McCONNELL DOWELL

CREATIVE CONSTRUCTION™

2019

Annual Review

2019 Annual Review

Contents

Clear strategy and increasing momentum

Message from our CEO

The 2019 financial year saw our business deliver a second consecutive year of profitability. The return to profitable performance in Financial years 2018 and 2019 following a number of difficult years, is a direct result of the successful implementation and execution of the new Operating Model and Transformation Strategy launched in 2016, and reflects purposeful leadership commitment and dedicated work of the entire McConnell Dowell team.

Our ability to deliver projects with a clear and concise operating method, engaged and aligned people, strong values, and a differentiating workplace culture is a proven core strength of the McConnell Dowell brand.

In FY19 we grew our Order Book, continued to deliver market leading safety performance, and focused on the ongoing building of the business foundations required for sustained growth and profitability.

Pleasingly, FY19 saw all business units delivering profitable performance and was bookended by industry recognition at a national and global level.

Delivered Safety & Environmental Excellence

- Achieved unprecedented safety records. Set new and higher standards across many fronts
- Focused on providing first-rate safety leadership and growing a culture of sustainability, diversity and care
- LITFR 0.15 (0.54 2018) including no lost time injuries in Australia
- RIFR 2.01 (4.06 2018)
- Numerous industry and customer safety awards.

Growing Order Book

- Significantly Improved the year-on-year performance of new work won up 200%
- Secured greater than 75% of the planned revenue for FY20
- Achieved Built Environs Expansion in to New Zealand
- Re-entered the New South Wales market & secured new work with PUB in Singapore
- $6.2B work tendered ($5.7B FY18)
- FY19 win rate 36% of tenders
- Approximately $3B of tenders currently outstanding and of that $1.3B as preferred status.

Business Foundation set for Sustained Growth & Profitability

- Strong project execution performance across project portfolio
- Leading and growing “The McConnell Dowell Way”
- Continued investment in tomorrow’s growth
- Strategic direction remains realising scale and efficiency objectives while balancing risk, agility and process
- Operationalised the Core Values across the Group.

All Business Units Profitable & Geared for Growth

- Restored profitability in New Zealand and Pacific Islands operations
- Clear and consistent strategy to improve profitability
- Continuous and improved risk management focus across entire project portfolio
- Culture of no surprises embedded in all operations across the Group.

Innovation and Industry Recognition

- Awarded the pre-eminent industry awards in both Australia and New Zealand
- Driving engineering excellence and innovation by leveraging our specialised experience within the Group
- Brand strong and strengthening across the industry.

FY19 Highlights & Overview

- Solid platform for consistent performance
- Another year of profitable performance
- All Business Units profitable in year
- Strong project execution performance
- Derisked project portfolio
- Improved New Business performance
- Achieved outstanding safety performance across the Group with Australia recording a 12-month rolling LTIFR of zero
- Work in Hand up 50% with New work up 200% at $1.35B
- Achieved strategic new business wins in target markets (e.g. New Zealand building sector, NSW civil construction, PUB contract in Singapore, W.A. gas pipeline)
- Group wide Values firmly embedded and continues to gather momentum in uniting staff with a performance-driven culture
- Continued to position for growth and sustained profitability by strengthening customer relationships, increasing focus on engineering, technology and innovation and building an increasingly robust order book
- Strong underlying project performance was partly offset by a small number of historical commercial issues.
- On track to deliver Vision 2025 of sustained profitability and sustained growth.

Financial Highlights

We have reported a full year EBITDA of $23 million, during FY19 we increased our level of work in hand, delivered another year of profit and saw strong execution performance across our active project portfolio.

The Group's revenue is down 20% due to delays in several target and sole source projects. Our New Work Won performance was improved substantially from FY18, with much of this secured revenue being carried forward to FY20. We have seen a decrease in risk and an overall increase in margin performance across our project portfolio.

Growing the Order Book Progressively

We are focused on operational excellence and achieving progression and profitability by building a diversified project portfolio. We recorded total FY19 new work won at AUD1.35 Billion.

Whilst we achieved lower than planned bid volume across the Australia and South East Asia business units, we significantly improved the year-on-year performance for secured revenue across all operating regions (200% increase in FY19 from FY18).

The value of outstanding tenders stands at $3 billion including preferred status contracts at $1.3 billion. We have increased bidding activity responsibly as supported by additional resources and in accordance with our planned growth trajectory. As we enter a new financial year, we have a reliable and focused target pipeline developed to sustain business growth.

Safety and health performance

McConnell Dowell continued to focus on lead indicator initiatives to increase hazard awareness, subcontractor engagement, hazard reporting and an improvement in safety culture across all business units. Our LTIFR improved significantly to 0.15 (2018: 0.54). Performance highlights include eight months LTI-free operations, and successfully launching the CodeSafe platform and the Permit to Work programme.

McConnell Dowell's health, safety, environment and quality (HSEQ) database, CMO, provides access to group HSEQ data trends and internal HSEQ auditing, allowing automatic tracking and monitoring of action close-out. A SharePoint platform allows greater search functionality and easier collaboration and access to group documents.

Environmental performance

McConnell Dowell experienced sound environmental performance with no serious environmental incidents recorded. This outcome was the result of consistent application of the environmental elements of the McConnell Dowell management system (MMS), and a strong focus on environmental awareness.

McConnell Dowell continues to strengthen networks and relationships with sustainability organisations. McConnell Dowell is a member of the UN Global Compact and an active contributor to ISCA.

People and Leadership

A focus on talent acquisition and retention, capability development and leadership succession is at the forefront of our plans across all areas of operation. With initiatives such as the Employee Alignment and Engagement survey, robust performance management and annual talent and succession reviews now part of the McConnell Dowell operating rhythm, we are able to identify trends and take an informed, data-driven approach to establish appropriate workforce plans and strategies to support overall business objectives.

At an executive level a new managing director for Southeast Asia was appointed. In addition, new general managers of New Business and Strategy were appointed for the New Zealand and Built Environs business units.

In all other parts of the Group, the operating model introduced in mid 2016 is proving effective with low rates of turnover and a significant increase in both employee engagement and alignment between the 2017 and 2019 Alignment & Engagement Surveys.

An increased focus on leadership development into FY20 will support the growth and development of McConnell Dowell's current and future leaders.

Looking ahead

McConnell Dowell has a strong foundation for future growth with a well-diversified business portfolio. All core market sectors continue to grow at a steady pace, driven largely by public and private sector investment in transport infrastructure projects. There is also an anticipated increase in activity in the resource market. McConnell Dowell will continue to maximise growth opportunities across the core markets in its existing footprint by leveraging its brand reputation, technical expertise, project delivery reliability and diversity.

The coming 12 months will be exciting for the McConnell Dowell Group. We are well poised for steady growth and improved levels of profitability.

We have now successfully completed the first two stages of our strategic plan introduced and set in place in 2016.

The Group with its geographic, sector and discipline diversity is well positioned in growing and emerging markets.
We will continue to drive a focus on safety, people and operational excellence, live our Values and deliver the next stage of our strategic plan to Vision 2025 of growth and sustained profitability.

Scott Cummins
CEO

Substantial order intake in our core markets

Group Highlights from FY19

New Work Won

$1.347 Billion

Taking total work-in-hand to $1.15 Billion — up 50% from 30 June 2019.

Cash Balance

$103 Million

As at 30 June 2019.

Operating EBIT

$20.5 Million

Strong underlying EBIT performance (excluding legacy).

Revenue by Business Unit

Australia 47%
South East Asia 23%
New Zealand 22%
Built Environs 8%

Business Unit Work in Hand

Australia 33%

South East Asia 26%

New Zealand 28%

Built Environs 13%

Business Unit Future Pipeline

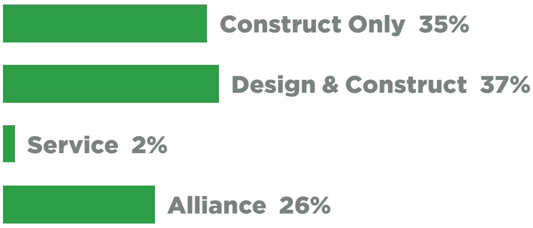
Australia 34%

South East Asia 30%

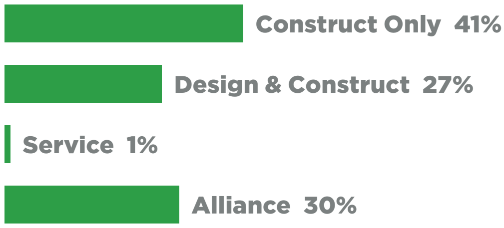
New Zealand 19%

Built Environs 17%

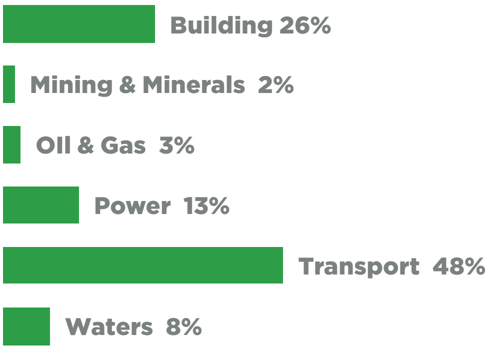
Revenue Type — Revenue



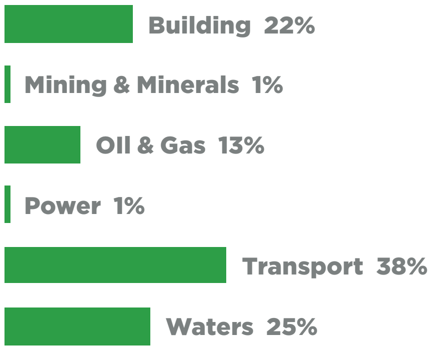
Revenue Type — Work in Hand



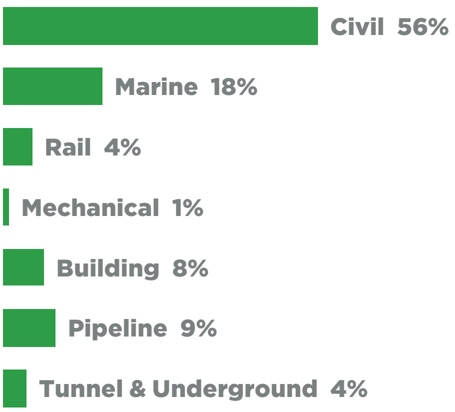
Market Sector — Revenue



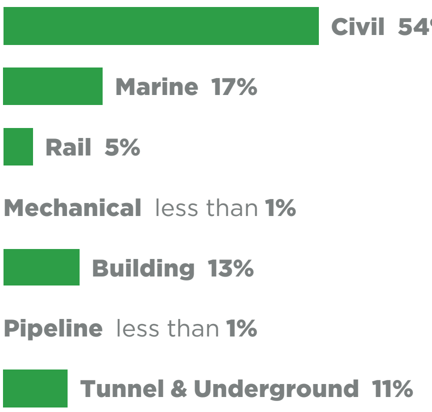
Market Sector — Work in Hand



Specialist Capability — Revenue



Specialist Capability — Work in Hand



Providing a better life

Vision, Purpose and Values

Purpose

Providing a better life

Vision

To be a leader in the delivery of infrastructure, building and resource solutions.

Values

Safety & Care

Honesty & Integrity

Customer Focus

Working Together

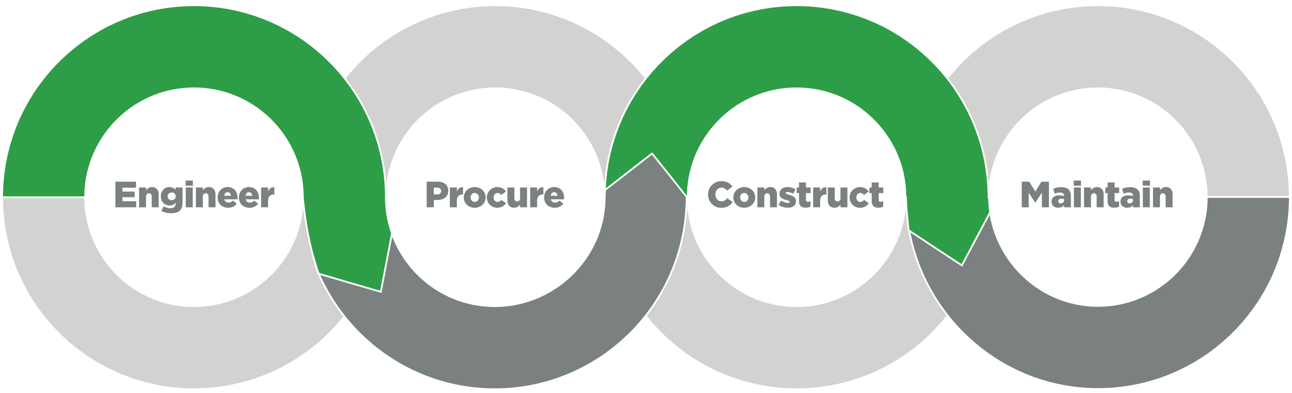
Performance Excellence

One trusted partner from start to finish

Business Model

Value Offering

We offer the complete solution throughout the full project life cycle.
This Integrated approach means you can engage us at one or all stages of the project.



Project Management – Complete Solution

Market Sectors

Infrastructure

- Power
- Water & Waste Water
- Transport

Resources

- Mining & Metals
- Oil & Gas
- Petrochemical

Building

- Government
- Commercial/ Industrial
- Social/Residential

Specialist Capabilities

- Marine
- Pipelines
- Tunnel & Underground
- Rail
- Mechanical
- Civil
- Fabrication
- Building

Purposeful structure, geographic diversity and a supportive parent

Group Structure

AVENG GROUP
Leaders in infrastructure development

McCONNELL DOWELL
CREATIVE CONSTRUCTION™

Business Units

- Australia
- South East Asia
- New Zealand & Pacific Islands
- Built Environs

Group Functions

- Commercial
- People & Group Strategy
- Engineering, Technology & Innovation
- Legal & Compliance
- Finance & Information Technology
- Risk & Advisory
- Health, Safety, Environment & Quality

Business Units




Australia

The revenue of the Australia operations decreased by 25% to AUD443.4 million (2018: AUD587 million) due to a lower Order Book at the beginning of the financial year and the completion of several large projects. Operating earnings were maintained as a result of strong project execution on the Chith Export Facility Jetty in Queensland, Northern Gas Pipeline in the Northern Territory, the Murray Basin Rail Upgrade, the Swanson Dock East rehabilitation works and the Abbotts Road level crossing removal in Victoria. Several commercial challenges and cost increases experienced on the Regional Bridges project in South Australia and Dryandra Road project are currently being addressed.

As we await the outcome of several ECI awards, the Australian business unit are pursuing Order Book growth by increasing bidding activity and negotiation for additional works. These negotiations were made off the back of strong and sound performances on projects such as the long-term Western Program Alliance and Swanson Dock in Melbourne. New awards include: a major works contract with alliance partners on the North-South corridor, Regency Road to Pym Street project in South Australia and early works on the Mordialloc freeway project for Major Roads Project Victoria.

Active Projects

— Swanson Dock East Berth Remediation & Wharf Rehabilitation Project
— DPTI Public Transport Projects Alliance
— Regional Bridges and the Lobethal Freight Route Upgrade
— Jane St and Mulgoa Rd
— PTPA City South Tramline Upgrade
— WPA - Wyndham Vale Stabling Facility Stage 1a
— WPA – Aviation Road LXRP
— Mordialloc Bypass Early Works

Amrun Export Facility

Amrun Export Facility

Location: Queensland
Customer: Rio Tinto

— Multiple Award Winner
— Significant Australian mining project
— 642m of jetty structure
— 306m of wharf with attached tug berth.

Public Transport Projects Alliance

Location: Victoria
Customer: DPTI

— Design & Construction of new Oaklands Rail Station and Overpass
— Alliance delivery model with MCD sole construction contractor.

Toll Berthing & Infrastructure

Location: Victoria
Customer: Toll

— Installation of 200m of discrete sheet pile wall
— Installation of approx 200 reinforced concrete piles
— Removal of existing pavement and placement of new materials
— Construction of three mooring dolphins.

Western Program Alliance

Location: Victoria
Customer: LXRP

— Ongoing program of works
— Level crossing removal projects across Victoria
— Projects include:
— Abbotts Road (complete)
— Cherry Street
— Old Geelong Road
— Werribee Street
— Cranbourne Corridor Widening
— Wyndam Stabling yard
— Aviation Road.

Western Program Alliance

Toll Berthing & Infrastructure

Public Transport Projects Alliance

South East Asia

The South East Asia Business Unit experienced a 20% decline in revenue to AUD210.5 million as many key projects were completed including the Tuas Road Bridges and Marina Bay Sands in Singapore and the Rapid Solid Product Jetty in Malaysia.

These projects were well executed, however the delays on the Tangguh LNG Export facility have impacted the result.

The business unit has experienced challenges securing additional work in highly competitive market. Experiencing the pressures of the current climate, management is making changes to strengthen the Order Book and to restore focus on opportunities in specialist capabilities across Singapore, Malaysia, Thailand and the Philippines.

Active Projects

— Marina Bay Sands Retail Store Conversion, Sinagapore
— CRISP VTB Subsea Pipeline, Singapore
— Neste Underpass Phase 1 Engineering Design, Sinagapore
— RAPID Project 12B - Solid Products Jetty, Malaysia
— Tangguh Export Facility, Indonesia
— Nakhon Ratchasima Pipeline Extension (Korat), Thailand

Marina Bay Sands Retail Store Conversion

Petronas Rapid 12b Solid Product Jetty

Location: Malaysia
Customer: Petronas

— EPCC
— Joint Venture with SYS
— 1300m trestle
— Onshore Civil Works with a container stacking yard, truck and trailer parks
— 30 month construction period.

Tangguh Export Facility

Location: Indonesia
Customer: PT Saipem

— A 1056 m long access Trestle, including decks for the local control room, substation and sea water intake
— 29 m x 42.5 m Loading Platform for the Jetty with 2 Gangways.

Nakhon Ratchasima Pipeline Extension

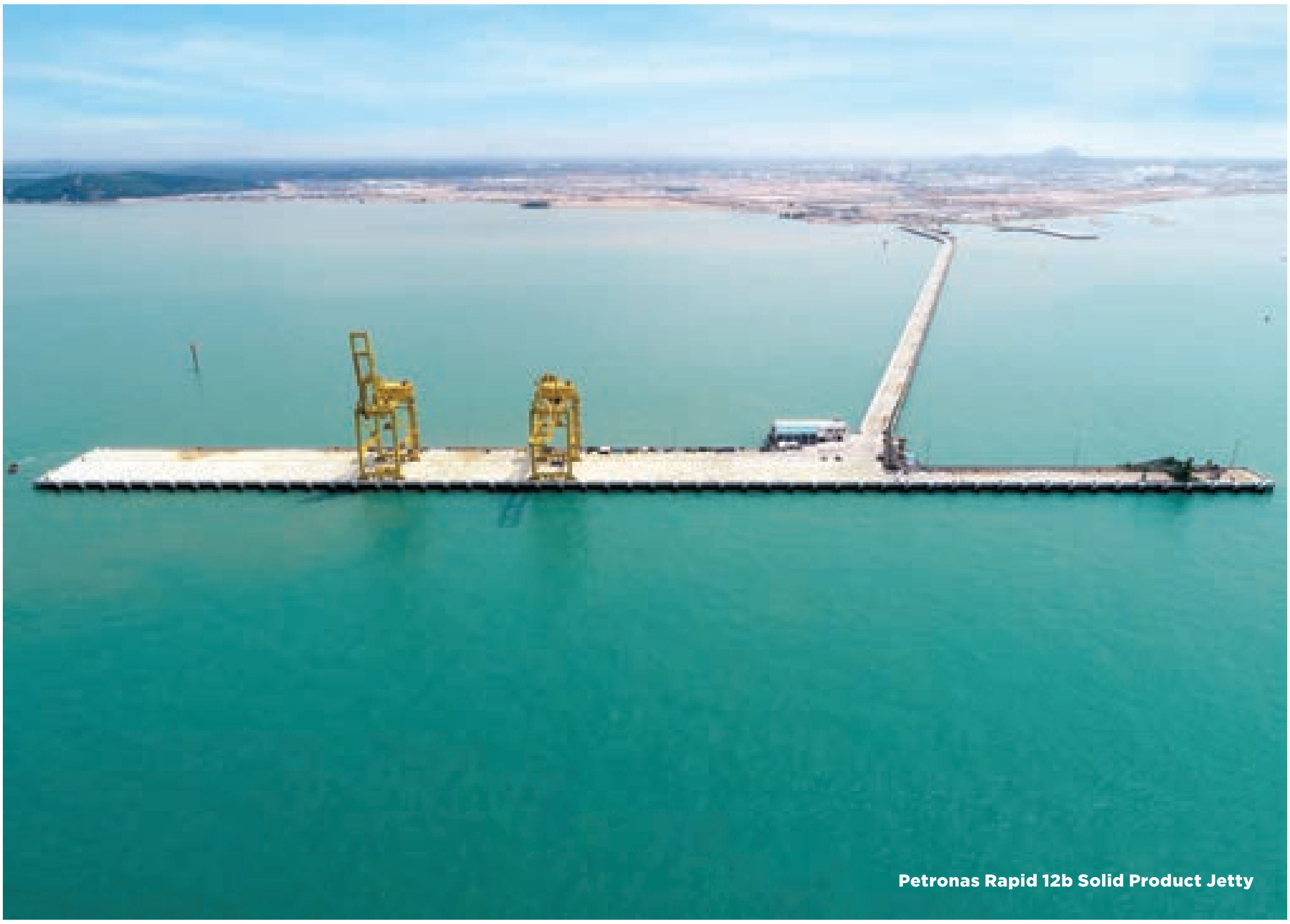
Location: Thailand
Customer: PTT Public Company Limited

— Engineer, procure all materials and construct thirty-four kilometres of 28” pipeline to transport 320 MMSCFD Design and construction of new 3 storey building including tunnel
— Project consists of both Bored and HDD Crossings.

Tuas Water Reclamation Project

Location: Singapore
Customer: Public Utilities Board

— When completed, TWRP will be the largest water reclamation plant in Singapore
— Site preparation and development
— Construction of access roads and site buildings.



Petronas Rapid 12b Solid Product Jetty

Tangguh Export Facility

Nakhon Ratchasima

Tuas Water Reclamation Project

Petronas Rapid 12b Solid Product Jetty

New Zealand & Pacific Islands

The revenue of the New Zealand and the Pacific Islands operations increased by 22% to AUD211.6 million as new projects were awarded, including the Pukekohe Wastewater Treatment Plant.

A significant win was securing the Wynyard Edge Alliance project to construct infrastructure for the 2021 Americas Cup in Auckland. These wins contributed to a solid baseload of work. The business unit also secured repeat work for Watercare following the successful completion of the client's Mangere BNR project.

Targeting growth opportunities in strategic areas where McConnell Dowell has a record of sound operational performance has enabled the business unit to return to profitability. Despite some difficulties with the CSM2 project near Christchurch, renegotiation of the contract in July 2019 has mitigated associated cost risk. With 70% of revenue secured for 2020, New Zealand and the Pacific Islands operations are well positioned for the year ahead, despite ongoing delays in the award of public sector projects.

Active Projects

— Stanley Street outfall, North Island
— Pukekohe Waste Water Treatment Plant, North Island
— Snells Algies outfall, North Island
— Wynyard Edge Alliance, North Island
— City Rail Link C2, North Island
— Hunua 4, North Island
— Christchurch Southern Motorway Stage 2, South Island
— Port Nelson, South Island
— St Mary's Outfall, North Island
— Puhinui Interchange, North Island
— Westland Milk Ocean Outfall, South Island
— Waterview Tunnel Joint Operations, North Island
— Te Mato Vai, Pacific Islands
— Pago Pago Airport Apron, Pacific Islands


Watercare
Blanche

Army Bay Ocean Outfall

Location: Auckland
Customer: Watercare Services Limited

- Multiple Award Winning
- The project involved the installation of approximately 3 km of gravity system replacement pipeline including:
- 1.9 km of trenchless pipeline using the Direct Pipe® system
- an off-shore transition connecting the 1,100 mm OD HDPE liner pipe and
- the 800 mm OD HDPE outfall pipeline approx. 900 m of marine pipeline that will form the outfall
- construction of a new UV treatment plant, including electrical controls and standby generator
- upgrading the existing pump station to transfer the treated waste to the new gravity outfall pipe via the UV treatment Plant
- The project utilised the state-of-the-art Herrenknecht Direct Pipe® system for the first time in New Zealand.
- While tunnelling the onshore section, McConnell Dowell achieved a world-record for the longest Direct Pipe® drive at 1,929 m.

Wynyard Edge Alliance

Location: Auckland
Customer: Wynyard Edge Alliance

- Extension to existing Wharf
- Construction of 3 breakwaters to allow for launching of yachts
- Over 60,000 cubic meters of material to be dredged.

Christchurch Southern Motorway

Location: Christchurch
Customer: NZ Transport Agency

The Christchurch Southern Motorway Stage 2 (CSM2) project addresses growing congestion in Christchurch's south and southwest suburbs by delivering a four-lane, median separated motorway from near Rolleston to Robinsons Road.

- 8 km of new 4 lane motorway
- 5 km of SH1 duplication
- 5 km of local roads and adaptions.

City Rail Link

Location: Auckland
Customer: Auckland Transport

- Connectus is a Joint venture between McConnell Dowell Ltd and Downer Ltd responsible for delivering the City Rail Link (CRL) Contract 2 (C2)
- Procured under an Early Contractor Involvement (ECI) model, C2 is part of the early works package for the overall NZ$3.4 billion CRL project
- C2 physical works began December 2015 and comprised two separable portions:
  SP1: 350 m of cut and cover tunnels under Albert Street between Customs Street and Wyndham Street, and re-instating the streetscape on completion.
  SP2: Pipejacking 516 m of new stormwater main alongthe eastern side of Albert Street, between Swanson Street and Wellesley Street, and strengthening a 40 m length of the Orakei Main Sewer beneath Victoria Street.

Wynyard Edge Alliance

City Rail Link

Christchurch Southern Motorway

Built Environs

Built Environs' revenue increased by 18% to AUD73.2 million. The year saw many successful project completions including work on the West Franklin Apartments in Adelaide being delivered ahead of schedule.

The business also secured new work as a result of expansion into adjacent and complementary sectors and geographies. This strategy was most effective in New Zealand, where newly awarded projects include a building contract for Auckland City Mission, and an ECI contract, in partnership with the McConnell Dowell's New Zealand operation, for the Puhinui Station Interchange in Auckland.

Additional growth opportunities are being pursued in a diverse range of sectors, including apartments, student accommodation, hotels, health, defence, and education in Adelaide and New Zealand.

Active Projects

- West Franklin Apartments
- Modbury Hospital Upgrade
- Auckland City Mission HomeGround Development
- Adelaide Oval Hotel
- Wingfold Tower
- Puhinui Station Interchange

West Franklin Apartments

West Franklin Apartments

Location: Adelaide, South Australia
Customer: Greaton

- Two tower development – south tower 17 storeys, north tower 19 storeys
- 276 Apartments
- Retail tenancies and leisure facilities developed.

Modbury Hospital Upgrade

Location: South Australia
Customer: Department Planning, Transport & Infrastructure

- The upgrades include refurbishment of existing buildings and new building works
- Highly specialised clinical areas to be developed.

Auckland City Mission HomeGround Development

Location: Auckland, New Zealand
Customer: Auckland City Mission

- Construction Contract
- Tallest Cross Laminated Timber building in Auckland
- 8 floor building with commercial and residential spaces.

Adelaide Oval Hotel

Location: Adelaide, South Australia
Customer: Adelaide Oval

- Iconic project – first in Australia to have Two hotel wings (North & South)
- 138 boutique hotel
- Inclusion of valet parking within the existing underground structure.

Modbury Hospital Upgrade

Adelaide Oval Hotel

Innovation

McConnell Dowell has built a reputation for engineering excellence, innovation and value creation to develop innovative technical solutions for our customers.

Army Bay outfall

World record longest direct pipe + longest slip lining.

Hunua 4

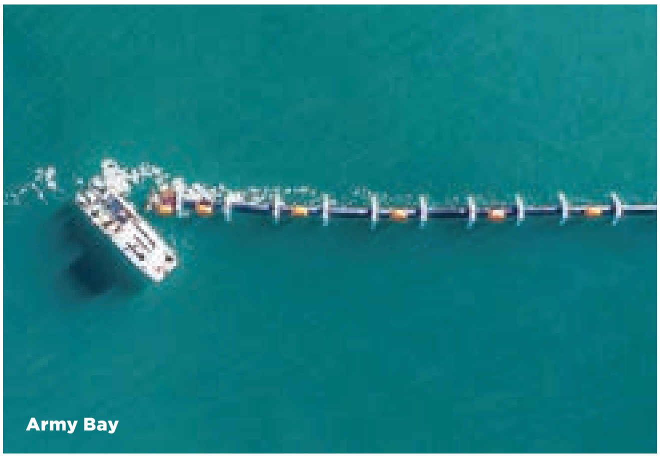
Will be the two longest pipejacks in New Zealand, oval shaped shaft to save space and allow launch from smaller shaft.

Virtual Reality safety training collaboration with Murdoch University

Developed Virtual Reality platform learning tools specifically targeting construction safety.

Western Program Alliance – Connected Sites

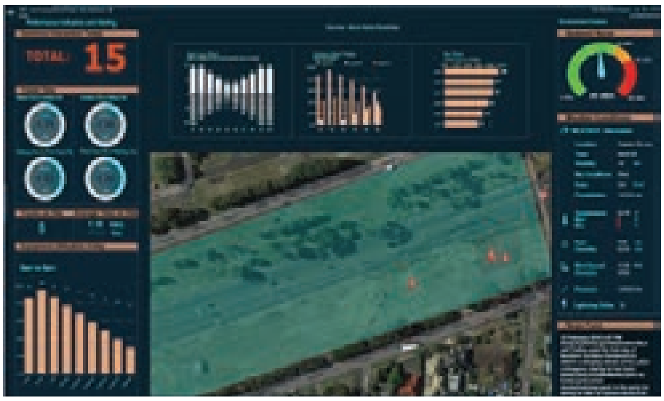
The Connected Site project establishes a system which collects environmental data as well as data from key equipment. complex civil structures / rail, clear time and cost savings.



Army Bay

Hunua 4

VR safety training



Connected Sites

Awards & Recognition

The Group received a number of awards & recognition in FY19.

Including:

2019 Australian Construction Achievement Award for the Chith Export Facility Project

MBA Professional Excellence Award for the Urbanest Student Accommodation Project

Hynds Construction Excellence Award for the Army Bay Outfall Project

2019 Minex Award for Sumner Road Project

IPWEA New Zealand Annual Excellence Award for Mangere BNR

2019 (WHS) Workplace Health & Safety

Silver Award for overall Company performance

SHARP Award for Marina Bay Sands

SHARP Award for ExxonMobil pipeline project


Chith Export Facility


Marina Bay Sands


Urbanest


SPJ Petronas

McConnell Dowell Corporation Limited

Financial Statements 2019

Directors' Report

The Directors present their report on the consolidated entity McConnell Dowell Corporation Limited (The Company) and its controlled entities for the year ended 30 June 2019.

Directors and Company Secretary

The following persons were Directors of McConnell Dowell Corporation Limited during the financial year and up to the date of this report:

Directors
S.J. Flanagan (Chair), S.V. Cummins, E.K. Diack, D.J. Morrison, I Luck, A.H. Macartney, C.D. Lock.

Resignations:
None

Company Secretary
D.J. Morrison

Principal activities

The principal activity of the consolidated entity is infrastructure construction. There were no significant changes in the principal activities of the consolidated entity during the year.

Consolidated result

The consolidated result for the year attributable to the members of McConnell Dowell Corporation Limited was a profit after tax of $7.79 million on total group revenue of $939 million.

The FY19 financial performance represents the 2nd consecutive year of profitable performance. The business continues to improve underlying operational performance with all business units profitable despite lower revenue in FY19, our order book of contracted future work has grown substantially from $760m at June 2018 to $1,153m at June 2019. We have continued working to resolve legacy projects with several matters closed during the year. With a stronger baseline order book, customer relationships and business values, the company is well positioned for the future.

Dividends

No dividend (2018 – nil) was declared or paid during the year ended 30 June 2019 to the parent company shareholder.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity other than that referred to in the financial statements and notes following.

Indemnification and insurance of Directors and officers

McConnell Dowell Corporation Limited, to the extent permitted by law, indemnify each Director and Company Secretary of the entity and its subsidiaries against liability incurred in the performance of their roles as officers. The directors listed above, individuals who act as Director or Company Secretary of the Company's subsidiaries and certain individuals who formerly held any of these roles also have the benefit of the indemnity. During the financial year the company paid an insurance premium insuring officers of the consolidated entity for costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company or a related body corporate.

The officers of the consolidated entity covered by the insurance policy included the directors listed in this report and all other executive officers and other officers of the consolidated entity. The contract of insurance prohibits disclosure of the amount of the premium.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

Safety and environmental regulations

The consolidated entity is committed to the highest standard of environmental and workplace safety performance.

The Executive Committee (Exco) has the specific charter to monitor the consolidated entities' performance in respect to its policies and procedures to ensure its obligations are met.

The consolidated entity is subject to various environmental and safety regulations under either Commonwealth, state or other international legislation. The Board believes the consolidated entity has adequate systems in place for the management of its environmental and safety policies and is not aware of any breach of these requirements as they apply to the consolidated entity.

Likely developments and expected results of consolidated entity

In the opinion of the directors, it would prejudice theinterests of the consolidated entity if any further information on likely developments in the operations of the consolidated entity and the expected results of operations were included herein, and the omission of such information is hereby disclosed.

Events subsequent to balance date

No significant events have occurred subsequent to balance date.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable) and where noted ($'000's) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the Corporations Instrument applies.

Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia has not received or are not due to receive any amounts for the provision of non-audit services.

Auditor independence declaration

The company has obtained an Auditor's Independence Declaration from Ernst & Young Australia. The Auditor's Independence Declaration is located on the following page.

The annual financial statements which appear on pages 45 – 94 were approved by the directors by resolution dated 6 September 2019 and are signed on their behalf.

Going concern and liquidity

In determining the appropriate basis of preparation of thefinancial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Company enters the 30 June 2020 financial year with increased levels of work in hand of $1,153m compared with $760m as at 30 June 2018 following significant project wins in Australia, New Zealand and Singapore. The company also has more than $1.0bn of opportunities (based on current contract value) that are in sole source negotiations or in Early Contractor Involvement stage and therefore it is probable these will be converted into contracted projects.

The Directors have reviewed business plans and detailed financial budgets for the year ending 30 June 2020 and beyond which indicate significant construction opportunities ahead. The construction markets of Australia, New Zealand and South East Asia are healthy, and the Company expects to continue winning work in the coming years to further grow the order book.

The Group has opportunities to further improve cash resources from claim settlements. The Group has also confirmed financial support from its ultimate parent company, Aveng Limited covering a minimum of 12 months from the date of these financial statements subject to consents that the Directors do not consider would be unduly withheld if required.

The detailed financial budgets and business plans that are being implemented by management indicate that the Group will have sufficient cash resources for the foreseeable future.

The Company has met its banking covenants for 30 June 2019 and forecasts indicate no breaches in the upcoming financial quarters.

The Group retains the support of its lenders, guarantee providers, and insurance bonding providers.

The Directors have considered the business plans and detailed financial budgets, including all available information, and whilst significant estimates and judgements including the impacts of the wider economic environment are always required, the Directors are of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

S. V. Cummins

Director
6th September 2019

D. J. Morrison

Director
6th September 2019

Building a better working world

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Auditor's Independence Declaration to the Directors of McConnell Dowell Corporation Limited

As lead auditor for the audit of the financial report of McConnell Dowell Corporation Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of McConnell Dowell Corporation Limited and the entities it controlled during the financial year.

Ernst & Young

David Shewring
Partner
6 September 2019

Statement of Profit or Loss

for the year ended 30 June 2019

All figures are in A$ 000's	Note	Consolidated 2019	2018
Revenue	2	**938,645**	1,170,067
Other income	2	**7,637**	11,197
Total Income		**946,282**	1,181,264
Operating expenses	3	**(919,632)**	(1,154,189)
Depreciation	10	**(12,440)**	(13,028)
Share of associate profit / (losses)	11	**(3,656)**	(636)
Finance income *	4	**671**	961
Finance costs	4	**(1,915)**	(2,849)
Profit / (loss) before tax		**9,310**	11,523
Income tax expense	6	**(1,525)**	(3,547)
Profit / (loss) after tax for the year		**7,785**	7,976
Attributable to:			
Members of the parent entity	25	**7,946**	**7,806**
Non-controlling interest	26	**(161)**	**170**
Profit / (loss) after tax for the year		**7,785**	7,976

The above Statement of Profit or Loss is to be read in conjunction with the accompanying notes

* Interest earned on bank balances was calculated using an effective interest rate.

Statement of Comprehensive Income

for the year ended 30 June 2019

All figures are in A$ 000's	Note	Consolidated 2019	2018
Profit / (loss) after tax for the year		**7,785**	7,976
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	24	**3,733**	2,579
Income tax (expense) / benefit relating to other comprehensive income	24	**-**	442
Other comprehensive income for the year net of tax		**3,733**	3,021
Total comprehensive income / (loss) for the year		**11,518**	10,997
Attributable to:			
Members of the parent entity		**11,699**	10,815
Non-controlling interest	26	**(181)**	182
Total comprehensive income / (loss) for the year		**11,518**	10,997

The above Statement of Comprehensive Income is to be read in conjunction with the accompanying notes

Statement of Financial Position

as at 30 June 2019

All figures are in A$ 000's	Note	Consolidated 2019	Consolidated 2018
Assets			
Current assets			
Cash & cash equivalents	9	**102,843**	141,762
Inventories	7	**4,019**	1,940
Asset held for sale	13	**-**	9,776
Trade and other receivables	8	**242,651**	294,464
Prepayments		**638**	1,222
Income tax receivable		**3,349**	1,959
Total current assets		**353,500**	451,123
Non-current assets			
Property, plant and equipment	10	**51,569**	40,280
Investment in and loans to associates and others	11	**-**	2,908
Deferred tax assets	14	**53,308**	52,966
Total non-current assets		**104,877**	96,154
Total assets		**458,377**	547,277
Liabilities			
Current liabilities			
Trade and other payables	15	**237,590**	310,310
Non interest bearing shareholder loan	19	**-**	10,000
Interest bearing loans and borrowings	17	**12,347**	11,779
Provisions	18	**30,007**	29,390
Total current liabilities		**279,944**	361,479
Non-current liabilities			
Interest bearing loans and borrowings	17	**5,687**	8,383
Provisions	18	**3,593**	4,145
Total non-current liabilities		**9,280**	12,528
Total liabilities		**289,224**	374,007
Net assets		**169,153**	173,270
Equity			
Issued Capital	23	**267,765**	257,765
Reserves	24	**5,561**	1,828
Retained earnings	25	**(104,321)**	(86,652)
Parent interests		**169,005**	172,941
Non-controlling interests	26	**148**	329
Total equity		**169,153**	173,270

The above Statement of Financial Position is to be read in conjunction with the accompanying notes

Statement of Changes in Equity

for the year ended 30 June 2019

Consolidated

All figures are in A$ 000's	Ordinary shares	Preference Shares	Foreign currency translation reserve	Asset revaluation reserve	Capital reserves	Non-controlling interest	Retained earnings	Total equity
Balance as at 1 July 2017	**70,765**	**40,000**	**(4,389)**	**385**	**2,811**	**257**	**(94,458)**	**15,371**
Profit / (loss) for the period	-	-	-	-	-	170	7,806	**7,976**
Other comprehensive income	-	-	3,021	-	-	12	-	**3,033**
Total comprehensive income for the period	-	-	3,021	-	-	182	7,806	**11,009**
Transactions with owners in their capacity as owners:								
Share Issue of 147m shares issued at $1 each	147,000	-	-	-	-	-	-	**147,000**
Dividend paid (note 5)	-	-	-	-	-	(110)	-	**(110)**
Balance as at 1 July 2018 as previously reported	217,765	40,000	(1,368)	385	2,811	329	(86,652)	173,270
Adoption of AASB 9 accounting standard *	-	-	-	-	-	-	-	-
Adoption of AASB15 accounting standard **	-	-	-	-	-	-	(25,615)	(25,615)
Balance as at 1 July 2018	**217,765**	**40,000**	**(1,368)**	**385**	**2,811**	**329**	**(112,267)**	**147,655**
Profit / (loss) for the period	-	-	-	-	-	(161)	7,946	**7,785**
Other comprehensive income	-	-	3,733	-	-	(20)	-	**3,713**
Total comprehensive income for the period	-	-	**3,733**	-	-	**(181)**	**7,946**	**11,498**
Transactions with owners in their capacity as owners:								
Share Issue of 10m shares issued at $1 each	10,000	-	-	-	-	-	-	**10,000**
Dividend paid (note 5)	-	-	-	-	-	-	-	-
Balance as at 30 June 2019	**227,765**	**40,000**	**2,365**	**385**	**2,811**	**148**	**(104,321)**	**169,153**

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes

* The adoption of the expected credit loss model under AASB 9 has not impacted the accumulated losses opening balance. Prior year balances have not been amended as there has been no impact.

** The adoption of AASB 15 has impacted the accumulated losses opening balance by $25.6 million. Refer to the effect on disclosure in the Accounting policies Note 1.

Share Issue

On 31st December 2018 Aveng Limited approved the recapitalisation of $10m of the non-interest bearing shareholder loan into ordinary share capital.

Statement of Cash Flows

for the year ended 30 June 2019

All figures are in A$ 000's	Note	Consolidated 2019	2018
Cash flows from operating activities			
Receipts from customers		**970,290**	1,224,888
Payments to suppliers and employees		**(999,612)**	(1,187,835)
Interest received		**671**	961
Other finance costs		**(1,051)**	(1,753)
Income tax and other taxes paid		**(2,915)**	(4,077)
Net cash inflows / (outflows) from operating activities	9	**(32,617)**	32,184
Cash flows from investing activities			
Purchase of property, plant and equipment		**(14,697)**	(11,313)
Proceeds from the disposal of property, plant and equipment		**7,105**	17,080
Repayments from / (loans to) associates		**-**	1,685
Net cash from investing activities		**(7,592)**	7,452
Cash flows from financing activities			
Proceeds from parent company loan		**-**	32,000
Repayment of parent company loan		**-**	(45,000)
Proceeds from borrowings		**9,474**	7,759
Repayment of borrowings		**(11,602)**	(9,204)
Interest paid		**(864)**	(1,096)
Equity dividends paid	5	**-**	(110)
Net cash used in financing activities		**(2,992)**	(15,651)
Net increase / (decrease) in cash and cash equivalents		**(43,201)**	23,985
Cash and cash equivalents at the beginning of the period		**141,762**	120,443
Exchange movements on cash		**4,282**	(2,666)
Cash and cash equivalents at the end of the period	9	**102,843**	141,762

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes

Notes to the annual financial statements

for the year ended 30 June 2019

1. Accounting policies

Company details

McConnell Dowell Corporation Limited (the Company) is a public unlisted for-profit company incorporated and domiciled in Australia. The Company's registered place of business is Level 3, 109 Burwood Road, Hawthorn, Victoria, Australia.

The ultimate Australian parent is Aveng Australia Holdings Pty Ltd. The ultimate parent is Aveng Limited (a company incorporated in South Africa).

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The financial report has also been prepared on a historical cost basis, except for certain financial instruments (when applicable) which have been measured at fair value. Where necessary, comparative figures have been reclassified and repositioned for consistency with current year disclosures.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($000's) except when otherwise indicated in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

The financial report was approved by a resolution of the Directors of the Company on 6th September 2019.

Going Concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Company enters the 30 June 2020 financial year with increased levels of work in hand of $1,153m compared with $760m as at 30 June 2018 following significant project wins in Australia, New Zealand and Singapore.

The Directors have reviewed business plans and detailed financial budgets for the year ending 30 June 2020 and beyond which indicate significant construction opportunities ahead. The construction markets of Australia, New Zealand and South East Asia are healthy, and the Company expects to continue significant winning work in the coming years to further grow the order book.

The Group has opportunities to further improve cash resources from claim settlements and seek external financial support if required. The Group has also confirmed financial support from its ultimate parent company, Aveng Limited covering a minimum of 12 months from the date of these financial statements subject to consents that the Directors do not consider would be unduly withheld if required.

These detailed financial budgets and business plans that are being implemented by management indicate that the Group will have sufficient cash resources for the foreseeable future.

The Company has met its banking covenants for 30 June 2019 resulting in no breaches at year-end and forecasts indicate no breaches in the upcoming financial quarters.

The Group retains the support of its lenders, guarantee providers, and insurance bonding providers.

The Directors have considered the business plans and detailed financial budgets, including all available information, and whilst significant estimates and judgements including the impacts of the wider economic environment are always required the Directors are of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of consolidation

The consolidated financial statements include the financial statements of McConnell Dowell Corporation Limited and its subsidiaries as at 30 June each year (the Group).

Control over a subsidiary is achieved when the Group is exposed, or has the rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Specifically, the Group deems it controls a subsidiary if and only if the Group has:

- Power over the subsidiary (i.e. existing rights that give it the current ability to direct the relevant activities of the subsidiary)
- Exposure, or rights, to variable returns from its involvement with the subsidiary, and
- The ability to use its power over the subsidiary to affect its returns

When the Group has less than a majority of the voting or similar rights of a subsidiary, the Group considers all relevant facts and circumstances in assessing whether it has power over a subsidiary, including;

- The contractual arrangement with the other vote holders of the subsidiary
- Rights arising from the other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassess whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The parent's investments in controlled entities are initially recognised at cost and subsequently measured at cost, less any impairment charges.

Non-controlling interests not held by the Group are allocated their share of net profit after tax and each component of other comprehensive income and are presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

All intercompany transactions and balances, income and expenses, and profits and losses resulting from intra-group transactions are eliminated on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 9 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of McConnell Dowell Corporation Limited and its Australian subsidiaries is Australian dollars ($). Where a subsidiary's functional currency is a different denomination it is translated to presentation currency (see below).

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of group companies functional currency to presentation currency

On consolidation the assets and liabilities of foreign entities are translated into Australian dollars at rates of exchange prevailing at the reporting date. Income, expenditure and cash flow items are translated into Australian dollars at weighted average rates.

Exchange variations arising on translation for consolidation are recognised in the foreign currency translation reserve in equity, through other comprehensive income.

If a subsidiary were sold, such translation differences are recognised in the statement of profit or loss as part of the cumulative gain or loss on disposal.

Financial instruments

Financial Assets

Initial recognition and measurement

The Group initially recognises financial assets when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value plus in the case of assets not measured at fair value through profit or loss, directly attributable transaction costs. Subsequently financial assets, excluding derivatives, are classified as measured at amortised cost or fair value, depending on the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Derivatives are subsequently measured at fair value through profit or loss. Changes in the fair value of derivatives used to economically hedge the Group's foreign exchange exposure are recognised in other earnings in the earnings or loss component of the statement of comprehensive earnings.

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

1. Accounting policies (continued)

A financial asset qualifies for amortised cost, using the effective interest method net of any impairment loss if it meets both of the following conditions:

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

If a financial asset does not meet both of these conditions, it is measured at fair value.

The assessment of business model is made at portfolio level as this reflects best the way the business is managed and information is provided to management.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets are classified as trade and other receivables, amounts due from contract customers, infrastructure investments and cash and bank balances.

The Group's financial assets are classified and measured as follows:

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost.

Amounts due from contract customers

Amounts due from contract customers are carried at cost plus margin recognised, less billings and recognised losses at the reporting date in accordance with the revenue recognition policy shown below.

Contract receivables and contract retentions are initially recognised at cost plus margin, which approximates fair value, and are subsequently measured at amortised cost. Contract receivables and retentions comprise amounts due in respect of progress billings certified by the client or consultant at the reporting date for which payment has not been received and amounts held as retentions on certified work at the reporting date.

Contract costs include costs that are attributable directly to the contract and costs that are attributable to contract activity. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, technical assistance, and any other costs which are specifically chargeable to the customer in terms of the contract.

Contract costs incurred that relate to future activity are recognised as an asset to the extent that it is probable it will be recovered. Such costs represent amounts due from contract customers.

Cash and bank balances

Cash and bank balances comprise cash on hand and bank balances that are subsequently measured at amortised cost. Cash held in joint arrangements are available for use by the Group with the approval of the joint arrangement partners. Bank overdrafts are offset against positive bank balances where a legally enforceable right of offset exists and there is an intention to settle the overdraft and realise the net cash. For the purposes of the statement of cash flows, cash and bank balances consist of cash and bank balances defined above net of outstanding bank overdrafts.

Presentation of Impairment

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

Derecognition

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

(a) Transition approach

The Group has adopted the impairment component of AASB 9 using the modified retrospective method with the cumulative effect of initially applying this Standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented in the 30 June 2018 financial statements has not been restated – i.e. it is presented, as previously reported under IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39").

The effect of adopting the measurement section of AASB 9 on the carrying amount of financial instruments as at 1 July 2018 relates solely to the new impairment requirements, as detailed below Impact of adopting the new standards on the statement of financial position. For assets in the scope of AASB 9 impairment model, impairment losses have increased, however not significantly, and have become more volatile.

(b) Year ended 30 June 2019

AASB 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments at Fair Value through Other Comprehensive Earnings, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than IAS 39.

Under AASB 9, ECLs are recognised in either of the following stages:

- 12 Month ECLs: those are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: those are ECLs that result from all possible default events over the expected life of the instrument.

The Group has elected to measure the loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs subsequent to initial recognition, 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 an analysis, based on the Group's historical experience and information, including credit assessment and forward looking information.

Measurement of ECLs

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

Credit-impaired financial assets

At each reporting date, the Group has assessed whether financial assets within the scope of AASB 9 impairment requirements are credit-impaired.

Financial assets not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of credit-impairment. A financial asset is credit-impaired when one or more event that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Accordingly, this accounting policy relates to Amounts due from contract customers, Trade and other receivables and: Cash and bank balances.

Objective evidence that financial assets are impaired includes, but is not limited to:

- default or delinquency by a debtor in interest or principal payments;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy or other financial reorganisation;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets such as changes in arrears or economic conditions that correlate with defaults.

Year ended 30 June 2018

In previous years, the Group applied IAS 39 in determining the impairment required for financial assets. The Group assessed, at each reporting date, whether there was objective evidence that a financial asset or a group of financial assets was impaired. An impairment exists if one or more events that had occurred since the initial recognition of the asset (an incurred "loss event"), had an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial assets not carried at fair value through profit or loss, including an interest in an equity-accounted investee were assessed at each reporting date to determine whether there was objective evidence of impairment. Accordingly, this accounting policy relates to Amounts due from contract customers, Trade and other receivables and Cash and bank balances.

Objective evidence that financial assets were impaired includes:

- default or delinquency by a debtor in interest or principal payments;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy or other financial reorganisation;

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

1. Accounting policies (continued)

- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

Initial recognition and measurement

The Group initially recognises financial liabilities when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified as measured at amortised cost or fair value, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and other liabilities, less directly attributable transaction costs. The Group's financial liabilities include trade and other payables, borrowings and other liabilities, bank overdrafts, employee-related payables, amounts due to contract customers and derivatives that are liabilities.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss, except those financial liabilities that contain embedded derivatives that significantly modify cash flows that would otherwise be required under the contract.

Amounts due to contract customers

Where progress billings exceed the aggregate of costs plus margin less losses, the net amounts are reflected as a liability and is carried at amortised cost.

Borrowings and other liabilities

Borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in earnings when the liabilities are derecognised as well as through the amortisation process.

Trade and other payables

Trade and other payables are subsequently measured at amortised cost using the effective interest method.

Bank overdraft

Bank overdrafts are subsequently measured at amortised cost using the effective interest method.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in earnings.

Inventories

Inventories comprise raw materials and consumable stores. Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

Investments in associates

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. The associates are entities over which the Group has significant influence.

The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Group's share of its associates' profits or losses is recognised in the statement of profit or loss, and its share of movements in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of profit or loss as a component of other income, while in the consolidated financial statements they reduce the carrying amount of the investment.

After application of the equity method the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of profit or loss.

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

The associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Interest in joint arrangements

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operation, the Group entity as a joint operator recognises in relation to its interest in a joint operation, its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from its share of the output arising from the joint operation
- Share of the revenue from the output by the joint operation, and
- Expenses, including its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the standards applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of the other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. Freehold buildings and other fixed assets are depreciated on a straight-line basis over their expected useful lives to an estimated residual value. The following estimated useful lives are used in the calculation of depreciation:

Buildings	10 - 30 years
Leasehold improvements	1 - 5 years
Plant and equipment	2 - 15 years
Equipment under finance lease	2 - 15 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to rise from the use or disposal of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the year in which the item is derecognised. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Leased assets

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use of the asset, even if that right is not explicitly in an arrangement.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

A leased asset is depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

1. Accounting policies (continued)

Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If the consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is measured in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with AASB 8 Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on relative values of the operation disposed of and the portion of the cash-generating retained unit.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Impairment of non-financial assets other than goodwill and indefinite life intangibles

Goodwill and indefinite life intangibles are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstance indicate that they might be impaired. Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are subsequently measured at amortised cost using the effective interest method. Amounts are unsecured and are usually paid within 60 days of recognition.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made on the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in the statement of profit or loss in finance costs.

Employee benefits

Short-term benefits

Liabilities for wages, salaries and certain annual leave benefits expected to be settled within 12 months of the reporting date are recognised in employee benefit provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long-term benefits

The liability for long service leave and certain annual leave benefits is recognised in the employee benefits provisions and measured as the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date using projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Issued Capital

Ordinary and preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Revenue recognition

Transition Approach

The Group has adopted AASB 15 Revenue from Contracts with Customers using the modified retrospective approach, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for 30 June 2018 has not been restated – i.e. it is presented, as previously reported under IAS 18 Revenue (IAS 18), IAS 11 Construction Contracts (IAS 11) and related interpretations.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18, IAS 11 and related interpretations.

The Group has elected to use the optional transitional practical expedient relating to contract modifications. Under this practical expedient, the Group reflected the aggregate effect of all modifications that occurred before the date of initial application of AASB 15 when identifying the satisfied and unsatisfied performance obligation, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations for the modified contract at transition.

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

1. Accounting policies (continued)

The details and quantitative impact of the changes in the accounting policy are disclosed below in Impact of adopting the new standards on the statement of financial position.

Year ended 30 June 2019

The following accounting policy was effective for periods on and after 1 July 2018, in accordance with AASB 15.

Construction Contracts

Revenue from construction contracts is recognised when the outcome of the construction contract can be measured reliably, by reference to satisfaction of the performance obligation(s) over a period of time. The Group has concluded that it is the principal in its construction contract revenue arrangements, because it typically controls the delivery of construction contracts over a period of time. Where a loss is anticipated on any particular contract, provision is made immediately in full for the estimated final contract loss.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

Where contract costs incurred to date plus recognised earnings, less recognised losses exceed progress billings, the surplus is reflected as amounts due from customers for contract work, described herein as work in progress. For contracts where progress billings exceed contract costs incurred to date plus recognised profits, less recognised losses, the surplus is reflected as amounts due to customers for contract work, described herein as progress billings in advance.

Amounts received before the related work is performed are included as a liability in the consolidated statement of financial position, as amounts received in advance under the amounts due from / (to) contract customers. Amounts billed for work performed but not collected from customers are included as contract receivables. Variations in contract work, claims and incentive payments are included as part of contract revenue as follows:

Claims impact on transaction price

Claims are subject to a high level of uncertainty. Various claims are submitted by the Group to their customers. Under AASB 15 revenue from claims is required to be accounted for as variable consideration and claims are included in revenue only when it is highly probable that revenue will not be reversed in the future.

Variations to a contract

Revenue related to variations is recognised when it can be reliably measured and it is highly probable that revenue will not be reversed in the future.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Revenue is measured at the consideration at which the Group is expected to be entitled, excluding discounts, rebates, and GST/VAT.

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in AASB 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Warranties and defect periods

Generally, construction and services contracts include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and therefore estimated and included in the total costs of the contracts. Where required, amounts are recognised accordingly in line with AASB 137: Provisions, Contingent Liabilities and Contingent Assets.

Sale of Goods

Revenue from sale of goods is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably. The Group has concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

Year ended 30 June 2018

Before the adoption of AASB 15 on 1 July 2018, the following accounting policy was effective for all periods ending before 30 June 2018:

Revenue is recognised to the extent that it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured.

Revenue from the rendering of services is recognised on an accrual basis over the period for which the services are rendered.

Revenue from construction contracts is recognised, when the outcome of the construction contract can be measured reliably, by reference to the percentage of completion of the contract at the reporting date. The percentage of completion is measured by the proportion that the costs incurred to date bear to the estimated total costs of the contract, and management's judgement of the contract progress and outstanding risks.

Variations in contract work and claims are included to the extent that it is probable that the customer will accept the claim and the amount can be measured reliably.

Interest income or expense from interest bearing financial assets is recorded using the effective interest rate (EIR). Interest income or expense is included in net interest income in the statement of profit or loss.

Dividends on equity instruments are recognised when the right to receive payment is established.

Income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. 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

Deferred tax is provided, using the balance sheet method, on all temporary differences at the reporting date except where exempted by Australian Accounting Standards. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax is charged to the statement of profit or loss except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition.

The effect on deferred tax of any changes in tax rates is recognised in the statement of profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is not probable that the related tax benefit will be realised.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 income tax asset to be utilised.

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Management periodically evaluates position taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST/VAT except:

- when the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT 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, which are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

1. Accounting policies (continued)

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Revisions to estimates are recognised in the period in which the estimate is revised.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made.

Actual results may differ from these estimates under different assumptions and conditions may materially affect financial results or the financial position reported in future periods.

Significant Accounting Judgements

Contracting revenue and profit and loss recognition

Judgements made in the application of the accounting policies for contracting revenue and profit and loss recognition include

- the determination of stage of completion,
- estimation of total contract revenue and total contract costs,
- assessment of the amount the client will pay for contract variations, and
- estimation of project production rates and program through to completion.

The construction contracts undertaken by the Group may require it to perform extra or change order work, and this can result in negotiations over the extent to which the work is outside the scope of the original contract or the price for the extra work.

Given the complexity of many of the contracts undertaken by the Group, the knowledge and experience of the Group's project managers, engineers, and executive management is used in assessing the status of negotiations with the customer, the reliability with which the estimated recoverable amounts can be measured, the financial risks pertained to individual projects and the associated judgements and estimates employed. Cost and revenue estimates and judgements are reviewed and updated monthly, and more frequently as determined by events or circumstances. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately.

In addition, many contracts specify the completions schedule requirements and allow liquidated damages to be charged in the event of failure to achieve that schedule; on these contracts, this could result in the Group incurring liquidated damages.

Material changes in one or more of these judgements and/or estimates, whilst not anticipated, would significantly affect the profitability of individual contracts and the Group's overall results. The impact of a change in judgements and/or estimates has and will be influenced by the size and complexity of individual contracts within the portfolio at any point in time.

The Group will continue to focus on project execution and to reduce the financial impact of challenging contracts.

The Group continuously reassesses the position recognised on all its recorded uncertified revenue.

This process has included consideration for contractual claims relating to the Gold Coast Rapid Transit (GCRT) project and Perth Airport Terminal Project, which remain outstanding and will take some time to resolve thus the final outcome both in terms of quantum and timing remains a significant risk. The Group will continue to robustly pursue its commercial entitlements in relation to these claims.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of profit or loss.

Joint Arrangements

The Group currently conducts significant construction activities through various joint arrangements with other partners. In determining whether these joint arrangements are joint operations or joint venture in accordance with AASB 11 Joint Arrangements, management have applied significant judgements with whether arrangements are structured through a separate vehicle and the extent to which the terms of the contractual arrangements provide the parties to the joint arrangement with rights to the assets, and obligations for the liabilities, relating to the arrangement.

Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount in cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. The details of these goodwill and intangibles impairment are disclosed in note 13.

Employee provisions

The company carries provisions for a number of employee entitlements including for bonus, redundancy and project incentives. These provisions are recognised and measured at the reporting date based on all available information in existence at that time, and while requiring management judgement of future outcomes, represent the best estimate of the amount required to settle the obligations. These obligations are both legal and constructive in nature. Movements in these provisions caused by revision to the estimate of fair value are recognised in the statement of profit and loss.

New accounting standards and interpretations

New Accounting Standards and Interpretations effective from 1 July 2018

Other than the AASB 15 and AASB 9 described above, the Group has not adopted any new or amended Accounting Standards or Interpretations that have had a material impact on the Group for the year ended 30 June 2019.

Impact of adopting the new standards on the statement of financial position

In summary, the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application of AASB 15:

A$000	As reported 30 June 2018	AASB 15 Transition Adjustment	Opening Balance 1 July 2018
Current Trade and other receivables	294,464	(25,615)	268,849
Retained Earnings	(86,652)	(25,615)	(112,267)

AASB 9 Financial Instruments

In the current year the group applied AASB 9, Financial Instruments. There was no material impact on the Group from applying this standard.

New accounting standards not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2019, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below and the assessment of the estimated impact that the initial application will have on the consolidated financial statements are set out below. These will be adopted in the period that they become mandatory unless otherwise indicated:

Standard/Interpretation		Effective date Periods beginning on or after
AASB 16	Leases	1 July 2019
AASB Interpretation 23	Uncertainty over Income Tax Treatment	1 July 2019

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

1. Accounting policies (continued)

AASB 16 Leases

AASB 16 Leases replaces existing leases guidance, including AASB 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-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 July 2019. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use 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.

The Group leases multiple assets such as buildings and motor vehicles for example as well as certain low value assets and short term leases and currently accounts for these as operating leases and also leases multiple assets such as construction equipment for example and currently accounts for these as finance leases.

Management has performed a high level assessment of the impact of the standard on its consolidated financial statements. Management continues with detailed assessment to determine the extent of these potential changes.

The Group is still in the process of determining the impact of the changes in the accounting standard.

On application the current operating lease assets will be capitalised and reflected as lease assets (right-of-use-assets) and lease liabilities on the statement of financial position. The previous straight lining effect associated with AASB 117 accounting will be reversed, resulting in further accounting impacts on the consolidated financial statements.

On application the existing finance lease assets and liability will be remeasured in line with the requirements of the standard and reclassified and reflected as a lease assets (right-of-use-assets) and lease liabilities on the statement of financial position.

The statement of cash flows will be affected as well, with payments needing to be split between repayments of principal and interest.

The consolidated financial statement disclosures will be updated in the year of adoption to ensure compliance with AASB 16 requirements including the implications of adoption of the various transition options. Based on the outcomes of the detailed assessments, referred to above, the Group will determine which transition option to apply.

AASB Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects AASB 112. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group is still in the process of determining the impact of the changes in the accounting standard.

All figures are in A$ 000's	Note	Consolidated 2019	2018

2. Revenue and income

	Note	2019	2018
Revenue			
Construction contract revenue		**938,645**	1,170,067
Other income			
Net gain on disposal of fixed assets		**3,382**	7,599
Other income		**4,255**	3,598
Other income - Group		**7,637**	11,197
Total revenue and income - Group		**946,282**	1,181,264
Geographical information			
Australia		**516,535**	705,552
New Zealand and Pacific Islands		**211,607**	192,909
South East Asia		**210,503**	271,606
Total construction contract revenue		**938,645**	1,170,067

The Consolidated Entity's share of revenue from associates is excluded from revenue noted above and from the Statement of Profit or Loss in accordance with Australian Accounting Standards. Details of the Consolidated Entity's share of revenue from associates is provided as additional non-IFRS information below.

	Note	2019	2018
Revenue and income - Group		**946,282**	1,181,264
Revenue - Associates	11	**14,212**	30,020
Revenue - Group and Associates		**960,494**	1,211,284

Contract balances

Refer to note 8(a), 8(c) and 15 for trade receivables, contract assets and contract liabilites respectively.

Remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2019 are, as follows:

	Note	2019	2018
Within one year		**797,951**	695,173
More than one year		**355,520**	64,667
Total performance obligations (unsatisfied or partially unsatisfied)		**1,153,471**	759,840

The remaining performance obligations expected to be recognised in more than one year relate to the execution of existing construction contracts.

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

All figures are in A$ 000's	Note	Consolidated 2019	2018
3. Operating expenses			
Operating expenses include the following items:			
Salaries & wages		**(222,987)**	(298,084)
Subcontractors		**(435,644)**	(439,293)
Materials		**(96,255)**	(155,662)
Plant costs		**(72,016)**	(130,398)
Indirect project costs		**(52,000)**	(93,560)
Administrative expenses		**(33,589)**	(30,324)
Operating lease payments		**(7,211)**	(7,241)
Forex gains		**70**	373
Total operating expenses		**(919,632)**	(1,154,189)
4. Finance income and costs			
Finance income			
Interest income		**671**	961
Total finance income		**671**	961
Interest income is recognised and accrued on interest bearing cash accounts. Any amounts not recognised in closing cash balances, are accrued using the effective interest rate on an account by account basis.			
Finance costs			
Interest expense		**(864)**	(1,096)
Other finance costs		**(1,051)**	(1,753)
Total finance costs		**(1,915)**	(2,849)
All figures are in A$ 000's		**2019**	**2018**
5. Dividends paid			
Dividends paid to non-controlling interest:			
Final unfranked dividend declared in the year	5(a)	**-**	110
Total dividends declared and paid		**-**	110

5(a) No dividends were declared or paid to the non-controlling interest of PT McConnell Dowell Indonesia (2018, in whole dollars: $110,106).

All figures are in A$ 000's	Note	Consolidated 2019	2018
## 6. Taxation			
Current income tax:			
Current tax expense		**1,532**	2,544
Adjustment in respect of current year income tax of previous year		**72**	752
Deferred tax:			
Relating to origination, reversal and impairment of temporary differences		**(79)**	251
Income tax expense reported in statement of profit or loss		**1,525**	3,547

No tax credit was recognised directly in equity during the year (2018, in whole dollars: tax credit of $442,000) (see note 24).

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2019 and 2018 is as follows: -

	2019	2018
Accounting profit / (loss) before income tax	**9,310**	11,523
Income tax expense at the statutory income tax rate of 30% (2018: 30%)	**2,793**	3,457
Adjusted for:		
Permanent differences and Non-assessable income	**786**	(1,497)
Share of (profit) / loss of associates	**1,097**	191
Withholding tax expensed	**1,298**	1,182
Utilisation of previously unrecognised losses	**(4,425)**	(3,146)
Tax losses not recognised	**758**	4,353
Adjustment in respect of current income tax of previous year	**72**	(1,431)
Effects of lower rates of tax on overseas income	**(1,059)**	145
Other items	**206**	293
Income tax expense reported in statement of profit or loss	**1,525**	3,547

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

6. Taxation (continued)

Tax consolidation

McConnell Dowell Corporation Limited and its wholly owned Australian entities are members of the Aveng Australia Holdings Pty Ltd tax consolidated group with effect from the 12 May 2005. Members of the Group have entered into a tax sharing agreement (TSA) that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of the TSA on the basis that the possibility of default is remote.

Tax effect accounting by members of the Aveng Australia Holdings Pty Ltd consolidated tax group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting. The head entity and the controlled entities in the tax consolidation group continue to account for their own current and deferred tax amounts. The Group has applied The Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidation group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further below.

Members of the tax consolidated group have entered into a tax funding agreement. The agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the consolidated group in accordance with the principles of AASB 112 Income Taxes.

Nature of tax funding agreement

The Group has applied the “group allocation” approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. This approach is based on a modified stand alone method, where the group measures its current and deferred taxes as if it continued to be a separate taxable entity adjusted for inter-group dividends and capital gains / (losses).

The tax funding agreement require payments to / from the head entity equal to the current tax liability / (asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-company receivable / (payable) equal in amount to the tax liability / (asset) assumed. The inter-company receivable / (payable) is at call.

The Australian consolidated tax group elected to adopt from 1 July 2009 onwards the new Taxation of Financial Arrangements (“TOFA”) regime for financial instruments. The TOFA aims to align the tax and accounting treatment of financial arrangements. The election made is irrevocable. A transitional election was made to bring pre-existing arrangements into TOFA.

All figures are in A$ 000's	Note	Consolidated 2019	2018

7. Inventories

Raw materials, components (at cost)		**4,019**	1,940
Total inventories		**4,019**	1,940

8. Trade and other receivables

Current			
Trade receivables	8(a)	**126,592**	**132,642**
Retentions		**3,479**	**18,822**
Contracts in progress	8(c)	**98,709**	**135,988**
Sundry receivables	8(b)	**9,339**	**2,143**
Deposits and bonds		**1,142**	**1,839**
Receivables from associates - Dutco McConnell Dowell (ME) LLC		**862**	**679**
Receivables from other related parties	19	**2,528**	**2,354**
Provision for impairment loss		**-**	**(3)**
Total current trade and other receivables		**242,651**	294,464

8(a) Trade receivables are non-interest bearing and are generally on 30 day terms. An allowance for impairment loss is made when there is objective evidence that a trade receivable is impaired.

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of the receivables. Details regarding the credit risk of current receivables are disclosed in Note 22.

At 30 June, the ageing analysis of trade receivables is as follows:		
0-30 days	**110,712**	120,247
31-60 days*	**5,826**	5,877
61-90 days*	**636**	1,057
91+ days*	**9,418**	5,461
Total trade receivables	**126,592**	132,642

Expected credit losses on Trade and other receivables
As at 30 June 2019, the Group has trade and other receivables of $126.6 million (2018: $132.6 million).
The provision for expected credit losses on trade receivables is, in whole dollars $20,703, which is immaterial to the Group.

8(b) Sundry receivables are non-interest bearing and generally have 30 day repayment terms.

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

All figures are in A$ 000's	Note	Consolidated 2019	2018
8. Trade and other receivables (continued)			
8(c) Construction work in progress			
Total work in progress	8(d)	**98,709**	135,988
Total progress billings in advance	15	**(65,142)**	(108,350)
Net construction work in progress		**33,567**	27,638

8(d) Amounts due from contract customers includes $83.5 million (2018: $93.0million), which is currently subject to formal contract dispute processes.

As at 30 June 2019, the Group has amounts due from customers of $98.7 million (2018: $136 million) which is net of the provision for expected credit loss which is immaterial to the Group.

9. Statement of cash flows reconciliation

(i) Reconciliation of cash
Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

All figures are in A$ 000's	Note	2019	2018
Cash at bank		**67,663**	**108,059**
Cash in joint operations		**35,086**	**33,566**
Cash on hand	9a	**94**	**137**
Total cash and cash equivalents		**102,843**	141,762

9(a) Cash assets held in joint operations are available for use by the Group with the approval of the joint operation partners

(ii) Reconciliation of net cash flows from operating activities to operating profit after tax

All figures are in A$ 000's	Note	2019	2018
Net profit / (loss) after tax from continuing operations		**7,785**	7,976
Depreciation & impairment of property, plant & equipment		**12,440**	13,028
Share of associated companies (profits) / losses		**3,656**	636
Effect of foreign exchange movements		**(3,657)**	5,393
Net gain on disposal of fixed assets		**(3,382)**	(7,599)
(Increase) / decrease in receivables & other assets		**27,390**	60,704
(Increase) / decrease in inventory		**(2,079)**	(1,022)
(Increase) / decrease in deferred tax (assets) / liability		**(342)**	40
Increase / (decrease) in trade & other payables		**(73,967)**	(8,094)
Increase / (decrease) in provisions		**65**	(37,942)
Increase / (decrease) in income tax payable		**(526)**	(936)
Net cash inflow / (outflow) from operating activities		**(32,617)**	32,184

All figures are in A$ 000's	Note	Land and buildings	Owned plant, equipment and vehicles	Leased plant, equipment and vehicles	Capital work-in-progress	Consolidated Total 2019

10. Property, plant and equipment

	Note	Land and buildings	Owned plant, equipment and vehicles	Leased plant, equipment and vehicles	Capital work-in-progress	Total 2019
Cost 2019						
At 30 June 2018		14,820	178,158	-	628	**193,606**
Foreign exchange movements		665	5,617	-	(33)	**6,249**
Additions		-	14,691	-	6	**14,697**
Disposals		-	(21,742)	-	-	**(21,742)**
Transfer from asset held for sale	13	-	27,053	-	-	**27,053**
Reclassification of assets		-	531	-	(531)	**-**
At 30 June 2019		15,485	204,308	-	70	**219,863**
Accumulated depreciation 2019						
At 30 June 2018		8,191	145,135	-	-	**153,326**
Foreign exchange movements		397	3,933	-	-	**4,330**
Charge for period		422	12,018	-	-	**12,440**
Disposals		-	(19,079)	-	-	**(19,079)**
Transfer from asset held for sale	13	-	17,277	-	-	**17,277**
Reclassification of assets		-	-	-	-	**-**
At 30 June 2019		9,010	159,284	-	-	**168,294**
Net book value at 30 June 2019		6,475	45,024	-	70	**51,569**

	Note	Land and buildings	Owned plant, equipment and vehicles	Leased plant, equipment and vehicles	Capital work-in-progress	Total 2018
Cost 2018						
At 30 June 2017		21,147	220,474	5,334	334	**247,289**
Foreign exchange movements		195	281	-	4	**480**
Additions		390	10,040	-	290	**10,720**
Disposals		(6,912)	(30,478)	(305)	-	**(37,695)**
Transfer to asset held for sale		-	(27,188)	-	-	**(27,188)**
Reclassification of assets		-	5,029	(5,029)	-	**-**
At 30 June 2018		14,820	178,158	-	628	**193,606**
Accumulated depreciation 2018						
At 30 June 2017		8,980	175,328	3,103	-	**187,411**
Foreign exchange movements		147	(1,863)	-	-	**(1,716)**
Additions		1,020	11,712	296	-	**13,028**
Disposals		(1,956)	(25,806)	(223)	-	**(27,985)**
Transfer asset to held for sale		-	(17,412)	-	-	**(17,412)**
Reclassification of assets		-	3,176	(3,176)	-	**-**
At 30 June 2018		8,191	145,135	-	-	**153,326**
Net book value at 30 June 2018		6,629	33,023	-	628	**40,280**

Leased plant, equipment and vehicles are pledged as security for the related finance lease liability (see note 17)

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

All figures are in A$ 000's	Consolidated 2019	2018
11. Investments in and loans to associates and others		
(a) Investment details		
Unlisted		
Investment in Dutco McConnell Dowell Middle East LLC	-	1,066
Loan to Dutco McConnell Dowell Middle East LLC	-	1,842
Net investment in and loans to associates and others	-	2,908

Dutco McConnell Dowell Middle East LLC (DMDME) is an unlisted company based in Dubai in the United Arab Emirates. Subsidiaries of DMDME include McConnell Dowell Abu Dhabi LLC based in Abu Dhabi, Dutco McConnell Dowell Qatar LLC based in Qatar, Dutco McConnell Dowell Saudi Arabia LLC based in Saudi Arabia, Dutco McConnell Dowell Fabrication LLC based in Qatar and McConnell Dowell Gulf LLC based in Oman.

The principal activities of the DMDME and its subsidiaries are civil, pipeline, mechanical, tunnelling & fabrication engineering and construction.

The Group has a 50% share of DMDME and its subsidiaries.

(b) Summarised financial information
Dutco McConnell Dowell Middle East LLC has a 31 December year-end (inline with the local shareholder). This differs from the year-end of the Group.

Dutco McConnell Dowell Middle East LLC has the same accounting policies as the Group.

The Group's share of bank guarantees issued by Dutco McConnell Dowell Middle East LLC is $3.8 million (2018: $3.9 million) for which no liabilities are expected to arise. There are no capital commitments as at balance date.

Profits from the associate cannot be distributed without the consent of both the Group and the local shareholder. The company is scaling back its' operation in the Middle East.

All figures are in A$ 000's	Consolidated 2019	2018
The following table illustrates summarised information of the investment in Dutco McConnell Dowell Middle East LLC:		
Unlisted		
Carrying amount of the investment		
At the beginning of the year	**1,066**	1,669
Exchange difference adjustments	**10**	33
Share of results after taxation	**(3,656)**	(636)
AASB 15 adjustment to opening retained earnings	**(608)**	-
Movement in Loan Receivable	**1,941**	-
Funding requirements for DMDME Contract Liabilities	**1,247**	-
At end of year	**-**	1,066
The assets, liabilities and results of the operations of the associate are summarised below:		
Current assets	**8,045**	**23,712**
Non-current assets	**1,105**	**1,728**
Total assets	**9,150**	**25,440**
Current liabilities	**14,784**	**14,660**
Non-current liabilities	**934**	**8,650**
Total liabilities	**15,718**	**23,310**
Net assets	**(6,567)**	**2,130**
Revenue	**28,424**	**60,040**
Profit / (loss) after taxation*	**(7,312)**	**(1,272)**
Total comprehensive profit / (loss) after taxation	**(7,312)**	**(1,272)**

* The Group's share of profits / (losses) in DMDME and its subsidiaries is loss of $3.66 million (2018: loss of $0.64 million)

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

12. Interest in joint arrangements

Joint operations

			Consolidated Ownership interest	
Name	**Principal activity**	**Principal place of business**	**2019 %**	**2018 %**
McConnell Dowell / GE Betz / United Group Infrastructure (WSRW)	Construction	Australia	**20.0**	20.0
McConnell Dowell / ABI ADP (Adelaide Desalination)	Construction	Australia	**50.0**	50.0
McConnell Dowell / Geosea Australia (Hay Point)	Construction	Australia	**80.0**	80.0
McConnell Dowell / CCC (QCLNG)	Construction	Australia	**50.0**	50.0
McConnell Dowell / CCC (APLNG)	Construction	Australia	**50.0**	50.0
McConnell Dowell / OHL SA (K2K)	Construction	Australia	**50.0**	50.0
McConnell Dowell / Downer (WTP)	Construction	Australia	**50.0**	50.0
McConnell Dowell / Martinus Rail (Murray Basin)	Construction	Australia	**80.0**	80.0
McConnell Dowell / Lend lease JV (ML JV Pty Ltd)	Construction	Australia	**50.0**	50.0
McConnell Dowell / SNC Lavalin / PB Power (Te Mihi)	Construction	New Zealand	**42.5**	42.5
McConnell Dowell / Fletchers / Obayashi (Waterview)	Construction	New Zealand	**34.8**	34.8
McConnell Dowell / Fletchers / Obayashi (Waterview maintenance)	Maintenance	New Zealand	**24.3**	24.3
McConnell Dowell / Downer EDI (Russley Rd)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell / Downer (formerly) Hawkins (Connectus CRL)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell / Heb Contractors (Mangere BNR)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell / Downer (CSM2)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell / Marina Technology & Construction (MBS)	Construction	Singapore	**65.0**	65.0
McConnell Dowell / SYS (IKEA)	Construction	Malaysia	**80.0**	80.0
McConnell Dowell / SYS (SPJ)	Construction	Malaysia	**65.0**	65.0
McConnell Dowell / SYS (Bintulu)	Construction	Malaysia	**65.0**	65.0
McConnell Dowell / Kaden (Submarine Pipelines)	Construction	Hong Kong	**50.0**	50.0
McConnell Dowell / Obayashi (Warragamba Dam)	Construction	Australia	**60.0**	
McConnell Dowell / Decmil (Mordialloc Bypass)	Construction	Australia	**60.0**	
McConnell Dowell / ITP SA (Crisp)	Construction	Singapore	**50.0**	
McConnell Dowell / Heb Contractors (Pukekohe)	Construction	New Zealand	**50.0**	
McConnell Dowell / Downer (Wynard Edge Alliance)	Construction	New Zealand	**50.0**	

Pursuant to the joint operation agreements, key operational decisions of the joint arrangements require a unanimous vote and therefore the consolidated entity has joint control, including in instances where the Group's interest is greater than 50%.

All figures are in A$ 000's	Note	Consolidated 2019	2018
Statement of comprehensive income			
The Consolidated Entity's interest in the revenue and expenses of the joint operations is:			
Revenue		**156,279**	358,556
Expenses		**(134,535)**	(332,282)
Profit / (loss) before income tax		**21,744**	26,274
Statement of financial position extract In relation to the Consolidated Entity's interest in joint operations, the Consolidated Entity's assets (including share of assets held jointly) and liabilities (including share of liabilities held jointly) are:			
Cash assets	9	**35,086**	33,566
Current assets		**27,175**	50,916
Non current assets		**106**	-
Total assets		**62,367**	84,482
Current liabilities		**27,083**	69,054
Total liabilities		**27,083**	69,054
Net assets		**35,284**	15,428

12(a) Cash assets held in joint operations are available for use by the Group with the approval of the joint operation partners

13. Asset held for sale

Asset held for sale in 2018 was represented by a single vessel, being a self-elevating barge with gross tonnage of 1,197.

The barge was surplus to the operational requirements of the Group and accordingly was advertised for sale.

An opportunity arose in 2019 to utilise the barge in Australia and has therefore been withdrawn from being held for sale and transferred back to fixed assets. There was no cash flow impact resulting from this change.

The Asset has been reclassified at the carrying amount of the asset before it was classified as held-for-sale (adjusted for depreciation).

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

All figures are in A$ 000's	Consolidated 2019	2018
14. Deferred tax asset		
Deferred tax asset	**60,734**	**61,872**
Deferred tax liability	**(7,426)**	**(8,906)**
Net deferred tax asset	**53,308**	52,966
Net deferred tax asset represented by;		
At beginning of year	**52,966**	53,006
Foreign exchange impact on opening balance	**263**	211
Transfer (to) / from statement of profit or loss	**79**	(251)
Closing balance	**53,308**	52,966
Balance at end of year comprises:		
Doubtful debts	**-**	-
Provisions / accruals	**42,213**	35,778
Fixed assets	**4,471**	1,732
Withholding tax on future dividends	**(6,311)**	(6,346)
Tax losses available for future utilisation	**10,683**	21,408
Joint operation temporary differences	**-**	-
Other	**2,252**	394
Closing balance	**53,308**	52,966

The Group offsets its deferred tax liabilities against deferred tax assets relating to temporary differences in the same taxation jurisdictions and periods.

All movements in deferred tax balances have been charged to deferred tax expense as recognised in the statement of profit or loss.

The gross value of unbooked tax losses available for future utilisation within the Group are $434.5 million (2018: $557.9 million).

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and are not presently considered probable of recovery. Unbooked tax losses at 30 June 2019 is excess over the amount of tax losses that were deemed recoverable.

All figures are in A$ 000's	Note	Consolidated 2019	2018
15. Trade and other payables			
Trade payables*		**71,936**	82,462
Project accruals		**83,613**	97,270
Progress billings in advance	8(c)	**65,142**	108,350
Other payables and accruals		**14,358**	19,849
Payables to other related parties	19	**2,334**	2,247
Payables to associates - Dutco McConnell Dowell (ME) LLC		**207**	132
Total trade and other payables		**237,590**	310,310

* Trade payables are non-interest bearing and are normally settled on 30-day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. There is no collateral provided as security. Information regarding foreign exchange, interest rate and liquidity risk exposure is set out in Note 22.

16. Ultimate parent

The ultimate parent of the Group is Aveng Limited (a company incorporated in South Africa). Aveng Limited owns 100% of the issued ordinary shares in Aveng Australia Holdings Pty Ltd.

The immediate Australian parent of the Group is Aveng Australia Holdings Pty Ltd. Aveng Australia Holdings Pty Ltd owns 100% of the issued ordinary shares in McConnell Dowell Corporation Limited.

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

All figures are in A$ 000's	Note	Consolidated 2019	2018
17. Interest bearing loans & borrowings			
Current			
UOB working capital	17(a)	**5,000**	-
Obligations under finance leases - Singapore Vehicles	17(b)	**44**	26
Secured loan BNZ at 6.95%	17(c)	**1,085**	-
Unsecured Financing Microsoft	17(d)	**417**	-
Chattel mortgage at 7.00%	17(e)	**37**	155
Chattel mortgage at 5.45%	17(f)	**398**	366
Chattel mortgage at 4.58%	17(g)	**308**	278
Secured loan - Indonesia	17(h)	**5,058**	4,799
Trade Finance Loan 4.63%	17(i)	**-**	6,155
Total current interest bearing loans & borrowings		**12,347**	11,779
Non-current			
Obligations under finance leases - Singapore Vehicles	17(b)	**160**	116
Chattel mortgage at 7.00%	17(e)	**16**	194
Chattel mortgage at 5.45%	17(f)	**371**	757
Chattel mortgage at 4.58%	17(g)	**486**	517
Secured loan - Indonesia	17(h)	**2,107**	6,799
Secured loan BNZ at 6.95%	17(c)	**2,547**	-
Total non-current interest bearing loans & borrowings		**5,687**	8,383
Total capitalised finance lease obligations	20	**204**	142

17(a) The Group has entered into finance facilty with the United Overseas Bank (UOB) for the provision of working capital funding, The interest rate is 2% above BBSY.

17(b) The Group has entered into finance lease agreements in Singapore for the sale and leaseback of construction equipment. The term of the obligation is average 2.5 years with an average cost of funding of approximately 1.5%. The leases have no terms of renewal and no obligation to repurchase. Finance lease obligations are secured against the equipment purchased.

17(c) A loan secured over a tunnel boring machine was obtained from BNZ in New Zealand during the year. The interest rate is 6.95% and commenced in June 2019.

17(d) During the 2019 financial year the group entered into a short term financing arrangement to finance Microsoft products.

17(e) In August 2016 the Group entered into an Equipment Chattel Mortgage. The term of the obligation is 4 years with a fixed cost of funding of 7.00%. The mortgage is secured against the equipment purchased.

17(f) In April 2017 the Group entered into an Equipment Chattel Mortgage. The term of the obligation is 4 years with a fixed cost of funding of 5.45%. The mortgage is secured against the equipment purchased.

17(g) In June 2017 the Group entered into an Equipment Chattel Mortgage. The term of the obligation is 3 years with a fixed cost of funding of 4.58%. The mortgage is secured against the equipment purchased.

17(h) In November 2016 the Group entered into a secured loan agreement in Indonesia. The term of the obligation is 4 years with a fixed cost of funding of 4.6%. The loan has no terms for renewal, and has an option for the drawdown of further funds. The loan obligation is secured against land & building held.

17(i) In April 2018 the Group entered into a 100 day loan to finance fabricated steel procured from China. The interest rate was 4.63%. It was repaid in July 2018.

Information regarding foreign exchange, interest rate and liquidity risk exposures are set out in Note 22.

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

All figures are in A$ 000's	Note	Consolidated 2019	2018
18. Provisions			
Current			
Employee provisions	18(a)	**22,937**	21,974
Other	18(b)	**7,070**	7,416
Total current provisions		**30,007**	29,390
Non - current			
Employee provisions	18(a)	**1,613**	2,143
Other		**1,980**	2,002
Total non-current provisions		**3,593**	4,145

18(a) Employee benefits:
The Group has provided for expected costs in relation to annual leave, long service leave, staff bonuses, long term staff incentive scheme and other employee related provisions.

18(b) Current other provisions:
Balance includes certain provisions for quantifiable and probable project risks recognised relating to historical projects

19. Related parties

Amounts receivable / (payable) from related parties at balance date

The receivables / (payables) due to McConnell Dowell Corporation Ltd and its subsidiaries relate to interest on the loan from the immediate parent Aveng Australia Holdings Pty Ltd ("AAH") and cost reimbursements for goods and services provided to / (from) AAH and its subsidiaries and subsidiaries of the ultimate parent Aveng Ltd.

	Note	2019	2018
Aveng Australia Holdings Pty Ltd - current receivable	8	**2,325**	**2,058**
Aveng Australia Holdings Pty Ltd - current loan	19(a)	**-**	**(10,000)**
Aveng Rail Australia Pty Ltd - current receivable	8	**203**	**266**
Aveng (Africa) Ltd - current receivable	8	**-**	**30**
Aveng (Africa) Ltd - current payable	15	**(2,334)**	**(2,247)**
Total receivables / (payables)		**194**	(9,893)

Related party transactions are receivable / payable on demand subject to cash flow availability.
19(a) On 14 December 2018, the loan ($10m) was converted into ordinary capital (see note 23)

All figures are in A$ 000's	Consolidated 2019	2018	2019	2018
20. Commitments	**Minimum Payments**	**Minimum Payments**	**Present Value of Payments**	**Present Value of Payments**
Finance lease commitments				
The future minimum lease payments under finance leases are as follows: -				
- less than one year	**54**	**33**	**51**	**31**
- more than one year but less than five years	**193**	**131**	**182**	**124**
- more than five years	**-**	**12**	**-**	**11**
Total minimum lease payments	**247**	176	**233**	166
Less amounts representing finance charges	**(43)**	(34)	**(41)**	(32)
Present value of minimum lease payments	**204**	142	**192**	134

	2019	2018
Operating lease commitments		
The future minimum lease payments under non-cancellable operating leases are as follows: -		
- less than one year	**7,078**	7,294
- more than one year but less than five years	**15,884**	19,258
- more than five years	**4,850**	5,152
Total minimum lease payments	**27,812**	31,704

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

All figures are in A$ 000's	Consolidated 2019	2018
21. Contingent Liabilities		
Contingent liabilities at balance date, not otherwise provided for in the annual financial statements, arising from guarantees in the normal course of business from which it is anticipated that no material liabilities will arise:		
- bank guarantees	**33,016**	58,126
- letters of credit	**1,091**	4,918
- insurance bonds	**262,435**	222,481
Total contingent liabilities	**296,542**	285,525

The Group has banking and bonding facilities of $479.0 million (2018: $464.6 million). The assets of the Group are pledged under a fixed and floating charge as security for the United Overseas Bank facility of $100.0miilion. As at 30 June 2019 the Group had $182.5 million (2018: $179.0 million) available (unused) under these facilities.

The Group sometimes has claims that arise out of engineering and construction contracts that have been made by or against the Group in the ordinary course of business. Please refer to Significant Accounting Judgements, Estimates and Assumptions in Note 1 for further information.

The Group is subject to routine tax audits via the ATO in Australia and in certain other overseas jurisdictions. The ultimate outcome of any tax audit cannot be determined within any acceptable degree of reliability at this time.

The Group believes that it is making adequate provision for its taxation liabilities (including amounts shown as current and deferred tax liabilities). However, there may be an impact to the Group if any revenue authority investigations results in an adjustment that increases the Group's taxation liabilities.

22. Financial risk management objectives and policies

The Group's principal financial instruments are cash and short-term deposits, receivables, payables and interest bearing liabilities. The Group also provides performance guarantees for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group uses different methods to measure and manage different types of risks to which it is exposed.

The Group has developed a risk management process to facilitate, control and monitor its exposure to key financial risks. This process includes the formal documentation of policies, including limits, controls and reporting structures. The Group does not trade in financial instruments.

Primary responsibility for identification and control of financial risk rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below. Details of the significant accounting policies and methods adopted, including the criteria for recognition of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the foreign operations functional currency) and the Group's net investments in foreign subsidiaries.

The majority of both foreign currency sales and expenses are denominated in the functional currency of the transacting operating entity. The Group manages its foreign currency exposures by attempting to make contract receipts in the same currency as contract payments thereby naturally hedging any exposures.

As at balance date, the Group had the following exposure to foreign currency:

	Consolidated	
All figures are in A$ 000's	**2019**	**2018**
Financial assets		
Cash and cash equivalents	**11,910**	12,768
Trade and other receivables	**15,099**	4,312
Total financial assets	**27,009**	17,080
Financial liabilities		
Trade and other payables	**12,132**	10,329
Total financial liabilities	**12,132**	10,329
Total exposure	**14,877**	6,751
The net exposure to foreign currency consists of:		
Chinese Yuan	**(211)**	(175)
Euro	**400**	244
Indonesian Rupiah	**433**	1,322
New Zealand Dollars	**63**	163
Papua New Guinea Kina	**(27)**	(26)
South African Rand	**-**	(2,246)
Singapore Dollars	**(306)**	(1,025)
Thai Baht	**47**	-
United Arab Emirates Dirham	**1,923**	1,825
United Kingdom Pounds	**4**	123
US Dollars	**7,572**	2,498
Australian Dollars	**5,100**	3,972
Other Currencies	**(121)**	75
Total exposure	**14,877**	6,751

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

22. Financial risk management objectives and policies (continued)

The following sensitivity analysis is based on the foreign currency risk exposure in existence at the balance date, with all other variables remaining constant:

At balance date, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post tax profit Higher / (lower)		Equity Higher / (lower)	
All figures are in A$ 000's	**2019**	**2018**	**2019**	**2018**
Consolidated				
10% increase in AUD rates with all other variables held constant	**(947)**	(430)	**(947)**	(430)
10% decrease in AUD rates with all other variables held constant	**1,157**	525	**1,157**	525

A sensitivity of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a 5 year historical basis and market expectations for potential future movement.

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents. All interest bearing loans and borrowings (see note 17) are at fixed rates. Given the nature of financial assets and liabilities exposed to interest rate risk, management does not consider interest rates to be a significant risk to the Group.

The Group does not have any interest rate swaps in place, but does constantly analyse its interest rate exposure. Within this analysis consideration is given to existing positions, alternative financing and the mix of fixed and variable interest rates.

As at balance date, the Group had the following exposure to interest rates:

	Consolidated	
All figures are in A$ 000's	**2019**	**2018**
Financial assets		
Cash and cash equivalents	**102,843**	141,762
Total financial assets	**102,843**	141,762
Total exposure	**102,843**	141,762

The following sensitivity analysis is based on the interest rate risk exposure in existence at the balance date, with all other variables remaining constant:

At balance date, had interest rates moved, as illustrated in the table below, post tax profit and equity would have been affected as follows:

	Post tax profit Higher / (lower)		Equity Higher / (lower)	
All figures are in A$ 000's	**2019**	**2018**	**2019**	**2018**
Consolidated				
100 basis point increase in interest rates with all other variables held constant	**720**	992	**720**	893
100 basis point fall in interest rates with all other variables held constant	**(720)**	(992)	**(720)**	(893)

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. No collateral is held as security. There are no significant concentrations of credit risk. Loans receivable from associate companies and joint arrangements comprise a number of entities. The group also holds letters of credit with certain financial institutions. Exposure at balance date is addressed in each specific note.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating and industry reputation. Risk limits are set and monitored for each individual customer in accordance with parameters set up by the board. Credit value represents the credit quality of the amounts.

The Group has facilities under which various lenders/financiers provide guarantees and bonding facilities. The Group only obtains facilities from credit worthy third parties and does not consider there to be a concentration of credit risk among these parties.

Receivable balances are monitored on an ongoing basis with the results being that the Group's exposure to bad debts is not significant. The Group contracts with a number of third parties and does not consider that there is a concentration of credit risk with individual third parties.

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

22. Financial risk management objectives and policies (continued)

Trade receivables All figures are in A$ 000's	**Contract Assets**	**Current**	**<30 days**	**30-60 days**	**61 -90 days**	**> 91 days**	**Total**
30 June 2019							
Estimated total gross carrying amount at default	98,709	110,712	-	5,826	636	9,418	225,301
Expected credit loss	-	-	-	-	-	-	-
30 June 2018							
Estimated total gross carrying amount at default	135,988	120,247	-	5,877	1,057	5,461	268,630
Expected credit loss	-	-	-	-	-	-	-

Liquidity risk
Liquidity risk is the risk that the Group and parent is unable to meet its financial obligations as they fall due.

The Group's objective is to maintain a balance between operational cash flow and the use of external funding through bank overdrafts and available lines of credit. The Group's policy is to minimise the use of available lines of credit, keep interest costs to a minimum, whilst still maintaining an adequate cash balance to meet working capital requirements.

Contracts in progress and contract receivables, are carried at cost, plus profit recognised, less billings and recognised losses at balance sheet date. Progress billings not received are included in contract debtors due to the contractual right associated with the amounts. Where progress billings exceed the aggregate of costs, plus profit, less losses, the net amounts are shown as an increase in trade and other payables.

The cash flow of the Group is exposed to execution risks on construction projects. Cash flows can also be adversely affected by clients being unwilling to resolve variations to contracts in a timely manner. The Group attempts to manage these issues in order that adequate liquidity exists.

The following table reflects all contractual fixed payments for settlement, resulting from recognised financial liabilities as of 30 June 2019. Cash flows from financial liabilities without fixed amounts or timing are based on conditions existing at 30 June 2019.

The remaining contractual maturities of the Group's financial liabilities are:

3 months to All figures are in A$ 000's	**0-30 days**	**31-60 days**	**61-90 days**	**3 months - 12 months**	**1 - 5 years**	**over 5 years**	**Total**
Year ended 30 June 2019 Consolidated							
Financial liabilities							
Trade and other payables	44,582	76,773	24,611	23,748	-	-	169,714
Other current liabilities	-	-	-	-	-	-	-
Balance owing to Aveng Limited	-	-	-	2,131	-	-	2,131
Interest bearing loans and borrowings - current	5,681	683	683	5,298	-	-	12,345
Interest bearing loans and borrowings - non current	-	-	-	-	5,687	-	5,687
Total exposure	50,263	77,456	25,294	31,177	5,687	-	189,877
Year ended 30 June 2018 Consolidated							
Financial liabilities							
Trade and other payables	59,041	87,778	27,060	25,702	-	-	199,581
Other current liabilities	-	-	-	-	-	-	-
Interest free loan from Aveng Australia Holdings	-	-	-	12,247	-	-	12,247
Interest bearing loans and borrowings - current	6,668	513	513	4,084	-	-	11,778
Interest bearing loans and borrowings - non current	-	-	-	-	8,382	-	8,382
Total exposure	65,709	88,291	27,573	42,033	8,382	-	231,988

The Group monitors the net working capital position on an ongoing basis and uses a rolling forecast of liquidity using expected cash flow. At balance date in addition to the accumulated working capital position of the Group, the Group has approximately $182.5 million (2018: $179.0 million) of unused bank guarantees and bonding facilities and letters of credit available for its immediate use. The Group has the ongoing financial support of its ultimate parent, receiving loan funds and a letter of ongoing support in the financial year.

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

22. Financial risk management objectives and policies (continued)

Changes in liabilities arising from financing activities All figures are in A$ 000's	**1 July 2018**	**Cash Flows**	**Foreign Exchange Movement**	**New Loans**	**30 June 2019**
Current interest- bearing loans and borrowings	11,753	(6,273)	-	6,823	12,303
Current obligations under finance leases and hire purchase contracts	26	-	-	18	44
Non-current interest-bearing loans and borrowings	8,267	(5,287)	-	2,547	5,527
Non-current obligations under finance leases and hire purchase contracts	116	-	-	44	160
Total liabilities from financing activities	20,162	(11,560)	-	9,432	18,034

The Group classifies interest paid as cash flows from operating activities.

Excessive Risk Concentration
Concentrations arise when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly effected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments effecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures includes specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Fair value
The fair value of all current financial assets and liabilities held by the Group approximate the individual carrying values of those assets and liabilities. Non-current interest bearing loans and borrowings held by the Group approximates its carrying value (except as disclosed in note 20).

The Group can use various methods in estimating the fair value of a financial instrument.
The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Group uses foreign exchange forward contracts ("FEFC") to manage some of its transaction exposure. The FEFC's are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 24 months. They are classified as fair value through profit or loss, with Level 2 methods used to estimate the fair value. At 30 June 2019 the Group had not booked any FEFC market to market transactions (2018: nil)

The FEFC's are valued using market observable inputs, applying a forward pricing model using present value calculations. The model incorporates foreign exchange spot and forward rates and the credit quality of counterparties.

All figures are in A$ 000's	Note	Consolidated 2019	2018
## 23. Issued capital			
Issued and paid capital			
Ordinary share capital			
226,555,362 (2018: 216,555,362) fully paid ordinary shares	23(a)	**227,765**	217,765
Preference share capital			
400,000 (2018: 400,000) fully paid non redeemable 9.53% per annum cumulative preference shares	23(b)	**40,000**	40,000
Total contributed equity		**267,765**	257,765

23(a) Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the amounts of paid shares held. 10 million shares were issued to the sole shareholder for $10m during the year.

23(b) Preference shares entitle the holder to participate in dividends prior to ordinary shareholders. They are entitled to an amount of 9.53% of the face value of shares per annum. The declaration of any dividend is at the discretion of the Company. If dividends are not paid, or are not paid in full, any unpaid amounts accumulate to a maximum value of the investment. Voting and all other rights are the same as ordinary shareholders.

The cumulative value of dividends not paid on preference shares (in whole dollars) is $21,900,723 (2018: $18,088,723).

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders.

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

All figures are in A$ 000's	Note	Consolidated 2019	2018
24. Reserves			
Foreign currency translation reserve			
At beginning of year		**(1,368)**	(4,389)
Current year movement		**3,733**	2,579
Current year tax (expense) / benefit recognised directly in equity		**-**	442
At end of year	24(a)	**2,365**	(1,368)
Asset revaluation reserve			
At beginning of year		**385**	385
Current year movement		**-**	-
At end of year	24(b)	**385**	385
Capital reserve			
At beginning of year		**2,811**	2,811
Current year movement		**-**	-
At end of year	24(c)	**2,811**	2,811
Total reserves at end of year		**5,561**	1,828

24(a) The foreign currency translation reserve is used to translate the assets and liabilities of foreign controlled entities into Australian dollars at rates of exchange ruling at the reporting date.

24(b) The asset revaluation reserve represents the amount above original cost of land and buildings.

24(c) The capital reserve is used to meet certain statutory obligations of setting up new subsidiaries in foreign jurisdictions.

25. Retained earnings			
At beginning of year		**(86,652)**	(94,458)
Current year profit / (loss)		**7,946**	7,806
Adjustment on adoption of AASB 15 *	25(a)	**(25,615)**	0
Total retained earnings at end of year		**(104,321)**	(86,652)

* 25(a) Refer to further details of the impact in the 'New Accounting Standards and Interpretations' section of Note 1.

26. Interests in subsidiaries

All figures are in A$ 000's

	Country of incorporation	2019 %	2018 %	2019 $	2018 $
		Percentage of equity held by the consolidated entity		Investment	
McConnell Dowell Holdings Pty Ltd	Australia	**100**	100	**89,590**	89,590
McConnell Dowell Holdings Pty Ltd has the following investments in subsidiaries:					
Hylekite Pty Ltd	Australia	**100**	100		
McConnell Dowell Constructors (Aust.) Pty Ltd	Australia	**100**	100		
McConnell Dowell Pty Ltd	Australia	**100**	100		
McConnell Dowell Corporation (NZ) Pty Ltd	Australia	**100**	100		
Tweed River Entrance Sand Bypassing Company Pty Ltd	Australia	**100**	100		
Built Environs Pty Ltd	Australia	**100**	100		
Built Environs Qld Pty Ltd	Australia	**100**	100		
Built Environs Holdings Pty Ltd **	Australia	**100**	100		
Built Environs WA Pty Ltd	Australia	**100**	100		
McConnell Dowell (American Samoa) Ltd	American Samoa	**100**	100		
McConnell Dowell PDS Sdn Bhd	Brunei	**100**	100		
McConnell Dowell (Fiji) Ltd	Fiji	**100**	100		
PT. McConnell Dowell Indonesia*	Indonesia	**94**	94		
PT Wanamas Puspita	Indonesia	**100**	100		
PT. McConnell Dowell Services	Indonesia	**100**	100		
McConnell Dowell (Malaysia) Sdn Bhd	Malaysia	**100**	100		
McConnell Dowell - Kelana Sdn Bhd ***	Malaysia	**0**	30		
McConnell Dowell Constructors Ltd	New Zealand	**100**	100		
McConnell Dowell Constructors (Offshore) Ltd	New Zealand	**100**	100		
McConnell Dowell Philippines Inc	Philippines	**40**	40		
McConnell Dowell Constructors (PNG) Ltd	PNG	**100**	100		
McConnell Dowell Saudi Arabia Ltd	Saudi Arabia	**39**	39		
McConnell Dowell South East Asia Pte Ltd	Singapore	**100**	100		
McConnell Dowell Constructors Thai Ltd - Ordinary Shares	Thailand	**100**	100		
NFI Holdings Ltd	Thailand	**100**	100		
McConnell Dowell (UK) Limited ***	United Kingdom	**0**	100		
Stockton Pipelines Limited ***	United Kingdom	**0**	100		
McConnell Dowell International Ltd	Hong Kong	**100**	100		
McConnell Dowell Constructors Hong Kong Ltd	Hong Kong	**100**	100		
McConnell Dowell NC S.A.R.L.	New Caledonia	**100**	100		
McConnell Dowell Constructors Lao Co. Ltd	Laos	**100**	100		

** In Voluntary Liquidation / Administration at 30 June 2019
*** Voluntarily Liquidated during the Financial Year to 30 June 2019

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

26. Interests in subsidiaries (continued)

***Non-controlling equity interests in controlled entities**
Reconciliation of non-controlling equity interests in controlled entities:-

		2019 %	2018 %	2019 $	2018 $
Opening balance				**329**	257
Share of current year profit				**(161)**	170
Dividend paid				**-**	(110)
Share of reserve movements (FCTR)				**(20)**	12
Closing balance				**148**	329

Deed of cross guarantee
McConnell Dowell Corporation Limited, McConnell Dowell Holdings Pty Ltd, McConnell Dowell Constructors (Aust.) Pty Ltd, Hylekite Pty Ltd, McConnell Dowell Pty Ltd, McConnell Dowell Corporation (NZ) Pty Ltd, Tweed River Entrance Sand Bypassing Company Pty Ltd, Built Environs Pty Ltd, Built Environs WA Pty Ltd & Built Environs Qld Pty Ltd are parties to a deed of cross guarantee (“Closed Group”) under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors’ report under ASIC Corporations (wholly-owned companies) Instrument 2016/785, issued by the Australian Securities and Investment Commission.

All figures are in A$ 000's	Closed Group 2019	2018
Consolidated statement of comprehensive income for the year ending 30 June 2019		
Revenue	**505,022**	707,689
Less: change in revenue estimates	**-**	-
Net Revenue	**505,022**	707,689
Other income	**3,685**	7,544
Total Income	**508,706**	715,233
Operating expenses	**(504,066)**	(697,536)
Finance income	**714**	689
Finance costs	**(1,486)**	(2,601)
Depreciation and impairment of fixed assets	**(3,578)**	(4,418)
Related Party Loan write-off *	**(7,241)**	-
Profit / (loss) before tax	**(6,952)**	11,367
Income tax expense	**(234)**	(730)
Profit / (loss) after tax for the year	**(7,186)**	10,637
Total comprehensive income / (loss) for the year, net of tax	**(7,186)**	10,637
Attributable to:		
Members of the parent entity	**(7,186)**	10,637
Non-controlling interest	**-**	-
Total comprehensive income / (loss) for the year, net of tax	**(7,186)**	10,637

During the year no dividend was declared and paid to Aveng Australia Holdings Pty Ltd, the immediate parent of McConnell Dowell Corporation Ltd (2018: nil).

* During the year the Directors initiated the Voluntary Liquidation of non-operating entities, in doing so it has forgiven the repayment of loans owing from those entities to the Parent Companies within the Australian Closed Group.

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

All figures are in A$ 000's	Closed Group 2019	2018
26. Interests in subsidiaries (continued)		
Consolidated statement of financial position as at 30 June 2019		
Current assets		
Cash & cash equivalents	**33,205**	64,375
Trade and other receivables	**120,327**	187,247
Inventories	**-**	76
Total current assets	**153,532**	251,698
Non-current assets		
Property, plant and equipment	**22,860**	17,747
Trade and other receivables	**10,812**	20,034
Investments in subsidiaries	**43,161**	37,524
Deferred tax assets	**41,889**	41,754
Total non-current assets	**118,723**	117,059
Total assets	**272,254**	368,757
Current liabilities		
Trade and other payables	**105,046**	181,766
Interest bearing loans and borrowings	**6,160**	6,954
Non interest bearing loans and borrowings - shareholder loan*	**-**	10,000
Provisions	**12,644**	20,287
Total current liabilities	**123,850**	219,007
Non-current liabilities		
Trade and other payables	**11,366**	8,005
Interest bearing loans and borrowings	**874**	1,468
Provisions	**2,946**	3,649
Total non-current liabilities	**15,186**	13,122
Total liabilities	**139,035**	232,129
Net assets	**133,219**	136,628
Equity		
Contributed equity	**267,765**	257,765
Reserves	**9,010**	9,010
Retained earnings	**(143,556)**	(130,147)
Total equity	**133,219**	136,628

Share Issue
On 31st December 2018 Aveng Limited approved the recapitalisation of $10m of the non-interest bearing shareholder loan into ordinary share capital.

All figures are in A$ 000's	Note	2019	2018

27. Parent entity information

Information relating to McConnell Dowell Corporation Limited

Current assets		**19,060**	24,637
Total assets		**335,774**	326,829
Current liabilities		**14,697**	13,447
Total liabilities		**79,228**	70,702
Net assets		**256,546**	256,127
Issued capital		**267,765**	257,765
Retained earnings		**(11,219)**	(1,638)
Total shareholders' equity		**256,546**	256,127
Profit / (loss) after tax		**(9,581)**	2,557
Total comprehensive income / (expense)		**(9,581)**	2,557

McConnell Dowell Corporation Limited guarantees all bank and bonding facilities issued across the Group (see Note 21 for details).

McConnell Dowell Corporation Limited is party to a deed of cross guarantee (see Note 26 for details).

28. Directors and executive remuneration

Income paid or payable, or otherwise made available to key management personnel by entities in the consolidated Group in connection with the management of affairs of the parent or its controlled entities. Key management personnel are those persons with authority and responsibility for the planning, directing and controlling of the activities of the Group and its controlled entities, directly or indirectly, including any director (whether executive or otherwise).

Fixed term remunerations		**6,522**	7,237
Short term incentives (STI)		**315**	144
Long term incentives (LTI)	28(a)	**400**	520
Total compensation		**7,237**	7,901

28(a) Included within the LTI are longer term and deferred incentives paid to Directors and key management personnel including share appreciation rights awarded by the ultimate parent of the Group (Aveng Ltd).

Notes to the annual financial statements (continued)

for the year ended 30 June 2019

All figures are in A$ 000's	Consolidated 2019	2018
29. Auditors' remuneration		
The auditor of McConnell Dowell Corporation Limited is Ernst & Young.		
Amounts received or due and receivable by Ernst & Young Australia for*:		
- An audit of the financial report of the Entity and any other entity in the consolidated Group	**542,398**	479,000
- Audit fees for work performed in respect of prior years	**35,000**	395,000
- Other services in relation to the Entity, its joint operations and any other entity in the consolidated Group		
- Assurance related services	**185,000**	225,000
- Tax compliance related services	**-**	-
	762,398	1,099,000
Amounts received or due and receivable by related practices of Ernst & Young Australia for*:		
- An audit of the financial report of the Entity and any other entity in the consolidated Group	**241,652**	227,000
- Tax Compliance related services	**-**	16,777
	241,652	243,777
Total received or due and receivable by Ernst & Young	**1,004,050**	1,342,777
Amounts received or due and receivable by non Ernst & Young firms for:		
- An audit of the financial report of the entities in the consolidated Group	**30,328**	48,645

* all figures reported in this note are in whole dollars

30. Events subsequent to balance date

There were no significant events subsequent to balance date.

Directors' Declaration

In accordance with a resolution of the directors of McConnell Dowell Corporation Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of McConnell Dowell Corporation Limited for the financial year ended 30 June 2019 are in accordance with the Corporations Act 2001 , including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 26 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

S.V. Cummins
Director
6th Sept 2019

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Independent Auditor's Report to the Members of McConnell Dowell Corporation Limited

Opinion

We have audited the financial report of McConnell Dowell Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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.

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Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, 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 the directors.

- Conclude on the appropriateness of the directors' 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 report 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.

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents 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 financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

Ernst & Young

David Shewring
Partner
Melbourne
6 September 2019

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PROGRESS