estimating the variable consideration amounts in the comparative reporting period;
  - iii. for contracts which were modified before 1 July 2017, the Group did not retrospectively restate the contract for those contract modifications; and
  - iv. for the year ended 30 June 2018, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

The Group's opening balance sheet has been prepared as at 1 July 2017, which is the Group's date of transition to SFRS(I) ('date of transition'). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows are provided in Note 32 to the financial statements.

### Changes in accounting policy

#### Accounting for research and development tax offset

The Group has elected to recognise the excess of the research and development tax offset over the statutory rate ('R&D offset') being an additional 8.5% (previously 10%) deduction as government grant under SFRS(I) 1-20. Refer to Note 2(f). In prior years, the whole R&D offset was recognised as a reduction to the income tax expense. The change results in the R&D offset being separately disclosed and simplifies the presentation of the financial statements by matching the benefit of the grant against the expenditure which generated the R&D offset.

The application of the changes in accounting policy has been applied retrospectively. The following reconciliation summarises the impact on the Group's consolidated income statement for the year ended 30 June 2018. There were no material adjustments to the Group's consolidated statement of comprehensive income for the year ended 30 June 2018, the Group's financial position as at 1 July 2017 and 30 June 2018 and the Group's statement of cash flows for the year ended 30 June 2018 arising from the changes in accounting policy.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

#### Changes in accounting policy (Continued)

#### Accounting for research and development tax offset (Continued)

Reconciliation of the Group's consolidated income statement:

	30 JUN 2018		
	AS PREVIOUSLY AUDITED A\$'000	ADJUSTMENT A\$'000	AS PER RESTATEMENT A\$'000
Revenue	712,850	-	712,850
Cost of sales	(666,760)	2,751	(664,009)
<b>Gross profit</b>	<b>46,090</b>	<b>2,751</b>	<b>48,841</b>
Other income	8,457	-	8,457
Share of profit of a joint venture	260	-	260
Administrative expenses	(17,863)	-	(17,863)
Finance costs	(4,112)	-	(4,112)
<b>Profit before tax</b>	<b>32,832</b>	<b>2,751</b>	<b>35,583</b>
Income tax expense	(8,109)	(2,751)	(10,860)
<b>Profit for the year</b>	<b>24,723</b>	<b>-</b>	<b>24,723</b>

The above figures were derived before the transition to SFRS(I) and adoption of new standards which are disclosed in Note 32 to the financial statements.

### (b) Basis 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 over 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 Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of Consolidation (Continued)

#### (i) Subsidiaries (Continued)

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 re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with SFRS(I) 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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 identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

#### Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is 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.

#### (ii) Joint Arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group reassesses whether the type of joint arrangement in which it is involved has changed when facts and circumstances change.

#### Joint venture

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of Consolidation (Continued)

#### (ii) Joint Arrangements (Continued)

##### Joint operations (Continued)

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 contribute 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 operations. 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 of 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.

### (c) Investment in Subsidiary Companies

Investments in subsidiary companies are carried at cost less accumulated impairment losses in the statement of financial position of the Company.

On disposal of investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments are recognised in the profit or loss.

### (d) Investment in Associate

The Group recognises its interest in an associate as an investment and accounts for the investment using the equity method.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

### (e) Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

#### Construction Contract Revenue

The Group provides engineering and construction services to customers through contracts. Contract revenue is recognised when the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ('input method'). Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation ('PO') are excluded from the measurement of progress and instead are expensed as incurred.

In some circumstances, such as in the early stages of a contract where the Group may not be able to reasonably measure its progress but expects to recover the contract costs incurred, contract revenue is recognised only to the extent of the contract costs incurred until such time when the Group can reasonably measure its progress.

Contract modifications that do not add distinct goods or services are accounted for as a continuation of the original contract and the change is recognised as a cumulative adjustment to revenue at the date of modification.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Revenue Recognition (Continued)

#### Construction contract revenue (Continued)

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, adjusted for expected returns. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and included in the transaction only to the extent that is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Estimates of revenues, costs or the extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes.

The period between the transfer of the promised services and customer payment may exceed one year. For such contracts, there is no significant financing component present as the payment terms are an industry practice to protect the customers from the performing entity's failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract cost assets only if (a) these costs relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

#### Sale of goods and services

Revenue from the sale of goods and services in the ordinary course of business are recognised when the Group satisfies a PO by transferring control of a promised good or service 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 or services. The individual standalone selling price of a good or service 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 and/or services 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.

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 or services. The transaction price may be fixed or variable and is adjusted for the 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 subsequently 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Revenue Recognition (Continued)

#### Sale of goods and services (Continued)

The Group considers certain services to be a distinct service as it is both regularly supplied by the Group to other customers on a stand-alone basis and is available for customers from other providers in the market. A portion of the transaction price is therefore allocated to the maintenance services based on the stand-alone selling price of those services. Discounts are not considered as they are only given in rare circumstances and are never material. Revenue from the maintenance services is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of service.

### (f) Government Grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. As the grant relates to R&D expenditure already incurred it is recognised in the income statement in the period it became receivable.

### (g) Contract Assets and Contract Liabilities

A contract asset is recognised when the Group recognises revenue as set out in Note 2(e) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ('ECLs') in accordance with the policy set out in Note 2(j) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue as set out in Note 2(e). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

### (h) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax 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.

Deferred tax liabilities are recognised on all temporary differences except for taxable temporary differences associated with investments in subsidiaries and joint venture, 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.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of deductible temporary differences associated with investments in subsidiaries and interest in joint venture, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured:

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Income Tax (Continued)

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current income taxes are recognised in profit and loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax relating to items recognised outside profit and loss is recognised outside profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

#### Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

### (i) Foreign Currency Translation

#### Functional and presentation currency

The financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to each entity (the 'functional currency'). The financial statements are presented in Australian Dollars ('A\$'), which is the functional currency of the Company.

Prior to 1 July 2018, the financial statements were presented in Singapore Dollars ('S\$'). With effect from 1 July 2018, the Group changed its presentation currency from S\$ to A\$. The Group largely operates within Australia where virtually all its income is derived. Following the Group's listing on the Australian Securities Exchange on 22 June 2018, the change will help to provide a clearer understanding of the Group's financial results and improve comparability of the Group's performance.

The effect of the change of presentation currency was applied retrospectively using the following procedures:

- Assets and liabilities of all corresponding figures presented (including opening balances from the beginning of earliest prior period presented) were translated at the closing rates of respective year end;
- Income and expenses for all corresponding figures presented were translated at the average exchange rate for the financial year approximating the exchange rates at the dates of transactions; and
- All resulting exchange differences were recognised in other comprehensive income.

#### Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ('foreign currencies') are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences 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 other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Foreign Currency Translation (Continued)

#### Transactions and balances (Continued)

##### Group companies

The consolidated results and financial position of foreign operations whose functional currency is different from the Group's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement;
- Income or expense for each statements presenting profit or loss and other comprehensive income (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and
- All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in other comprehensive income in the period in which they are incurred.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or loss of joint control over a jointly controlled entity that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

### (j) Financial Assets

The accounting for financial assets before 1 July 2018 is as follows:

#### Classification

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except those maturing later than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables are presented as 'trade and other receivables' and 'cash and cash equivalents' at the balance sheet date.

#### Recognition and derecognition

Regular way purchase and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss.

#### Initial and subsequent measurement

Loans and receivables are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

#### Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Financial Assets (Continued)

#### Impairment (Continued)

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

The accounting for financial assets from 1 July 2018 is as follows:

#### Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ('FVOCI'); and
- Fair value through profit or loss ('FVPL').

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives, if any, are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

#### Initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

#### Subsequent measurement

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables and contract assets.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- **Amortised cost:** Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- **FVOCI:** Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in 'other income / other expenses'. Interest income from these financial assets is recognised using the effective interest rate method and presented in 'interest income', if any.
- **FVPL:** Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in 'other income / other expenses', if any.

#### Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Financial Assets (Continued)

#### Recognition and derecognition (Continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

#### Impairment

The Group assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. ECL 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). ECL are discounted at the effective interest rate of the financial asset.

For trade receivables and contract assets, the Group applies the simplified approach permitted by SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables, the Group applies the general approach. For the purpose of impairment assessment for other receivables, the loss allowance is measured at an amount equal to 12-month ECL, which reflects the low credit risk of the exposures.

#### Credit-impaired financial assets

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. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired.

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession(s) that the lender(s) would not otherwise consider (e.g. the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise);
- It is becoming 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.

#### Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to recovery efforts under the Group's recovery procedures. Any recoveries made are recognised in profit or loss.

### (k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

### (l) Property, Plant and Equipment

Each class of property, plant and equipment is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

#### Property

Land and leasehold building are stated on the cost basis and are therefore carried at cost. Leasehold building includes the construction costs and borrowing costs that are eligible for capitalization.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Property, Plant and Equipment (Continued)

#### Property (Continued)

##### Plant and equipment

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 3 for details of critical judgements of impairment of property, plant and equipment).

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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 measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

##### Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Assets under construction are not depreciated.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Assets	Depreciation Rate
Buildings	3%
Plant and equipment	5% - 15%
Leased plant and equipment	5% - 15%
Small tools	5% - 33.33%
Motor vehicles	6.67% - 33.33%
Office and IT equipment	5% - 33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss.

### (m) Impairment of Non-Financial Assets

Non-financial assets are tested for impairment whenever there is any indication that these assets may be impaired.

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Impairment of Non-Financial Assets

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### (n) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, for which it is more likely than not that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### (o) Financial Liability and Equity Instruments Issued by the Group

#### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### Financial liabilities

An entity shall recognise a financial liability on its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial liability is recognised initially at fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue.

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the liabilities are derecognised, and through amortisation process.

#### Borrowings

Borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date.

#### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

### (p) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (q) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership which are transferred to entities in the Group, are classified as finance leases.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Leases (Continued)

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### (r) Employee Benefits

#### Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed. The Group has no further payment obligations once the contributions have been paid.

#### Provision for employee benefits

Provisions are made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using the market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

#### 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 is recognised as an expense with a corresponding increase in the share option reserve over the vesting period.

The total amount to be recognised over the vesting period is determined by reference to the fair value of the options 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 become exercisable on the vesting date.

At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

### (s) Segment Reporting

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

#### Treasury shares

When any entity within the Group purchases the Company's ordinary shares ('treasury shares'), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or re-issued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of the earnings of the Company.

When treasury shares are subsequently sold or re-issued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or re-issue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

### (u) Related Parties

A related party is defined as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

- a. A person or a close member of that person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b. An entity is related to a reporting entity if any of the following conditions applies:
  - i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - iii. both entities are joint ventures of the same third party;
  - iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
  - vi. the entity is controlled or jointly controlled by a person identified in (a);
  - vii. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### (a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed as follows.

#### (i) Impairment of trade and other receivables and contract assets

As at 30 June 2019, the Group's trade and other receivables and contract assets amounted to A\$63,558,000 (2018: A\$125,662,000; 1 July 2017: A\$52,339,000) and A\$117,443,000 (2018: A\$140,201,000; 1 July 2017: A\$84,553,000) respectively, net of allowance for impairment, if any, arising from the Group's different revenue segments as disclosed in Note 29.

Based on the Group's historical credit loss experience, trade receivables exhibited different loss patterns for each revenue segment. Within each revenue segment, the Group has common customers across the different geographical regions and applies credit evaluations by customer. Accordingly, management has determined the expected loss rates by grouping the receivables across geographical regions in each revenue segment. No allowance for impairment for trade and other receivables and contract assets respectively was recognized as at 30 June 2019 (2018: Nil; 1 July 2017: Nil).

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. There is no major customer in financial difficulties during the financial year.

The Group's and the Company's credit risk exposure for trade receivables by different revenue segment are set out in Note 30(a).

#### (ii) Judgement and method used in estimating construction contract revenue

As discussed in Note 2(e) to the financial statements, construction contract revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ('input method'). Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation ('PO') are excluded from the measure of progress and instead are expensed as incurred.

Construction contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work to the extent that is highly probable that a significant reversal in the amount of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In estimating the variable consideration for contract revenue, the Group uses the expected value amount method to estimate the transaction price. The expected value is the sum of probability-weighted amounts in a range of possible consideration amounts. Management has relied on historical experience and the work of experts, analysed by customers and nature of scope of work, from prior years.

Management has exercised judgement in applying the constraint on the estimated variable consideration that can be included in the transaction price. For variations claims, management has determined that a portion of the estimated variable consideration is subject to the constraint as, based on past experience with the customers, it is highly probable that a significant reversal in the cumulative amount of revenue recognised will occur, and therefore will not be recognised as revenue.

#### (iii) Legal proceedings

The Group is exposed to the risk of claims and litigation which can arise for various reasons, including changes in scope of work, delay and disputes etc. Given the nature of the business, variation orders, additional works and prolongation costs are common. As some of these items could be subjective and hence contentious in nature, the Group may from time to time be involved in adjudication or legal processes.

In making its judgment as to whether it is probable that any such adjudication decisions or litigation will result in a liability and whether any such liability can be measured reliably, management relies on past experience and the opinion of legal advisors and technical experts.

In making that overall judgment, the management has included in its consideration the likely outcome of the claims. Although an adverse outcome of those claims could have a material adverse impact on the financial position of the Group, management have taken the view that such a material adverse outcome is very unlikely.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### (iv) Impairment of property, plant and equipment

The Group assesses impairment of property, plant and equipment at each year end by evaluating conditions specific to the Group that may lead to impairment of assets. Adjustments will be made when considered necessary.

Impairment assessment of property, plant and equipment includes considering certain indications such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant under performance relative to the expected historical or future operating results and significant negative industry or economic trends.

No impairment loss on property, plant and equipment was recorded for the financial years ended 30 June 2019 and 2018.

The carrying amount of property, plant and equipment at 30 June 2019 is A\$201,004,000 (2018: A\$143,711,000; 1 July 2017: A\$128,524,000).

### (b) Key sources of estimation uncertainty

The estimates at 1 July 2017 and at 30 June 2018 are consistent with those made for the same dates in accordance with SFRS. The estimates used by the Group to present these amounts in accordance with SFRS(l) reflect conditions at 1 July 2017, the date of transition to SFRS(l) and as of 30 June 2018.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### (i) Estimation of total contract costs for construction contracts

The Group has significant ongoing construction contracts as at 30 June 2019 that are non-cancellable. For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ('input method').

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of construction revenue. When it is probable that the total contract costs will exceed the total construction revenue, a provision for onerous contracts is recognised immediately.

Significant assumptions are used to estimate the total contract sum and the total contract costs which affect the accuracy of revenue recognition based on the percentage-of-completion and completeness of provision for onerous contracts recognised. In making these estimates, management has relied on past experience and the work of specialists.

If the estimated total contract sum decreases by 0.1% from management's estimates, the Group's profit before income tax will decrease by approximately A\$4,870,000.

If the remaining estimated contract costs increase by 0.1% from management's estimates, the Group's profit before income tax will decrease by approximately A\$4,633,000.

#### (ii) Estimation of useful lives of property, plant and equipment

The useful lives of assets have been based on historical experience, lease terms and best available information for similar items in the industry. These estimations will affect the depreciation expense recognised in the financial year. There is no change in the estimated useful lives of plant and equipment during the current financial year.

The carrying amount of the Group's property, plant and equipment as at 30 June 2019 was A\$201,004,000 (2018: S\$143,711,000; 1 July 2017: A\$128,524,000) (Note 14). A 10% difference in the expected useful lives of these assets from management's estimate would result in an approximately A\$1,001,500 (2018: A\$1,042,500) variance in the Group's profit before tax.

#### (iii) Income taxes

The Group has exposure to income taxes of which a portion of these taxes arose from certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises receivables or liabilities on expected tax issues based on their best estimates of the likely taxes recoverable or due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's and Company's current income tax positions as at 30 June 2019 were income tax recoverable of A\$4,024,000 (2018: tax recoverable of A\$5,313,000; 1 July 2017: tax recoverable of A\$7,769,000) and A\$4,043,000 (2018: tax payable of A\$1,356,000; 1 July 2017: tax recoverable of A\$4,249,000) respectively. The carrying amounts of the Group's and Company's deferred tax assets and deferred tax liabilities as at 30 June 2019 are disclosed in Note 9 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 4. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

The Group derives revenue from the transfer of goods and services over time and at a point in time as follows:

	GROUP	
	2019 A\$'000	2018 A\$'000
Over time:		
Construction contract revenue	483,943	680,039
Revenue from rendering of services	3,031	21,467
	486,974	701,506
At a point in time:		
Revenue from sales of goods	1,537	909
	488,511	702,415

The segment analysis of the Group is disclosed in Note 29 to the financial statements.

### (b) Contract assets and liabilities

	GROUP		
	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
Contract assets	117,443	140,201	84,553
Contract liabilities	(69,333)	(30,989)	(15,999)

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at the reporting date on construction contracts. The contract assets are transferred to trade receivables when the rights become unconditional, which usually occurs when the customer certifies the progress claims.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for construction contracts and progress billings issued in excess of the Group's rights to the consideration in respect of construction contract revenue.

#### (i) Significant changes in contract balances

	GROUP	
	2019 A\$'000	2018 A\$'000
<b>Contract assets:</b>		
Contract assets reclassified to trade receivables	(76,840)	(38,448)
Changes in measurement of progress	54,082	94,096
<b>Contract liabilities:</b>		
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period	17,653	8,167
Increase due to cash received, excluding amounts recognised as revenue during the year	(55,997)	(23,157)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

### (b) Contract assets and liabilities (Continued)

#### (ii) Unsatisfied performance obligations

	GROUP		
	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 30 June	819,042	*	*

\*As permitted under the transitional provisions in SFRS(I) 15, the transaction price allocated to partially or fully unsatisfied performance obligations as of 30 June 2018 and 1 July 2017 is not disclosed.

The Group expects that the aggregate amount of the transaction price allocated to unsatisfied performance obligations as of 30 June 2019 will be recognised as revenue as the Group continue to perform to complete the construction, which is expected to occur over the next few years up to 2029. The amount disclosed above does not include variable consideration which is subject to constraint.

As permitted under the SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods of one year or less, or are billed based on time incurred, is not disclosed.

## 5. OTHER INCOME

	GROUP	
	2019 A\$'000	2018 A\$'000
Insurance recovery	1,764	7,219
Fuel tax rebate	485	596
Interest income:		
- Bank balances	407	334
- Tax authorities	210	20
- Related party	72	-
	689	354
Gain on disposal of property, plant and equipment	-	272
Gain on deconsolidation of a subsidiary (Note 16)	2,091	-
Net foreign exchange gain	95	-
Miscellaneous income	265	16
	5,389	8,457

The Group recognised other income of A\$1,218,000 (2018: A\$7,152,000) from an insurance claim relating to a fire incident in September 2017. This claim has now been finalised.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 6. PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit before income tax:

	GROUP	
	2019 A\$'000	2018 A\$'000
<b>Included in cost of sales:</b>		
Direct materials	78,778	111,866
Employee benefits (Note 7)	230,379	294,408
Subcontract works	83,653	168,075
Workshop and other overheads	60,452	79,679
Depreciation of property, plant and equipment (Note 14)	9,716	9,981
<b>Included in administrative expenses:</b>		
Audit fees:		
- Auditor of the Company	83	79
- Other auditors	95	88
Non-audit fees:		
- Auditor of the Company	21	19
- Other auditors	62	45
Business development	487	967
Communications	1,718	2,469
Depreciation of property, plant and equipment (Note 14)	298	444
Directors' fees	239	211
Employee benefits (Note 7)	9,791	9,035
Occupancy expenses	537	451
Office costs	555	474
Other administrative expenses	645	721
Other professional fees	1,488	1,577
Tax fees	668	1,194
Net foreign exchange loss	-	89

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 7. EMPLOYEE BENEFITS EXPENSES

	GROUP	
	2019 A\$'000	2018 A\$'000
Wages and salaries	222,416	230,318
Contributions to defined contribution plans	15,492	14,467
Other employee benefits	2,262	58,658
	240,170	303,443

## 8. FINANCE COSTS

	GROUP	
	2019 A\$'000	2018 A\$'000
Bank bills	1,827	1,767
Trade finances	970	783
Line fees	1,356	1,107
Finance leases	729	448
Premium funding	106	7
Other finance costs	17	-
	5,005	4,112

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 9. INCOME TAX EXPENSE

	GROUP	
	2019 A\$'000	2018 A\$'000
Current income tax	(352)	8,823
Deferred income tax	2,160	(1,804)
	1,808	7,019
(Over)/under provision in prior years		
- Current income tax	(16)	483
- Deferred income tax	170	228
	154	711
	1,962	7,730

The Group's tax on profit before income tax differs from the amount that would arise using the Australian standard rate of income tax as follows:

	GROUP	
	2019 A\$'000	2018 A\$'000
Profit before income tax	8,992	25,148
Income tax at 30% (2018: 30%)	2,697	7,544
Add/(deduct) the tax effects of:		
(Over)/under provision of income tax in respect of prior years	(16)	483
Under provision of deferred tax expense	170	228
Non-deductible expenses	(889)	(525)
	1,962	7,730
Weighted average effective tax rates	22.6%	30.7%

As at 30 June 2019, the Group has capital tax losses of approximately A\$37,806 (2018: A\$37,806; 1 July 2017: A\$37,806) that are available for offset against future capital gains of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these capital tax losses is subject to the agreement of tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The deferred tax assets arising from these capital losses amounted to A\$11,342 (2018: A\$11,342; 1 July 2017: A\$11,342) and are not recognised as there is no reasonable certainty that future capital gains will be available to utilise the capital tax losses.

The tax rate used for the 2019 and 2018 reconciliations above is the corporate tax rate of 30% payable by corporate entities in Australia on taxable profits under the tax law in that jurisdiction. The Group's operations are located in Australia.

### Current tax recoverable

Current tax recoverable mainly arose from the Group's overprovision of income taxes in respect of the prior year and was recovered in the current financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 9. INCOME TAX EXPENSE (CONTINUED)

Deferred taxes

	OPENING A\$'000	CHARGED TO PROFIT OR LOSS A\$'000	CLOSING A\$'000
<b>Group</b>			
<b>2019</b>			
Property, plant and equipment	(3,421)	(678)	(4,099)
Receivables	1	2	3
Trade and other payables	1,609	(705)	904
Provisions	4,205	(981)	3,224
Carried forward tax losses	57	376	433
Unrealised foreign exchange losses	(13)	13	-
Others	82	21	103
	2,520	(1,952)	568
<b>2018</b>			
Property, plant and equipment	(2,224)	(1,197)	(3,421)
Receivables	(9)	10	1
Trade and other payables	870	739	1,609
Provisions	2,285	1,920	4,205
Carried forward tax losses	64	(7)	57
Unrealised foreign exchange losses	4	(17)	(13)
Others	107	(25)	82
	1,097	1,423	2,520
<b>Company</b>			
<b>2019</b>			
Cast at bank	(13)	13	-
Loan receivables	-	3	3
Trade and other payables	(24)	(13)	11
Carried forward tax losses	-	377	377
Others	5	(2)	3
	16	378	394
<b>2018</b>			
Cast at bank	4	(17)	(13)
Trade and other payables	7	17	24
Others	-	5	5
	11	5	16

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's net profit attributable to ordinary equity holders for the financial year by the weighted average number of ordinary shares issued.

	GROUP	
	2019	2018
Profit attributable to the owners of the Company (A\$'000)	6,075	18,112
Share capital	29,807,000	29,807,000
Weighted average number of ordinary shares issued		
- Basic	500,985,000	500,985,000
- Diluted	500,985,000	500,985,000
Earnings per ordinary share (A\$ cents)		
- Basic	1.21	3.62
- Diluted	1.21	3.62

Basic earnings per share is calculated by dividing the consolidated profit after tax attributable to the equity holders of the company, by the weighted average number of ordinary shares outstanding during the financial year.

As at 30 June 2019 and 2018, the diluted earnings per share is the same as the basic earnings per share as it does not include the effect of 4,000,000 (2018: 4,000,000) unissued ordinary shares granted under the CESOS (Note 23(c)). The effect of the inclusion is anti-dilutive.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 11. TRADE AND OTHER RECEIVABLES

	GROUP			COMPANY		
	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
<b>Current:</b>						
Trade receivables						
- Third parties	52,432	124,255	50,953	-	-	-
- Retention sum receivables	648	1,190	354	-	-	-
	53,080	125,445	51,307	-	-	-
Receivables from subsidiaries	-	-	-	29,488	34,262	27,612
Loan to a former subsidiary, now a related party	1,803	-	-	-	-	-
Other receivables	8,675	217	879	25	23	-
	63,558	125,662	52,186	29,513	34,285	27,612
<b>Non-current:</b>						
Retention sum receivables	-	-	153	-	-	-
	63,558	125,662	52,339	29,513	34,285	27,612

The receivables from subsidiaries are non-trade, unsecured, interest-free and repayable on demand in cash.

The Group provided working capital funding to a former subsidiary, now a related party, Civtec Africa Ltd. The loan is unsecured, interest bearing at a market rate of Australian Bank Bill Swap Bid Rate ('BBSY') plus 2% and repayable on demand.

Included in the Group's other receivables as at 30 June 2019, are cost recoveries from sub-contractors for delays under the contract amounting to A\$6,700,000. Management has assessed that there is no significant expected credit loss for the financial year ended 30 June 2019.

The Group's internal credit evaluation practices and basis for recognition and measurement for expected credit losses are disclosed in Note 30(a) to the financial statements.

## 12. OTHER ASSETS

	GROUP			COMPANY		
	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
<b>Current:</b>						
Prepayments	413	1,115	778	9	-	3
Consumables inventory	650	632	414	-	-	-
	1,063	1,747	1,192	9	-	3

## 13. CASH AND CASH EQUIVALENTS

	GROUP			COMPANY		
	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
Cash at banks and in hand	40,662	23,369	22,712	6	5	24

Cash at banks earn interest at floating rates ranging from 0.01% to 1.5% (2018: 0.01% to 1.5%; 1 July 2017: 0.01% to 1.5%) per annum.

A floating charge over cash and cash equivalents has been provided for certain debt.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 14. PROPERTY, PLANT AND EQUIPMENT

	LAND A\$'000	BUILDINGS A\$'000	PLANT AND EQUIPMENT A\$'000	SMALL TOOLS A\$'000	MOTOR VEHICLES A\$'000	OFFICE EQUIPMENT A\$'000	IT EQUIPMENT A\$'000	ASSETS UNDER CON- STRUCTION A\$'000	TOTAL A\$'000
<b>Cost</b>									
At 1 July 2018	16,254	55,576	54,636	16,729	7,137	1,405	2,373	34,084	188,194
Additions	-	-	4,139	144	-	10	66	63,868	68,227
Adjustment	-	-	450	-	-	-	-	-	450
Transfer	-	10,781	11,070	(9,526)	-	4	(29)	(12,300)	-
Disposals	-	-	(1,652)	(248)	(92)	(5)	-	-	(1,997)
At 30 June 2019	16,254	66,357	68,643	7,099	7,045	1,414	2,410	85,652	254,874
<b>Accumulated depreciation</b>									
At 1 July 2018	-	(10,663)	(19,955)	(7,204)	(3,880)	(853)	(1,928)	-	(44,483)
Depreciation for the year	-	(2,590)	(5,515)	(852)	(726)	(150)	(182)	-	(10,015)
Transfer	-	-	(2,716)	2,697	14	5	-	-	-
Adjustment	-	-	(187)	-	-	-	-	-	(187)
Disposals	-	-	513	235	67	-	-	-	815
At 30 June 2019	-	(13,253)	(27,860)	(5,124)	(4,525)	(998)	(2,110)	-	(53,870)
<b>Net carrying amount</b>									
At 30 June 2019	16,254	53,104	40,783	1,975	2,520	416	300	85,652	201,004
<b>Cost</b>									
At 1 July 2017	16,254	55,522	49,488	13,422	6,599	1,371	2,041	19,665	164,362
Additions	-	-	-	-	-	-	23	26,931	26,954
Transfer	-	54	6,691	4,305	970	146	346	(12,512)	-
Disposals	-	-	(1,543)	(998)	(432)	(112)	(37)	-	(3,122)
At 30 June 2018	16,254	55,576	54,636	16,729	7,137	1,405	2,373	34,084	188,194
<b>Accumulated depreciation</b>									
At 1 July 2017	-	(8,239)	(16,067)	(5,615)	(3,485)	(794)	(1,638)	-	(35,838)
Depreciation for the year	-	(2,424)	(4,401)	(2,297)	(805)	(171)	(327)	-	(10,425)
Disposals	-	-	513	708	410	112	37	-	1,780
At 30 June 2018	-	(10,663)	(19,955)	(7,204)	(3,880)	(853)	(1,928)	-	(44,483)
<b>Net carrying amount</b>									
At 30 June 2018	16,254	44,913	34,681	9,525	3,257	552	445	34,084	143,711
At 1 July 2017	16,254	47,283	33,421	7,807	3,114	577	403	19,665	128,524

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) As at the balance sheet date the net book value of property, plant and equipment that were under finance leases was A\$21,879,000 (2018: A\$23,919,000; 1 July 2017: A\$19,742,000) (Note 21).  
(b) The carrying amount of property, plant and equipment that are pledged for security are as follows.

		GROUP		
DESCRIPTION	BORROWINGS	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
Leased plant and equipment	Finance lease	21,879	23,919	19,742
Remaining property, plant and equipment	Bank bills	179,125	119,792	108,782
		201,004	143,711	128,524

The details of the borrowings are disclosed in Note 21 to the financial statements.

## 15. INTANGIBLE ASSETS

GROUP			
	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
Goodwill	10	10	10

Goodwill arose from the excess of the consideration paid for a business acquired from a third party. Goodwill has been allocated to the cash-generating unit, Metals and Minerals division.

Management is of the opinion that the recoverable amount will exceed the carrying amount on the basis that this cash generating unit has been generating profit since acquisition and management forecasts the results of this subsidiary to be in a net profit position for the financial year ended 30 June 2019. In arriving at this assessment, management has determined the recoverable amount using a two years (2018: two years; 1 July 2017: two years) forecasting process based on the current order book, projected orders and a consumer price index ('CPI') factor of 1.9% (2018: 1.9%; 1 July 2017: 1.9%) per annum on direct costs and overhead costs.

## 16. INVESTMENT IN SUBSIDIARIES

COMPANY			
	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
Unquoted equity shares, at cost	7,579	7,579	7,579

There is no material non-controlling interest to be disclosed for the financial year ended 30 June 2019.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The details of the Company's subsidiaries are as follows:

NAME OF ENTITY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	% OF EQUITY HELD BY THE GROUP		
			2019	2018	2017
Held by the Company					
Civmec Construction & Engineering Pty Ltd*	Engineering and construction services	Australia	100	100	100
Civmec Construction & Engineering, Singapore Pte Ltd**	Engineering and construction services	Singapore	100	100	100
Held by Civmec Construction & Engineering, Singapore Pte Ltd					
Civmec-Mala PNG**	Engineering and construction services	Papua New Guinea	88	88	88
Held by Civmec Construction & Engineering Pty Ltd					
Civmec Holdings Pty Ltd*	Asset holding company	Australia	100	100	100
Multidiscipline Solutions Pty Ltd*	Asset holding company and labour supply	Australia	100	100	100
Civmec Pipe Products Pty Ltd*	Asset holding company	Australia	83.5	83.5	83.5
Civmec Electrical and Instrumentation Pty Ltd*	Electrical services	Australia	100	100	100
Civmec DLG Pty Ltd*	Engineering and construction services	Australia	100	100	50
Forgacs Marine and Defence Pty Ltd*	Marine and defence services	Australia	100	100	100
Civmec Construction & Engineering Africa Ltd*	Asset holding company	Mauritius	100	100	100
Australian Maritime Shipbuilding and Export Group Ltd (AMSEG)*	Shipbuilding	Australia	49	49	-
Held by Forgacs Marine and Defence Pty Ltd					
Forgacs Valco Pty Ltd*	Valve services	Australia	50	50	50
Held by Civmec Construction & Engineering Africa Ltd					
Civmec Construction & Engineering Uganda Ltd*	Asset holding company	Uganda	100	100	100

\* Audited by Moore Stephens (WA) Pty Ltd, Australia.

\*\* Audited by Moore Stephens LLP, Singapore.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

### Deconsolidation a Subsidiary

On 3 September 2018, the Company announced it did not subscribe for additional shares in an equity raising of an indirect subsidiary, Civtec Africa Ltd ('Civtec'). Consequent to the share issue, the interest of the Group in Civtec was diluted from 50% to 31.9%. Civtec remains as an associated company of the subsidiary, Civmec Construction and Engineering Uganda Ltd.

In compliance to the applicable accounting standards, the Group has deconsolidated its 50% interest in Civtec and its interest is now accounted for using the equity method.

#### (a) Financial performance and cash-flow information

The financial performance and cash flow information presented reflects the operations for the two-month period ended 31 August 2018 and subsequent adjustments to the contingent consideration receivable.

	GROUP	
	2019 A\$'000	2018 A\$'000
<b>Profit &amp; Loss</b>		
Revenue & other income	283	75
Costs of sales	(227)	-
Administrative & other expenses	(159)	(1,002)
Loss before income tax	(103)	(927)
Income tax expense	-	-
Loss from deconsolidation	(103)	(927)
Exchange differences on translation of deconsolidation	(188)	-
Total comprehensive loss from deconsolidation	(291)	(927)
<b>Cash Flow</b>		
Net cash (outflow)/inflow from operating activities	(292)	65
Net cash outflow from investing activities	(4)	-
Net cash outflow from financing activities	-	-
Net cash (decrease)/increase generated by the former subsidiary	(296)	65
	<b>CENTS</b>	<b>CENTS</b>
Basic earnings per share from deconsolidation	(0.06)	(0.18)
Diluted earnings per share from deconsolidation	(0.06)	(0.18)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

### Deconsolidation a Subsidiary (Continued)

(b) Details of deconsolidation of the subsidiary

	2019 A\$'000
<b>Consideration received of receivable:</b>	
Cash or shares	-
Fair value of 31.9% interest held in subsidiary	-
Total consideration	-
Add: carrying amount of net liabilities on deconsolidation, net of NCI	2,327
Gain on deconsolidation before income tax and reclassification of foreign currency translation reserve	2,327
Reclassification of foreign currency translation reserve to profit or loss	(91)
Income tax expense on gain on deconsolidation	-
Gain on deconsolidation	2,236
The Company's share of Civtec's comprehensive loss from 1 July to 3 September 2018	(145)
Total gain on deconsolidation attributable to the Group	2,091

## 17. INVESTMENT IN JOINT VENTURES

	GROUP		
	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
Unquoted cost of investment	-	122	368
Share of profit/(loss)	41	260	(246)
	41	382	122
Cash distribution to shareholders	(19)	(432)	-
Written off	19	-	-
Other reconciling items	-	50	-
As at 30 June	41	-	122

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 17. INVESTMENT IN JOINT VENTURES (CONTINUED)

Details of the Group's joint ventures that is accounted for using the equity method at the end of the reporting period are as follows:

NAME OF ENTITY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	% OF OWNERSHIP INTEREST HELD BY THE GROUP		
			2019	2018	1 JULY 2017
Held by Civmec Construction & Engineering Pty Ltd					
Sedgman Civmec Joint Venture <sup>(1)</sup>	Engineering and construction services	Australia	-	50	50
Brown & Root Civmec Pty Ltd <sup>(2)</sup>	Engineering and construction services	Australia	49	-	-

<sup>(1)</sup> Dissolved on 28 February 2019

<sup>(2)</sup> Incorporated with Kellogg Brown & Root Pty Ltd on 13 April 2019

The summarised financial information below represents amounts shown in the joint ventures' financial statements.

### Sedgman Civmec Joint Venture

Summarised statement of financial position presented up to 28 February 2019:

	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
Cash and cash equivalents	37	77	68
Trade and other receivables	-	77	1,446
Other assets	-	2,556	4,057
Total current assets	37	2,710	5,571
Trade and other payables - current	-	2,812	5,328
Net assets/(liabilities)	37	(102)	243
Proportion of the Group's ownership in the joint venture	50.0%	50.0%	50.0%
Carrying amount of the Group's interest in the joint venture	19*	(51)*	122

\* Reported as Nil

Summarised statement of comprehensive income presented up to 28 February 2019:

	2019 A\$'000	2018 A\$'000
Revenue	-	1,119
Operating expenses	-	(604)
Other income	139	5
Profit before tax	139	520
Other comprehensive income	-	-
Total comprehensive income	139	520

The joint venture has distributed the final payout to the Group in March 2019.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 17. INVESTMENT IN JOINT VENTURES (CONTINUED)

### Brown & Root Civmec Pty Ltd

Summarised statement of financial position.

	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
Other receivables	82	-	-
Total current assets	82	-	-
Other payables - current	-	-	-
Net assets	82	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

Net assets	82	-	-
Proportion of the Group's ownership in the joint venture	49.0%	-	-
Carrying amount of the Group's interest in the joint venture	41	-	-

Summarised statement of comprehensive income:

	2019 A\$'000	2018 A\$'000
Revenue	557	-
Operating expenses	(471)	-
Administrative expenses	(4)	-
Profit before tax	82	-
Other comprehensive income	-	-
Total comprehensive income	82	-

## 18. INVESTMENT IN ASSOCIATE

Details of the Group's associate that is accounted for using the equity method at the end of the reporting period are as follows:

NAME OF ENTITY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	% OF OWNERSHIP INTEREST HELD BY THE GROUP		
			2019	2018	1 JULY 2017
Held by Civmec Construction & Engineering Uganda Ltd					
Civtec Africa Ltd	Engineering and construction services	Uganda	32	50	50

### Civtec Africa Ltd

Civtec Africa Ltd, previously an indirect subsidiary of the Company with equity from Civmec Construction & Engineering Uganda Ltd ('CCE Uganda'), an indirect subsidiary of the Company and other investors, has increased its issued shares from 175,704,642 to 274,999,624 through the issue and allotment of an additional 99,294,982 shares at UGX2.53 each (the 'Share issue').

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 18. INVESTMENT IN ASSOCIATE (CONTINUED)

### Civtec Africa Ltd (Continued)

CCE Uganda did not subscribe for additional shares in the Share Issue. Consequent to the Share Issue, the interest of the Group in Civtec has been diluted from 50% to 31.9% (the 'Dilution'). Pursuant to the Dilution, Civtec remains as an associated company of CCE Uganda.

The summarised financial information below represents amounts shown in the associate's financial statements.

	2019 A\$'000
<b>Statement of financial position</b>	
Current assets	648
Non-current assets	20
Current liabilities	(349)
Non-current liabilities	(1,955)

The carrying amount of investment in associate has been reduced to Nil on the basis that the associate reported a net liability position as at 30 June 2019.

	03.09.2018 TO 30.06.2019 A\$'000
<b>Statement of comprehensive income:</b>	
Revenue	2,906
Profit or loss from continuing operations	(115)
Profit/(loss) for the period	(720)
Total comprehensive income for the period	(720)

The Group has not recognised its share of losses of an associate amounting to A\$228,000 (2018: A\$ Nil) because the Group's cumulative share of losses exceeds its interest in that entity and the Group has no obligation in respect of those losses. The cumulative unrecognised losses amount to A\$228,000 (2018: A\$ Nil) at the reporting date.

## 19. JOINT OPERATIONS

The Group has interests in the following joint operations which are proportionately consolidated:

NAME OF JOINT OPERATION	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	% OF OWNERSHIP INTEREST HELD BY THE GROUP		
			2019	2018	1 JULY 2017
Black & Veatch Civmec JV ('BCJV')	Engineering and construction services	Australia	50	50	50
Amec Foster Wheeler Civmec JV ('ACJV')	Engineering and construction services	Australia	50	50	50
Swan River Bridge Alliance Civmec JV ('SRBA')	Engineering and construction services	Australia	33	33	-

BCJV project is for the design and construction of the wastewater treatment plant upgrade.

ACJV is for the design, procurement and installation of a process plant, administration office and warehouse.

SRBA project is for the fabrication of the pedestrian footbridge over the Swan River.

The Group is entitled to a proportionate share of the construction contract revenue earned and bears a proportionate share of the joint operations' expenses.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 20. TRADE AND OTHER PAYABLES

	GROUP			COMPANY		
	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
Trade creditors	26,675	66,577	35,235	6	-	-
Sundry payables and accruals	24,786	41,405	17,766	168	136	145
Goods and services tax payable	2,808	6,631	3,003	-	-	-
Other taxes payable	3,274	5,268	3,230	-	-	-
	57,543	119,881	59,234	174	136	145

Trade and other payables are usually paid within 45 days.

## 21. BORROWINGS

	GROUP		
	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
<b>Current:</b>			
Finance lease liabilities – secured (Note 21(a))	6,358	4,959	4,892
Bank bills – secured (Note 21(b))	2,252	38,316	91
Loan from related party – unsecured (Note 21(d))	320	-	-
	8,930	43,275	4,983
<b>Non-current:</b>			
Finance lease liabilities – secured (Note 21(a))	12,804	8,422	5,888
Bank bills – secured (Note 21(b))	35,444	55,694	47,331
Secured notes (Note 21(c))	60,000	-	-
Loan from related party – unsecured (Note 21(d))	-	318	336
	108,248	64,434	53,555
	117,178	107,709	58,538

(a) Finance lease liabilities

The Group (the lessee) leases motor vehicles, workshop equipment and office fit out from non-related parties under finance leases. The Group will obtain the ownership of the leased assets from the lessor at no extra cost at the end of the lease term. The average lease term is between 4 and 5 years at interest rates ranging from 3.52% to 6.30% per annum (2018: 3.52% to 6.30%; 1 July 2017: 3.52% to 7.77%).

The finance lease liabilities are secured by the underlying leased assets:

	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
Property, plant and equipment (Note 14)	21,879	23,919	19,742

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 21. BORROWINGS (CONTINUED)

### (a) Finance lease liabilities (Continued)

The present values of finance lease liabilities are analysed as follows:

	MINIMUM LEASE PAYMENTS A\$'000	FUTURE FINANCE CHARGES A\$'000	NET PRESENT VALUE OF MINIMUM LEASE PAYMENTS A\$'000
<b>2019</b>			
Not later than one year	7,121	(763)	6,358
Between one and five years	13,873	(1,069)	12,804
	20,994	(1,832)	19,162
<b>2018</b>			
Not later than one year	5,438	(479)	4,959
Between one and five years	9,032	(610)	8,422
	14,470	(1,089)	13,381
<b>1 July 2017</b>			
Not later than one year	5,253	(361)	4,892
Between one and five years	6,129	(241)	5,888
	11,382	(602)	10,780

### (b) Bank bills

#### Banking Covenants

The Group is required by the banks to maintain certain financial ratios such as loan value ratio and interest cover ratio. As at 30 June 2019, the Group met all of these financial covenants.

As at 30 June 2019, the Group has a commercial bank facility amounting to A\$44,444,000 (2018: A\$100,000,000; 1 July 2017: A\$52,800,000) which was 81% (2018: 94%; 1 July 2017: 90%) utilised. Interest rates are variable and ranged between 3.07% to 3.28% (2018: 2.65% to 4.16%; 1 July 2017: 2.72% to 3.08%) per annum during the current financial year.

The bank bills are secured by certain property, plant and equipment as disclosed in Note 14 to the financial statements.

### (c) Senior secured notes

The Group secured A\$60,000,000 offering of 4-year secured notes ('senior secured notes') on 23 November 2018 to restructure existing finance and provide funding for a portion of a world-class shipbuilding and maintenance facility at Henderson Western Australia. The senior secured notes are unconditionally and irrevocably guaranteed by the Company and are redeemable after two years at the Company's option. The senior secured notes are collectively under a security trust deed and hold first ranking over all assets held with the subsidiary, Civmec Holdings Pty Ltd, including interests in land at the Company's Stuart Drive Henderson site in Western Australia and the Tomago site in New South Wales Australia.

The senior secured notes bear a fixed interest rate of 7% per annum.

### (d) Loan from related party

Loan from related party is non-trade, unsecured, interest-free and repayable on demand.

## 22. PROVISIONS

	GROUP		
	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
<b>Current:</b>			
Provision for employee benefits	5,557	9,197	4,831
<b>Non-current:</b>			
Provision for employee benefits	4,634	3,935	2,955
	10,191	13,132	7,786

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 22. PROVISIONS (CONTINUED)

The movements in provisions are as follows:

	GROUP	
	2019 A\$'000	2018 A\$'000
<b>Current:</b>		
At the beginning of the year	9,197	4,831
Provisions made during the year		
- Included in employee benefits	18,281	16,705
Provisions utilised during the year	(21,921)	(12,339)
At the end of the year	5,557	9,197
<b>Non-current:</b>		
At the beginning of the year	3,935	2,955
Provisions made during the year		
- Included in employee benefits	1,019	1,012
Provisions utilised during the year	(320)	(32)
At the end of the year	4,634	3,935

Provisions pertain to employee benefits relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data and the discount rate used ranges from 1.46% to 2.73% (2018: 2.51% to 3.94%; 1 July 2017: 2.28% to 4.00%).

## 23. SHARE CAPITAL

(a) Fully paid ordinary shares.

	GROUP AND COMPANY			
	2019		2018	
	NO. OF SHARES	A\$'000	NO. OF SHARES	A\$'000
At the beginning and end of the year	501,000,000	29,807	501,000,000	29,807

The ordinary shares of the Company have no par value. All issued ordinary shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share without restrictions at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The Company approved the payment of a First and Final dividend of 0.7 Singapore cents per ordinary share (2018: 0.7 Singapore cents) amounting to S\$3,507,000 (2018: S\$3,507,000) equivalent to A\$3,631,000 (2018: A\$3,450,000) for the financial year ended 30 June 2018. The dividend payment was made on 13 December 2018.

The Board has recommended a first and final dividend of 0.7 Singapore cents per ordinary share for the financial year ended 30 June 2019, subject to shareholders' approval at the forthcoming Annual General Meeting.

(b) Treasury shares

	GROUP AND COMPANY			
	2019		2018	
	NO. OF SHARES	A\$'000	NO. OF SHARES	A\$'000
At the beginning and end of the year	15,000	10	15,000	10

Treasury shares relate to ordinary shares of the Company that are held by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 23. SHARE CAPITAL (CONTINUED)

(c) Share options

	GROUP AND COMPANY			
	2019		2018	
	NO. OF SHARES	EXERCISE A\$	NO. OF SHARES	EXERCISE A\$
At the beginning of the year	4,000,000	0.65	4,500,000	0.65
Options cancelled during the year	-	-	(500,000)	-
At the end of the year	4,000,000	0.65	4,000,000	0.65

These options vested but were not exercised during the reporting period. Share options granted under the Civmec Employee Share Option plan carry no rights to dividends and no voting rights. Further details of the employee option plan are disclosed in Note 24(b) to the financial statements.

## 24. SHARE-BASED PAYMENTS

(a) Performance Share Plan

The Civmec Performance Share Plan (the 'CPSP') for key management personnel and employees of the Group was approved and adopted by shareholders at the Extraordinary General Meeting held on 25 October 2012.

Under the CPSP, 1,199,000 ordinary shares with a market value of S\$0.70 equivalent to A\$0.74 per share were fully allotted out of treasury shares issued by the Company on 13 June 2014.

No issuance of share-based payment transactions in the current financial year.

(b) Employee Share Option Scheme

The Civmec Employee Share Option Scheme (the 'CESOS') was established on 27 March 2012 and formed part of the Civmec Limited prospectus dated 5 April 2012. The CESOS is a long term incentive scheme to reward and retain key management and employees of the Group whose service are integral to the success and the continued growth of the Group. Executive and non-executive directors (including independent directors) and employees of the Company, who are not controlling shareholders or their associates, are eligible to participate in the scheme. Controlling shareholders or their associates cannot participate in the scheme unless certain conditions are satisfied and shareholder approval is obtained.

The options are issued for no consideration and carry no entitlements to voting rights or dividends of the Group and are not transferable. The number of options granted is subject to approval by the Remuneration Committee and is based on a performance framework which incorporates financial and/or non-financial performance measurement criteria.

Options are forfeited immediately after the holder ceases to be employed by the Group (except in the case of ill health, retirement, redundancy or bankruptcy), unless the committee determines otherwise.

The options are issued with a strike price that is at the Remuneration Committee's discretion, set at a price as quoted on the Singapore Exchange for three market days immediately preceding the relevant date of grant of the option or at a discount to the market price (subject to a maximum discount of 20%).

The vesting period for options issued with no discount to market price is over one year.

On 11 September 2013, 6,000,000 options were granted to employees under the CESOS to take up ordinary shares at an exercise price of S\$0.65 equivalent to A\$0.68 per share. The options are exercisable on or before 11 September 2023.

Options granted to employees are as follows:

GRANT DATE	TOTAL NUMBER GRANTED	VESTING PERIOD
11 September 2013	6,000,000	1 year

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 24. SHARE-BASED PAYMENTS (CONTINUED)

### (b) Employee Share Option Scheme (Continued)

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in share options during the year:

	2019		2018		1 JULY 2017	
	NO.	WAEP	NO.	WAEP	NO.	WAEP
Outstanding at the beginning of the year	4,000,000	0.65	4,500,000	0.65	5,000,000	0.65
Cancelled during the year	-	-	(500,000)	-	(500,000)	-
Outstanding at the end of the year	4,000,000	0.65	4,000,000	0.65	4,500,000	0.65
Exercisable at the end of the year	4,000,000		4,000,000		4,500,000	

The weighted average remaining contractual life of options outstanding as at 30 June 2019 is 4 years (2018: 5 years). The exercise price of outstanding shares was S\$0.65 (2018: S\$0.65) equivalent to A\$0.68 (2018: A\$0.64).

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted was S\$0.38 (2018: S\$0.0472) equivalent to A\$0.40 (2018: A\$0.40). These values were calculated using the Binomial option pricing model applying the following inputs:

GRANT DATE	11 SEPTEMBER 2013
Vesting period	1 year
Dividend yield	11%
Weighted average exercise price	S\$0.65
Share price	S\$0.65
Expected average life of the option	5.9 years
Expected share price volatility	26%
Risk-free interest rate	2.68%

The expected volatility of the Company has been determined having regard to the historical volatility of the market price of the Company's shares and the mean reversion tendency of volatilities.

The life of the options is based on the expected exercise patterns, which may not eventuate in the future.

A liquidity discount has also been applied to the value of the options to account for historically low trading volume of the shares.

### (c) Performance Rights Plan

The Civmec Limited Performance Rights Plan (the 'CPRP') for key senior executives of the Group was approved and adopted by shareholders at the Annual General meeting held on 25 October 2018.

8,109,993 Performance Rights were issued during the year (FY2018: Nil).

GRANT	BALANCE AT 30 JUNE 2018	ISSUED	VESTED	FORFEITED/ LAPSED / EXPIRED	BALANCE AT 30 JUNE 2019
FY2019	-	8,109,993	-	-	8,109,993
Total	-	8,109,993	-	-	8,109,993

The Committee has the discretion to decide if Performance Rights will lapse or vest.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 25. OTHER RESERVES

	GROUP			COMPANY		
	2019 AS\$'000	2018 AS\$'000	1 JULY 2017 AS\$'000	2019 AS\$'000	2018 AS\$'000	1 JULY 2017 AS\$'000
Merger reserve	7,578	7,578	7,578	7,578	7,578	7,578
Foreign currency translation reserve	-	93	-	-	30	-
Waiver of interest receivable from a subsidiary	-	-	-	(3,335)	(3,335)	(3,335)
Share option reserve	240	240	240	240	240	240
	7,818	7,911	7,818	4,483	4,513	4,483

### (a) Merger reserve

Pursuant to the completion of the Restructuring Exercise, the share capital of Civmec Construction & Engineering Pty Ltd and Controlled Entities is adjusted to merger reserve based on the 'pooling of interest method'.

### (b) Foreign currency translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency to the Group's presentation currency (i.e. A\$) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating the net assets of foreign operations) are reclassified to profit or loss on the disposal or partial disposal of the foreign operation. The movement in the foreign currency translation reserve is shown in the consolidated statement of changes in equity.

### (c) Share option reserve

The share option reserve relates to share options granted to employees under the employee share option plan. Further information about share-based payments to employees is set out in Note 24 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 26. COMMITMENTS

### (a) Operating lease

The future minimum lease payable under non-cancellable operating leases contracted for where the Group is a lessee at the reporting date but not capitalised in the financial statements are as follows:

	GROUP		
	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
Not later than one year	2,240	3,265	2,436
Between one and five years	13,034	13,533	13,612
Later than five years	50,749	54,182	53,847
	66,023	70,980	69,895

The Group has below commercial operating leases:

- The Henderson land lease at Lot 804 (16) Nautical Drive & 2 Sepia Close, Henderson, Western Australia is for a 35-year period from July 2009 with an option to renew for a further 35 years. Rent increases as per the CPI Index.
- The Broome property lease at 266-268 Port Drive, Minyirr is for a 5-year period from August 2014. Rent increases as per the CPI index.
- The New South Wales leases at Suite 4.02, level 4, 657 Pacific Highway Street Leonards and 48 Villiers Street, Grafton, New South Wales are for a 3-year period and 1-year period respectively.
- The Group entered into two short-term leases in Western Australia: 21/43 Rockingham Beach Road and Unit 8 Stockton Bend, Cockburn Central, for a period of less than 12 months.

### (b) Capital expenditure commitments

The Group has contracted capital expenditure commitments at the reporting date but not recognised in the financial statement as follows:

	GROUP		
	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
Plant and equipment purchases	131	4,763	1,638
Capital projects	10,298	19,973	20,906
	10,429	24,736	22,544
Not later than one year	10,429	21,429	22,544

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 27. GUARANTEES

The Group is, in the normal course of business, required to provide guarantees in respect of their contractual performance related obligations. These guarantees and indemnities only give rise to a liability where it fails to perform its contractual obligations.

During the course of business, the Company also provides letters of credit for international trading when required.

As at 30 June 2019, the Group has given the following:

	GROUP		
	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
<b>Group</b>			
Bank guarantee	1,806	3,701	9,903
Surety bond facility	180,948	126,854	99,425
	182,754	130,555	109,328
<b>Company</b>			
Senior secured notes	60,000	-	-

The surety bond facility is provided for the provision of performance bonds to customers of the Group. It has a limit of A\$250 million as at 30 June 2019 (2018: A\$175 million; 1 July 2017: A\$125 million).

The Company provided guarantee in respect of the senior secured notes issued to a subsidiary.

## 28. RELATED PARTY TRANSACTIONS

The Group's main related parties are as follows:

### Entities exercising control over the Group

The largest shareholders are James Finbarr Fitzgerald and Olive Theresa Fitzgerald (acting as trustees for the JF & OT Fitzgerald Family Trust) (19.47%) and Goldfirm Pty Ltd (acting as trustee for the Kariong Investment Trust) (19.47%).

### Key management personnel

Any person having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

Remuneration paid to key management personnel is as follows:

	GROUP	
	2019 A\$'000	2018 A\$'000
<b>Directors' remuneration</b>		
- Salaries and other related costs	2,031	1,723
- Directors' fees	239	212
- Benefits including defined contribution plans	130	120
<b>Other key management personnel</b>		
- Salaries and other related costs	1,604	2,096
- Benefits including defined contribution plans	168	298
	4,172	4,449

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 28. RELATED PARTY TRANSACTIONS (CONTINUED)

Directors' interest in employee share benefit plans

At the end of the reporting date, the total number of outstanding share options and performance rights that were issued/allocated to the directors and key management personnel under existing employee benefit schemes is given below:

	GROUP		
	2019 NO.	2018 NO.	1 JULY 2017 NO.
<b>Share options</b>			
Directors	-	-	-
Key management personnel	2,000,000	2,000,000	3,000,000
<b>Performance rights</b>			
Directors*	2,250,000	-	-
Key management personnel	2,544,000	-	-

\*1,500,000 are pending shareholders' approval at AGM 2019.

### Other related parties

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

### Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	GROUP	
	2019 A\$'000	2018 A\$'000
<b>Purchase of goods and services</b>		
- Consultant fee paid to a related party (who is a director of the Company)	(8)	(7)

## 29. FINANCIAL INFORMATION BY SEGMENTS

Management has determined the operating segments based on the internal reports which are regularly reviewed by the Operations Management that are used to make strategic decisions.

The Operations Management comprises of the Executive Chairman, Chief Executive Officer, Chief Operations Officer, Chief Financial Officer and the department heads of each operating segment.

The business is managed primarily on the basis of different products and services as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 29. FINANCIAL INFORMATION BY SEGMENTS (CONTINUED)

Although the Operations Management receives separate reports for each project in the Oil and Gas, Metals and Minerals, and Infrastructure businesses, these have been aggregated into the respective reportable segments as they have similar long-term average gross margins.

The three main reportable segments for the Group are: (1) Oil and Gas (2) Metals and Minerals and (3) Infrastructure. The business activities include civil construction, fabrication, precast concrete, SMP (Structural, Mechanical and Piping Erection), insulation, maintenance and plant hire.

### Basis of accounting for purpose of reporting by operating segments

#### (a) Accounting Policies Adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the consolidated financial statements of the Group.

#### (b) Inter-Segment Transactions

An internally determined transfer price is set for all inter-segment sales. This price is reviewed quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs.

#### (c) Segment Assets and Liabilities

The Group does not identify nor segregate its assets and liabilities in operating segments as these are managed on a 'group basis'.

### Geographical segments (secondary reporting)

The Group currently operates in three geographical areas – Australia (main operations), Papua New Guinea and Uganda.

### Major customers

The Group has a number of customers to whom it provides both products and services. For the year ended 30 June 2019, the Group supplies to a single external customer in Metals and Minerals segment who accounts for 14.3% of external revenue (2018: Metals and Minerals. 18.5%). The next most significant client accounts for 10.7% (2018: 8.9% and 8.7%) of external revenue.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 29. FINANCIAL INFORMATION BY SEGMENTS (CONTINUED)

	2019				2018			
	OIL & GAS A\$'000	METALS AND MINERALS A\$'000	INFRA- STRUCTURE AND DEFENCE A\$'000	TOTAL A\$'000	OIL & GAS A\$'000	METALS AND MINERALS A\$'000	INFRA- STRUCTURE AND DEFENCE A\$'000	TOTAL A\$'000
Revenue – external sales	66,545	357,085	64,881	488,511	131,077	429,584	141,754	702,415
Cost of sales (excluding depreciation)	(60,459)	(332,772)	(60,031)	(453,262)	(123,718)	(397,911)	(132,399)	(654,028)
Depreciation expense	(1,629)	(7,057)	(1,030)	(9,716)	(1,877)	(6,095)	(2,009)	(9,981)
<b>Segment results</b>	4,457	17,256	3,820	25,533	5,482	25,578	7,346	38,406
Other income	-	-	-	3,298	-	-	-	8,457
Gain on deconsolidation of a subsidiary	-	-	-	2,091	-	-	-	-
Share of profit/(loss) of joint venture/associate	41	(2)	-	39	-	260	-	260
Unallocated costs								
Finance costs				(5,005)				(4,112)
Administrative expenses				(16,388)				(17,419)
Depreciation in admin expenses				(299)				(444)
Other expenses				(277)				-
Profit before income tax				8,992				25,148
Income tax expense				(1,962)				(7,730)
<b>Net profit for the year</b>				7,030				17,418
<b>Segment assets:</b>								
Intangible assets	-	10	-	10	-	10	-	10
Unallocated assets:								
Assets				426,732				438,256
Other current assets				1,063				1,747
Deferred tax assets				1,930				2,520
<b>Total assets</b>				429,735				442,533
<b>Segment liabilities:</b>								
Unallocated liabilities								
Liabilities				128,238				150,870
Borrowings				117,178				107,709
Provisions				10,191				13,132
<b>Total liabilities</b>				255,607				271,711
<b>Other segment information</b>								
Capital expenditures during the year				68,227				26,954

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company financial risk management policies set out the Group's and the Company's overall business strategies and its risk management philosophy. The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk and liquidity risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance.

The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

The Group and the Company do not hold or issue derivative financial instruments for speculative purposes.

As at 30 June 2019, the Group's and the Company's financial instruments mainly consisted of cash and cash equivalents, trade and other receivables, contract assets, trade and other payables, contract liabilities and borrowings.

There has been no change to the Group's and the Company's exposures to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

### (a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables, contract assets and cash and cash equivalents. The Group adopts the policy of dealing only with:

- Customers of appropriate credit standing and history, and obtaining sufficient collateral or buying credit insurance where appropriate to mitigate credit risk; and
- High credit quality counterparties of at least an 'A' rating by external credit rating companies.

Financial assets that potentially subject to concentration of credit risk consist principally bank deposits and receivables.

The Group places its deposits with financial institutions and other creditworthy issuers and limits the amount of credit exposure to any one party. As at 30 June 2019, the Group has concentration of credit risk on one debtor (2018: one debtor; 1 July 2017: one debtor) that individually represents more than 35% (2018: 20%; 1 July 2017: 17%) of total trade and other receivables and contract assets.

As the Group and the 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 statement of financial position, except for financial guarantees as disclosed in Note 27 to the financial statements.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement for expected credit losses ('ECL'):

INTERNAL RATING GRADES	DEFINITION	BASIS FOR RECOGNITION AND MEASUREMENT OF ECL
i. Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
ii. Under-performing	There has been a significant increase in credit risk since initial recognition.	Lifetime ECL (not credit-impaired)
iii. Non-performing	There is evidence indicating that the asset is credit-impaired.	Lifetime ECL (credit-impaired)
iv. Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty.	Asset is written off

### Trade receivables and contract assets

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure.

The Group has adopted the policy of dealing with customers with an appropriate credit history as a means of mitigating the credit risk exposures. Credit evaluation which takes into account qualitative and quantitative profile of each customer is performed and approved by management before credit is being granted. The Group also closely monitors customers' payment pattern and credit exposures on an on-going basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (a) Credit risk (Continued)

#### Trade receivables and contract assets (Continued)

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

The Group uses a provision matrix to measure the lifetime ECL allowance for trade receivables and contract assets. In measuring the ECL, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate mainly to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts.

The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the ECL rates, the Group considers historical loss rates for each category of customers, and adjusts for forward-looking macroeconomic data. The Group has identified the gross domestic product ('GDP') growth of the countries in which it sells goods and services to be the most relevant factor, and accordingly adjust the historical loss rates based on expected changes in this factor.

The Group considers a financial asset as in default when the counterparty fail to make contractual payments for a prolonged period of time when they fall due, and the Group may also consider internal and external information, such as significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation. Financial assets are written off when there is no reasonable expectation of recovering the contractual cash flow, such as a debtor failing to engage in a repayment plan with the Group and it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Management has assessed and concluded that the ECL rate for trade receivables past due less than 1 year approximates Nil and is immaterial, while the ECL rate for trade receivables past due more than 1 year approximates 50% to 100%, except for specific cases where management has assessed the amount is still fully recoverable.

The Group's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 30 June 2019 are set out in the provision matrix as follows:

	PAST DUE				TOTAL A\$'000
	CURRENT A\$'000	WITHIN 60 DAYS A\$'000	61 TO 90 DAYS A\$'000	MORE THAN 90 DAYS A\$'000	
<b>Group</b>					
2019					
Trade receivables	44,945	5,661	111	2,363	53,080
Loss allowance	-	-	-	-	-
	44,945	5,661	111	2,363	53,080

There is no ageing analysis for contract assets as these mainly relate to variable considerations which have yet to be invoiced.

The Group has assessed and concluded that trade receivables are subject to immaterial credit loss.

There has been no change in the estimation techniques or significant assumptions made during the current reporting year.

#### Other receivables and receivables from subsidiaries and a related party

The Group applies the general approach to provide for the ECL for other receivables and receivables from subsidiaries and a related party. Under the general approach, the loss allowance is measured at an amount equal to the 12-month ECL 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 ECL.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (a) Credit risk (Continued)

#### Other receivables and receivables from subsidiaries and a related party (Continued)

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 ECL.

Impairment of these balances have been measured on the 12-month ECL basis which reflects the low credit risk of exposures. These amounts are subject to immaterial credit loss.

#### Cash and cash equivalents

The cash and bank balances are entered into with bank and financial institution counterparties, which are rated at least AA, based on international credit rating agencies.

For the purpose of impairment, cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

#### Financial guarantees

The Company has issued financial guarantees to financial institutions for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have the financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

#### Previous accounting policy for impairment of loans and receivables

In 2018, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments.

#### Financial assets that are neither past due nor impaired

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

#### Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired except for trade receivables.

The Group's credit risk exposure in relation to trade receivables under SFRS 39 as at 30 June 2018 and 1 July 2017 are set out as follows:

	PAST DUE				TOTAL A\$'000
	CURRENT A\$'000	WITHIN 60 DAYS A\$'000	61 TO 90 DAYS A\$'000	MORE THAN 90 DAYS A\$'000	
<b>Group</b>					
2018					
Trade receivables	60,321	57,193	6,901	1,030	125,445
1 July 2017					
Trade receivables	30,570	18,808	908	1,021	51,307

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (a) Credit risk (Continued)

Previous accounting policy for impairment of loans and receivables (Continued)

Financial assets that are past due but not impaired (Continued)

The Group believes that the unimpaired amounts that are past due are still collectible based on historic payment behaviour and extensive analyses of customer credit risk, including underlying customers' credit ratings, when available. Based on the Group's monitoring of customer credit risk, the Group believes that, apart from the above, no impairment allowance is necessary in respect of receivables which are past due.

### (b) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is managed using a mix of fixed and floating rate debt. At 30 June 2019, approximately 68% (2018: 12%; 1 July 2017: 19%) of the Group's debt is fixed. The Group's borrowings at variable rates are denominated mainly in A\$. If the A\$ interest rates increase/decrease by 1% (2018: 1%) with all other variables remain constant, the Group's profit before tax will be approximately lower/higher by A\$377,000 (2018: A\$899,000) as a result of higher/lower interest expenses on these borrowings.

The Group and the Company has cash balances placed with reputable banks and financial institutions. Such balances are placed on varying maturities and generate interest income for the Group and the Company.

The Group obtains additional financing through bank borrowings and leasing arrangements. Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's borrowings and leasing obligations. They are both fixed and floating rates of interest. The policy is to retain flexibility in selecting borrowings at both fixed and floating rates interest.

	VARIABLE RATES		FIXED RATES		NON-INTEREST BEARING A\$'000	TOTAL A\$'000
	WITHIN 1 YEAR A\$'000	BETWEEN 2 AND 5 YEARS A\$'000	WITHIN 1 YEAR A\$'000	BETWEEN 2 AND 5 YEARS A\$'000		
<b>Group</b>						
<b>2019</b>						
<i>Financial assets</i>						
Cash and cash equivalents	40,656	-	-	-	6	40,662
Trade and other receivables	-	-	-	-	63,558	63,558
Contract assets	-	-	-	-	117,443	117,443
	40,656	-	-	-	181,007	221,663
<i>Financial liabilities</i>						
Trade and other payables	-	-	-	-	51,461	51,461
Contract liabilities	-	-	-	-	69,333	69,333
<i>Borrowings</i>						
- Finance lease	-	-	6,358	12,804	-	19,162
- Senior secured notes	-	-	-	60,000	-	60,000
- Bank bills	2,252	35,444	-	-	-	37,696
- Related party	-	-	-	-	320	320
	2,252	35,444	6,358	72,804	121,114	237,972

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### b) Interest rate risk (Continued)

	VARIABLE RATES		FIXED RATES			
	WITHIN 1 YEAR A\$'000	BETWEEN 2 AND 5 YEARS A\$'000	WITHIN 1 YEAR A\$'000	BETWEEN 2 AND 5 YEARS A\$'000	NON- INTEREST BEARING A\$'000	TOTAL A\$'000
Group						
2018						
Financial assets						
Cash and cash equivalents	23,363	-	-	-	6	23,369
Trade and other receivables	-	-	-	-	125,662	125,662
Contract assets	-	-	-	-	140,201	140,201
	23,363	-	-	-	265,869	289,232
Financial liabilities						
Trade and other payables	-	-	-	-	107,982	107,982
Contract liabilities	-	-	-	-	30,989	30,989
Borrowings						
- Finance lease	-	-	4,959	8,422	-	13,381
- Bank bills	38,316	55,694	-	-	-	94,010
- Related party	-	318	-	-	-	318
	38,316	56,012	4,959	8,422	138,971	246,680
Group						
1 JULY 2017						
Financial assets						
Cash and cash equivalents	22,688	-	-	-	24	22,712
Trade and other receivables	-	-	-	-	52,339	52,339
Contract assets	-	-	-	-	84,553	84,553
	22,688	-	-	-	136,916	159,604
Financial liabilities						
Trade and other payables	-	-	-	-	53,001	53,001
Contract liabilities	-	-	-	-	15,999	15,999
Borrowings						
- Finance lease	-	-	4,892	5,888	-	10,780
- Bank bills	91	47,331	-	-	-	47,422
- Related party	-	336	-	-	-	336
	91	47,667	4,892	5,888	69,000	127,538

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (b) Interest rate risk (Continued)

	VARIABLE RATES		FIXED RATES		NON-INTEREST BEARING A\$'000	TOTAL A\$'000
	WITHIN 1 YEAR A\$'000	BETWEEN 2 AND 5 YEARS A\$'000	WITHIN 1 YEAR A\$'000	BETWEEN 2 AND 5 YEARS A\$'000		
<b>Group</b>						
<b>2019</b>						
<i>Financial assets</i>						
Cash and cash equivalents	-	-	-	-	6	6
Trade and other receivables	-	-	-	-	29,513	29,513
	-	-	-	-	29,519	29,519
<i>Financial liabilities</i>						
Trade and other payables	-	-	-	-	174	174
	-	-	-	-	174	174
<b>2018</b>						
<i>Financial assets</i>						
Cash and cash equivalents	-	-	-	-	5	5
Trade and other receivables	-	-	-	-	34,285	34,285
	-	-	-	-	34,290	34,290
<i>Financial liabilities</i>						
Trade and other payables	-	-	-	-	136	136
	-	-	-	-	136	136
<b>1 July 2017</b>						
<i>Financial assets</i>						
Cash and cash equivalents	-	-	-	-	24	24
Trade and other receivables	-	-	-	-	27,612	27,612
	-	-	-	-	27,636	27,636
<i>Financial liabilities</i>						
Trade and other payables	-	-	-	-	145	145
	-	-	-	-	145	145

### (c) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting its commitments concerning its financial liabilities. The Group and the Company manages this risk through the following mechanism:

- Preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- Monitoring undrawn credit facilities;
- Maintaining credit risk related to financial assets;
- Obtaining funding from a variety of sources;
- Only investing surplus cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Liquidity risk (Continued)

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward. Balances due within 12 months equal their carrying amount as the impact of discounting is not significant.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Group	CONTRACTUAL UNDISCOUNTED CASH FLOWS			
	CARRYING AMOUNT A\$'000	WITHIN 1 YEAR A\$'000	BETWEEN 2 AND 5 YEARS A\$'000	TOTAL A\$'000
<b>Financial liabilities</b>				
<b>2019</b>				
Trade and other payables	51,461	51,461	-	51,461
Contract liabilities	69,333	69,333	-	69,333
<b>Borrowings</b>				
- Finance lease	19,162	7,121	13,873	20,994
- Secured notes	60,000	4,200	73,503	77,703
- Bank bills	37,696	2,320	37,603	39,923
- Related party	320	320	-	320
Total financial liabilities	237,972	134,755	124,979	259,734
<b>2018</b>				
Trade and other payables	107,982	107,982	-	107,982
Contract liabilities	30,989	30,989	-	30,989
<b>Borrowings</b>				
- Finance lease	13,381	5,438	9,032	14,470
- Bank bills	94,010	39,465	59,086	98,551
- Related party	318	-	347	347
Total financial liabilities	246,680	183,874	68,465	252,339
<b>1 July 2017</b>				
Trade and other payables	53,001	53,001	-	53,001
Contract liabilities	15,999	15,999	-	15,999
<b>Borrowings</b>				
- Finance lease	10,780	5,253	6,129	11,382
- Bank bills	47,422	91	50,256	50,347
- Related party	336	-	367	367
Total financial liabilities	127,538	74,344	56,752	131,096

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Liquidity risk (Continued)

	CONTRACTUAL UNDISCOUNTED CASH FLOWS			
	CARRYING AMOUNT A\$'000	WITHIN 1 YEAR A\$'000	BETWEEN 2 AND 5 YEARS A\$'000	TOTAL A\$'000
<b>Company</b>				
Financial liabilities				
2019				
Trade and other payables	174	174	-	174
Total financial liabilities	174	174	-	174
2018				
Trade and other payables	136	136	-	136
Total financial liabilities	136	136	-	136
1 July 2017				
Trade and other payables	145	145	-	145
Total financial liabilities	145	145	-	145

The Group's undrawn borrowings facilities and guarantee are disclosed in Note 21(b) and 27 to the financial statements respectively.

### (d) Capital Management

Management controls the capital of the Group in order to maintain a good debt-to-equity ratio, provide the shareholders with adequate returns and to ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

The Group and the Company have no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distribution to shareholders and share issues.

The net debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as total financial liabilities less cash and cash equivalents.

	GROUP		
	2019 A\$'000	2018 A\$'000	1 JULY 2017 A\$'000
Net debt	197,310	223,311	104,826
Total equity	174,128	170,822	156,761
Net debt-to-equity ratio	1.13	1.31	0.67

There were no changes in the Group's approach to capital management during the current financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (e) Fair value estimation

The fair values of financial assets and financial liabilities can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated.

The fair value of current financial assets and financial liabilities approximate the carrying value due to the liquid nature of these assets and/or the short-term nature of these financial rights and obligations.

The fair value of non-current receivables and borrowings are calculated based on discounted expected future principal and interest cash flows. The discount rates used are based on market rates for similar instruments at the reporting date. The carrying amounts of financial assets and financial liabilities are assumed to approximate their respective fair values. The Group does not anticipate that the carrying amounts recorded at the balance sheet date would be significantly different from the values that would eventually be received or settled.

## 31. LITIGATION

### Perth Stadium Project

In February 2019, the Group lodged a writ in the Supreme Court of Western Australia against Brookfield Multiplex Engineering and Infrastructure Pty Ltd ('Brookfield Multiplex'), in relation to the valuation of additional time and changes to the works undertaken in the delivery of the new Perth Stadium project in Western Australia.

The Group is seeking a determination from the Supreme Court to recover costs associated with the changes in scope and nature of the works required to be completed and for the granting of Practical Completion.

Management, in consultation with legal advisors, is of the view that the Group has merit against Brookfield Multiplex. The Group has also engaged specialist consultants to support its pursuit of the matter.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 32. TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council ('ASC') issued the Singapore Financial Reporting Standards (International) ('SFRS(I)'). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in Note 2(a), these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 30 June 2019, the comparative information presented in these financial statements for the year ended 30 June 2018 and in the preparation of the opening SFRS(I) statement of financial position at 1 July 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous SFRS.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of Investment Property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 32. TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

The application of SFRS(I) 1 and the above standards and interpretations do not have a material effect on the consolidated financial statements, except for SFRS(I) 15.

The following reconciliations summarise the impacts on initial application of SFRS(I) 15 on the Group's financial position as at 1 July 2017 and 30 June 2018, and the Group's statement of comprehensive income for the year ended 30 June 2018. There were no material adjustments to the Group's statement of cash flows for the year ended 30 June 2018 arising on transition to SFRS(I).

Reconciliation of the Group's consolidated statement of financial position:

		30 JUNE 2018		
		SFRS FRAMEWORK A\$'000	SFRS(I) 15 A\$'000	SFRS(I) FRAMEWORK A\$'000
NOTE				
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		23,369	-	23,369
Trade and other receivables	(b)(i), (ii)	136,766	(11,104)	125,662
Contract assets	(b)(i), (ii)	-	140,201	140,201
Amount due from customers for contracts in progress	(b)(i)	151,352	(151,352)	-
Other assets		1,747	-	1,747
Current tax recoverable	(b)(ii)	-	5,313	5,313
		313,234	(16,942)	296,292
<b>Non-current assets</b>		146,241	-	146,241
<b>Total assets</b>		459,475	(16,942)	442,533
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	(b)(i)	127,692	(7,811)	119,881
Contract liabilities	(b)(i)	-	30,989	30,989
Amount due to customers for contracts in progress	(b)(i)	23,178	(23,178)	-
Borrowings		43,275	-	43,275
Provisions		9,197	-	9,197
Current tax payable	(b)(ii)	1,363	(1,363)	-
		204,705	(1,363)	203,342
<b>Non-current liabilities</b>		68,369	-	68,369
<b>Total liabilities</b>		273,074	(1,363)	271,711
<b>Equity attributable to owners of the Company</b>				
Share capital		29,807	-	29,807
Treasury shares		(10)	-	(10)
Other reserves		7,911	-	7,911
Retained earnings	(b)(ii)	149,726	(15,579)	134,147
		187,434	(15,579)	171,855
Non-controlling interest		(1,033)	-	(1,033)
Total equity		186,401	(15,579)	170,822
Total liabilities and equity		459,475	(16,942)	442,533

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 32. TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's consolidated statement of financial position: (Continued)

		1 JULY 2017		
		SFRS FRAMEWORK A\$'000	SFRS(I) 15 A\$'000	SFRS(I) FRAMEWORK A\$'000
NOTE				
Assets				
Current assets				
Cash and cash equivalents		22,712	-	22,712
Trade and other receivables	(b)(i), (ii)	62,304	(10,118)	52,186
Contract assets	(b)(i), (ii)	-	84,553	84,553
Amount due from customers for contracts in progress	(b)(i)	86,255	(86,255)	-
Other assets		1,192	-	1,192
Current tax recoverable	(b)(ii)	4,223	3,546	7,769
		176,686	(8,274)	168,412
Non-current assets		129,906	-	129,906
Total assets		306,592	(8,274)	298,318
Liabilities				
Current liabilities				
Trade and other payables	(b)(i)	71,169	(11,935)	59,234
Contract liabilities	(b)(i)	-	15,999	15,999
Amount due to customers for contracts in progress	(b)(i)	4,064	(4,064)	-
Borrowings		4,983	-	4,983
Provisions		4,831	-	4,831
		85,047	-	85,047
Non-current liabilities		56,510	-	56,510
Total liabilities		141,557	-	141,557
Equity attributable to owners of the Company				
Share capital		29,807	-	29,807
Treasury shares		(10)	-	(10)
Other reserves		7,818	-	7,818
Retained earnings		127,759	(8,274)	119,485
		165,374	(8,274)	157,100
Non-controlling interest		(339)	-	(339)
Total equity		165,035	(8,274)	156,761
Total liabilities and equity		306,592	(8,274)	298,318

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 32. TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's consolidated statement of comprehensive income:

	NOTE	30 JUNE 2018		
		SFRS FRAMEWORK A\$'000	SFRS(I) 15 A\$'000	SFRS(I) FRAMEWORK A\$'000
Revenue	(b)(ii)	712,850	(10,435)	702,415
Cost of sales		(664,009)	-	(664,009)
<b>Gross profit</b>		<b>48,841</b>	<b>(10,435)</b>	<b>38,406</b>
Other income		8,457	-	8,457
Share of profit of a joint venture		260	-	260
Administrative expenses		(17,863)	-	(17,863)
Finance costs		(4,112)	-	(4,112)
<b>Profit before tax</b>		<b>35,583</b>	<b>(10,435)</b>	<b>25,148</b>
Income tax expense	(b)(ii)	(10,860)	3,130	(7,730)
<b>Profit for the year</b>		<b>24,723</b>	<b>(7,305)</b>	<b>17,418</b>
Profit attributable to:				
Owners of the Company		25,417	(7,305)	18,112
Non-controlling interest		(694)	-	(694)
		24,723	(7,305)	17,418
Earnings per share attributable to equity holders of the Company (cents per share):				
- Basic		5.07	(1.45)	3.62
- Diluted		5.07	(1.45)	3.62
<i>Other comprehensive income:</i>				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences on re-translation from functional currency to presentation currency		93	-	93
<b>Total comprehensive income for the year</b>		<b>24,816</b>	<b>(7,305)</b>	<b>17,511</b>
Total comprehensive income attributable to:				
Owners of the Company		25,510	(7,305)	18,205
Non-controlling interest		(694)	-	(694)
		24,816	(7,305)	17,511

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 32. TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

### Adoption of new standards

#### (a) SFRS(I) 9

The Group adopted SFRS(I) 9 from 1 July 2018. In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2018. Accordingly, the information presented for 2018 is presented, as previously reported, under SFRS 39 *Financial Instruments: Recognition and Measurement*.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under SFRS 107 *Financial Instruments: Disclosures* relating to items within the scope of SFRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 July 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
  - The designation of an equity investment that is not held-for-trading as at FVOCI; and
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at FVPL.
- If a debt investment has low credit risk at 1 July 2018, the Group had assumed that the credit risk on the asset has not increased significantly since its initial recognition.

#### (b) SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below.

The Group has applied the following practical expedients as allowed under SFRS(I) 1:

- Completed contracts that began and ended in the same annual reporting period in 2018 and contracts completed at 1 July 2017 are not restated.
- For completed contracts that have variable consideration, the Group used the transaction price at the date the contract was completed to restate comparative information.
- For the year ended 30 June 2018, the Group did not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue.

The impact upon the adoption of SFRS(I) 15, including the corresponding tax effects, are described below.

#### (i) Presentation of contract assets and liabilities

On adopting SFRS(I) 15, the Group has also changed the presentation of the following amounts:

- 'Amount due from customers for contracts in progress' classified as 'Contract assets' of A\$151,352,000 as at 30 June 2018 and A\$86,225,000 as at 1 July 2017;
- 'Amount due to customers for contracts in progress' classified as 'Contract liabilities' of A\$23,178,000 as at 30 June 2018 and A\$4,064,000 as at 1 July 2017.
- Retention sum receivables' classified as "Contract assets" of A\$4,957,000 as at 30 June 2018 and A\$4,957,000 as at 1 July 2017.
- 'Advance billings' classified as 'Contract liabilities' of A\$7,811,000 as at 30 June 2018 and A\$11,935,000 as at 1 July 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 32. TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

### Adoption of new standards (Continued)

- (b) SFRS(I) 15 (Continued)
- (ii) Accounting for construction contracts

The contracted terms and the way in which the Group operates its construction and services contracts results in revenue predominantly being derived from projects containing one performance obligation. Construction and service revenue will continue to be recognised over time, however, the new standard provides new requirements for variable consideration such as incentives and contract modifications (variations and claims) which all impart a higher threshold of probability for recognition.

Revenue was previously recognised when it was probable that work performed will result in revenue, whereas under the new standard, revenue is recognised when it is highly probable that a significant reversal of revenue will not occur. The adjustments made to comparatives, as reflected above, arise from these new requirements applying to variable consideration. The adjustments are subject to tax effect accounting and therefore the net deferred tax position has also been reflected in these adjustments.

This resulted in a decrease of A\$10,435,000 and A\$3,130,000 in revenue and income tax expense respectively for the financial year ended 30 June 2018, and a corresponding decrease in total equity of A\$15,579,000 as at 1 July 2018.

## 33. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Effective for annual periods beginning on or after 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Effective for annual periods beginning on or after 1 January 2020:

- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)

Effective for annual periods beginning on or after 1 January 2021:

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred:

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 33. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

The Group has assessed that the adoption of the above SFRS(I)s, SFRS(I) INTs and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following.

### (a) SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ('ROU') asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and the Company plan to apply SFRS(I) 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

### (i) The Group as lessee

The Group and the Company expect to measure lease liabilities by applying a single discount rate to their portfolio of warehouse and factory facilities leases. Furthermore, the Group and the Company are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 July 2019. For lease contracts that contain the option to renew, the Group and the Company are expected to use hindsight in determining the lease term.

The Group and the Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every five years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application. In addition, the Group will no longer recognise provisions for operating leases that it assessed to be onerous. Instead, the Group will include the payments due under the lease in their lease liability.

As at the reporting date, the Group has non-cancellable operating lease commitments of \$66,023,000 as disclosed in Note 26(a) to the financial statements. Of these commitments, approximately \$147,000 relate to short-term leases which will be recognized on a straight-line basis as expense in profit or loss. For the remaining lease commitments, the Group expects an increase in ROU assets of approximately \$26,862,000, an increase in lease liability of \$29,857,000, an increase in deferred tax assets of \$614,000 and a decrease in opening retained earnings of \$2,048,000. Overall net assets will be approximately \$5,286,000 lower as at 1 July 2019.

The Group expects that net profit after tax will decrease by approximately \$400,000 for financial year 2020 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately \$2,576,000 as the operating lease payments were included in EBITDA, but the amortization of the ROU asset and interest on the lease liability are excluded from this measure. Operating cash flows will increase and financing cash flows decrease by approximately \$2,592,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Company expects no impacts on its financials as it has no non-cancellable operating leases as at 1 July 2019.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's and the Company's finance leases. The Group and the Company do not expect the adoption of SFRS(I) 16 to impact their ability to comply with the revised maximum loan value ratio and interest cover ratio loan covenant described in Note 21 to the financial statements.

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