

Ventia Services Group Pty Limited

ABN 53 603 253 541

Financial report for the year ended 31 December 2019

Ventia Services Group Pty Limited
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31 December 2019

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Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Ventia Services Group Pty Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2019.

Directors

The following persons held office as Directors of the Company during the financial year and up to the date of this report:

Mr David Kenneth Hunter Moffatt
Mr Kevin Edward Crowe
Mr Robert Brian Cotterill
Mr Steve Martinez
Mr Stefan Camphausen
Mr Marc Alexander Casal (Alternate Director)
Mr Trevor Mills (Alternate Director)

Principal activities

The principal activities of the Group include the provision of design, delivery and maintenance of complex technical solutions to the telecommunications sector; the operation, maintenance and optimisation of assets for the infrastructure and utilities sectors and the design and delivery of environmental remediation projects.

There were no significant changes in the nature of the activities of the Group during the year.

Dividends

Dividends of \$82,879,483 have been declared and \$78,003,736 has been paid during the year ended 31 December 2019 (2018: \$58,115,629 declared and paid).

Significant changes in the state of affairs

On 23 December 2019, Ventia Holdings I Pty Limited (a controlled entity of Ventia Services Group Pty Limited) signed an agreement with Ferrovial S.A. (a Spanish public limited liability company) to purchase the entire share capital of Ferrovial Services Australia Pty Limited for \$485 million. Ferrovial Services Australia Pty Limited is the parent entity of Broadspectrum Pty Limited ("Broadspectrum"). Broadspectrum delivers operations, maintenance, asset management and project management services in Australia and New Zealand.

The transaction is subject to various conditions and regulatory approvals. Ventia has fully committed financing for the transaction through existing funding and acquisition debt finance.

The acquisition is expected to close in 2020.

There have been no other significant changes in the state of affairs of the Group during the year.

Results of operations

The profit for the Group after providing for income tax amounted to \$62,122,000 (31 December 2018: \$70,094,000).

Likely developments and expected results of operations

In the opinion of the Directors, disclosure of information regarding likely developments in the operations of the Group and the expected results of those operations in financial years after the current financial year would prejudice the interests of the Group. Accordingly, this information has not been included in this report.

Environmental regulation

The Group is committed to a safe and sustainable future for our employees, customers and communities. The Group operates within an ISO AS/NZS 14001 certified environmental management system, which provides a framework for identifying and managing environmental risks and embeds a culture of continual improvement for environmental performance.

Our environmental management system contains a suite of policies and procedures that guide our environmental performance, complemented by tools and training to ensure our people are supported to deliver positive environmental outcomes.

Our management system undergoes a rigorous internal auditing program each year, as well as surveillance and recertification auditing to ensure we continue to meet the requirements of the international standard and improve our environmental management system.

As at 31 December 2019, no prosecutions for breaches of environmental legislation were brought against the Group.

Matters subsequent to the end of the financial year

Subsequent to the end of the financial year there have been considerable economic impacts in Australia and globally arising from the outbreak of Coronavirus disease (COVID-19).

At the date of signing the financial report the Group has insufficient information to determine the financial effects that COVID-19 may have on the Group in the coming financial period.

No financial effects arising from the economic impacts of COVID-19 have been included in the financial results for the year ended 31 December 2019.

No other matter or circumstance has occurred subsequent to the reporting date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Insurance of officers

During the financial year, a premium was paid to insure the Directors and officers of the Company and of any related body corporate against a liability incurred to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity of auditors

Ventia Services Group Pty Limited has not agreed to indemnify their auditors, Deloitte Touche Tohmatsu, except to the extent permitted by law, against any claim by a third party arising from Ventia Services Group Pty Limited's breach of their agreement.

Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Auditor's independence declaration

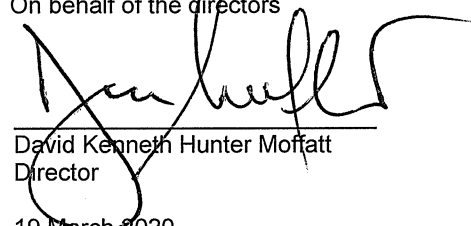
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

Rounding off

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191, dated 24 March 2016, and in accordance with that Instrument amounts in the Directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of Directors pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors



David Kenneth Hunter Moffatt
Director

19 March 2020
Sydney

The Board of Directors
Ventia Services Group Pty Limited
Level 4, Tower 1
495 Victoria Ave
Chatswood NSW 2067

19 March 2020

Dear Board Members

Auditor's Independence Declaration to Ventia Services Group Pty Limited


In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Ventia Services Group Pty Limited.

As lead audit partner for the audit of the financial report of Ventia Services Group Pty Limited for the year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely


DELOITTE TOUCHE TOHMATSU


G J McLean
Partner
Chartered Accountants

Ventia Services Group Pty Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

	Note	Year ended 31 December 2019 \$'000	Year ended 31 December 2018 \$'000
Revenue	2	2,256,536	2,233,158
Expenses	3	(2,026,394)	(2,038,026)
Share of profits of joint venture entities	12	<u>5,648</u>	<u>8,427</u>
Earnings before interest, tax, depreciation and amortisation		235,790	203,559
Depreciation expense	11,14	(45,531)	(12,916)
Amortisation expense	15	(22,611)	(18,847)
Finance costs	4	(80,297)	(75,915)
Interest income		<u>954</u>	<u>1,209</u>
Profit before income tax expense		88,305	97,090
Income tax expense	6	<u>(26,183)</u>	<u>(26,996)</u>
Profit after income tax expense for the year		<u>62,122</u>	<u>70,094</u>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Foreign exchange translation differences	22	860	1,163
Cash flow hedges:			
Fair value gains arising during the year	22	5,049	56,290
Reclassification adjustments for amounts recognised in profit and loss	22	(4,164)	(49,805)
Tax effect	22	<u>(264)</u>	<u>(1,946)</u>
Total cash flow hedges		<u>621</u>	<u>4,539</u>
Other comprehensive income for the year, net of tax		<u>1,481</u>	<u>5,702</u>
Total comprehensive income for the year		<u>63,603</u>	<u>75,796</u>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Ventia Services Group Pty Limited
Consolidated statement of financial position
As at 31 December 2019

	Note	31 December 2019 \$'000	31 December 2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	7	212,044	143,281
Trade and other receivables	8	357,553	343,262
Current tax asset	6	5,097	14,990
Inventories	9	10,313	14,487
Derivative asset	10	50,651	7,316
Total current assets		<u>635,658</u>	<u>523,336</u>
Non-current assets			
Trade and other receivables	8,25	9,285	9,285
Derivative asset	10	146	41,405
Investments accounted for using equity method	12	7,859	5,455
Deferred tax assets	6	8,917	17,574
Right of use assets	14	80,515	-
Property, plant and equipment	11	28,437	42,573
Intangibles	15	102,042	108,533
Goodwill	16	842,420	842,420
Total non-current assets		<u>1,079,621</u>	<u>1,067,245</u>
Total assets		<u>1,715,279</u>	<u>1,590,581</u>
Liabilities			
Current liabilities			
Trade and other payables	17	528,387	553,423
Derivative liability	10	55	352
Provisions	18	94,938	110,424
Lease liabilities	19	33,085	-
Borrowings	20	4,641	-
Total current liabilities		<u>661,106</u>	<u>664,199</u>
Non-current liabilities			
Provisions	18	15,515	12,127
Deferred tax liabilities	6	10,330	8,482
Derivative liability	10	1,164	10
Lease liabilities	19	49,765	-
Borrowings	20	954,710	860,907
Total non-current liabilities		<u>1,031,484</u>	<u>881,526</u>
Total liabilities		<u>1,692,590</u>	<u>1,545,725</u>
Net assets		<u>22,689</u>	<u>44,856</u>
Equity			
Share capital	21	3,249	2,844
Reserves	22	4,672	3,425
Retained earnings		<u>14,768</u>	<u>38,587</u>
Total equity		<u>22,689</u>	<u>44,856</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Ventia Services Group Pty Limited
Consolidated statement of changes in equity
For the year ended 31 December 2019

Note	Share capital \$'000	Share capital payment reserve \$'000	Foreign currency translation reserve \$'000	Cash flow hedging reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2018	1,649	5,023	(1,892)	(6,968)	36,692	34,504
Opening balance - AASB 15 adjustment	-	-	120	-	(10,725)	(10,605)
Balance at 1 January 2018	1,649	5,023	(1,772)	(6,968)	25,967	23,899
Total Comprehensive income						
Profit for the year	-	-	-	-	70,094	70,094
Other comprehensive income for the year, net of tax	-	-	1,163	4,539	-	5,702
Total comprehensive income for the year	-	-	1,163	4,539	70,094	75,796
Transactions with owners						
Capital reductions	(377)	-	-	-	-	(377)
Dividends declared	-	-	-	-	(58,115)	(58,115)
Share capital payments	-	3,653	-	-	-	3,653
Transfers	1,572	(2,213)	-	-	641*	-
Total transactions with owners	1,195	1,440	-	-	(57,474)	(54,839)
Balance at 1 January 2019	2,844	6,463	(609)	(2,429)	38,587	44,856
Opening balance - AASB 16 adjustment	-	-	-	-	(3,062)	(3,062)
Balance at 1 January 2019	2,844	6,463	(609)	(2,429)	35,525	41,794
Total Comprehensive income						
Profit for the year	-	-	-	-	62,122	62,122
Other comprehensive income for the year, net of tax	-	-	860	621	-	1,481
Total comprehensive income for the year	-	-	860	621	62,122	63,603
Transactions with owners						
Capital reductions	(534)	-	-	-	-	(534)
Dividends declared	-	-	-	-	(82,879)	(82,879)
Share capital payments	-	705	-	-	-	705
Transfers	939	(939)	-	-	-	-
Total transactions with owners	405	(234)	-	-	(82,879)	(82,708)
Balance at 31 December 2019	3,249	6,229	251	(1,808)	14,768	22,689

*This amount relates to the true up of the prior year transfers from the share capital payment reserve.

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

Ventia Services Group Pty Limited
Consolidated statement of cash flows
For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 \$'000	Year ended 31 December 2018 \$'000
Cash flows from operating activities			
Receipts from customers		2,241,179	2,245,105
Payments to suppliers and employees		(2,055,511)	(2,025,403)
Interest received		954	1,209
Interest paid		(68,780)	(67,757)
Cash generated from operating activities		117,842	153,154
Income tax paid		(4,847)	(56,466)
Net cash from operating activities		112,995	96,688
Cash flows from / (used in) investing activities			
Net loan provided to equity accounted investments		-	(3,350)
Proceeds from sale of property, plant and equipment		1,599	1,904
Acquisition of intangibles	15	(16,152)	(23,916)
Acquisition of property, plant and equipment	11	(5,624)	(14,832)
Dividends received from equity accounted investments	12	1,575	2,002
Net cash used in investing activities		(18,602)	(38,192)
Cash flows from / (used in) financing activities			
Capital reductions	21	(534)	(377)
Proceeds from borrowings		100,000	-
Repayment of lease liabilities		(31,771)	-
Repayment of borrowings		(5,689)	(2,849)
Borrowing costs paid		(9,632)	-
Dividends paid		(78,004)	(58,115)
Net cash used in financing activities		(25,630)	(61,341)
Net increase / (decrease) in cash and cash equivalents		68,763	(2,845)
Cash and cash equivalents at beginning of year		143,281	146,126
Cash and cash equivalents at year end	7	212,044	143,281

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

1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

(a) Statement of compliance

Ventia Services Group Pty Limited (the "Company") is a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office and principal place of business is Tower 1, Level 4, 495 Victoria Ave, Chatswood NSW 2067, Australia. The consolidated financial statements of the Company as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Group is a for-profit entity and is primarily involved in the provision of design, delivery and maintenance of complex technical solutions to the telecommunications sector; the operation, maintenance and optimisation of assets for the infrastructure and utilities sectors; and the design and delivery of environmental remediation projects.

In the opinion of the Directors, the Company is not publicly accountable and has elected to adopt Tier 2 Australian Accounting Standards – Reduced Disclosure Requirements.

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The consolidated financial statements were authorised for issue by the Board of Directors on 19 March 2020.

(b) Basis of preparation

Going concern

The consolidated financial statements have been prepared on the going concern basis given the Group is profitable, it generated positive net cash from operating activities of \$112,995,000 (2018: \$96,688,000) and has net assets of \$22,689,000 (2018: \$44,856,000). The Group has current assets of \$635,658,000 (2018: \$523,336,000) which include cash at bank and on hand of \$212,044,000 (2018: \$143,281,000). The Group is in a net current liability position of \$25,448,000 (2018: \$140,863,000). \$217,170,000 (2018: \$261,170,000) of the net current liability position relates to deferred revenue which will be earned over future years and does not represent a direct cash outflow to creditors. Further supporting this position is a positive forecast operating net cash flow in 2020 and \$132,850,000 of undrawn borrowing facilities currently available to the Group.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for available-for-sale assets and derivative financial instruments, which are measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars which is the Company's functional currency. Certain companies within the Group have different functional currencies.

1. Significant accounting policies (continued)

c) Critical accounting judgements and estimates

In the application of the Company's accounting policies, which are described in Note 1, the Directors of the Company are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Group and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to estimates are recognised in the year in which the estimate is revised and in any future year affected.

Judgements made in the application of accounting standards that could have a significant effect on the consolidated financial statements and estimates with a risk of adjustment in the next year are as follows:

- Services and other contracting projects:
 - Determination of stage of completion;
 - Estimation of total contract revenue and contract costs;
 - Assessment of the probability of customer approval of variations and acceptance of claims;
 - Estimation of project completion date; and
 - Assumed levels of project execution productivity.
- Leasing:
 - Determination of the existence of leases;
 - Estimation of residual value guarantees and buy out options of lease liabilities; and
 - Estimation of lease extension options.
- Asset disposals — determination as to whether the significant risks and rewards of ownership have transferred;
- Estimation of the economic life of property, plant and equipment;
- Determination of the fair value of business combinations;
- Asset impairment testing, including assumptions in value in use calculations; and
- Goodwill and intangible asset impairment testing, including assumptions in determining the recoverable amount of all cash-generating units containing goodwill.

d) New and amended accounting standards and interpretations

In the current year, the Group has applied AASB 16 Leases which was effective for the Group on 1 January 2019. Details of the new requirements of AASB 16 as well as its impact on the Group's consolidated financial statements are described below.

AASB 16 replaces AASB 117: 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'. It has the objective to provide users of the financial statements with a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for leases, excluding those that are classified as short term leases or leases for low value assets, under a single on balance sheet model similar to the accounting for finance leases under AASB 117. Lessor accounting under AASB 16 is substantially unchanged from previous accounting under AASB 117 and has no material impact to the Group.

From a lessee perspective, at the commencement date of a lease, a lessee will recognise a liability to make lease payments ('lease liability') and an asset representing the right to use the underlying asset during the lease term ('right of use asset', 'ROU'). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right of use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (such as a change in the lease term or lease payments). The amount of the re-measurement of the lease liability is recognised as an adjustment to the right of use asset.

The Group operates primarily in the services industry and it results in the Group entering into leasing arrangements for property and plant and equipment. Judgement and estimates were applied when assessing the full impact of AASB 16 on the Group. Management review each lease, on an individual basis, and determine whether the standard's criteria for a right of use asset or lease liability are met. Additional factors, such as the lease costs and lease terms, are taken into consideration when measuring the right of use assets and lease liabilities, as well as the Group's present obligations. In making these judgements, the Group applied the practical expedient in AASB 16 Appendix paragraph C3 that enabled the Group to grandfather assessments made under previous assessments, AASB 117, such that only leases that are leases on date of transition on 1 January 2019 are required to be assessed as a lease under AASB 16. The Group's accounting policies regarding AASB 16 are disclosed in detail in Note 1: Summary of significant accounting policies –(k) Leases.

1. Significant accounting policies (continued)

Impact on application

AASB 16 was adopted using the cumulative catch-up approach and as such the comparatives have not been restated. The adjustments due to the application of the new standard are analysed by financial statement line item below.

Impact on assets, liabilities and equity at 1 January 2019

	As reported 31 Dec 2018 \$'000	AASB 16 transition \$'000	Opening balance 1 Jan 2019 \$'000
Current assets	523,336	-	523,336
Deferred tax assets	17,574	1,305	18,879
Right of use assets	-	84,223	84,223
Non-current assets	1,067,245	85,528	1,152,773
Total assets	1,590,581	85,528	1,676,109
Lease liabilities	-	28,873	28,873
Current liabilities	664,199	28,873	693,072
Provisions	12,127	3,030	15,157
Lease liabilities	-	56,687	56,687
Total non-current liabilities	881,526	59,717	941,243
Total liabilities	1,545,725	88,590	1,634,315
Net assets	44,856	(3,062)	41,794
Retained earnings	38,587	(3,062)	35,525
Total equity	44,856	(3,062)	41,794

Tax

Adjustments under the new standard are subject to tax effect accounting and therefore the net deferred tax position has been impacted.

As at 31 December 2018 the off balance sheet operating lease commitments totalled \$95.5 million. The impact of AASB 16 Leases on retained earnings as at 1 July 2019 totalled \$3.1 million. The difference between the two amounts is attributable to the present value of items included under AASB 16 which were previously recognised separately under the old standard:

	\$'000
Operating lease commitments at 31 December 2018	95,543
Effect of discounting commitments previously disclosed on a gross basis	(7,718)
Short term leases, cancellable leases and low value leased assets	(2,265)
Lease liabilities recognised at 1 January 2019	85,560

1. Significant accounting policies (continued)

Standards in issue but not yet effective

The Group assessed the impact of new or amended accounting standards which are operative in future years below:

New accounting standards

New and amended accounting standards

- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures;
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle; and
- AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments.

While these standards introduce new disclosure requirements, they do not materially affect the Group's accounting policies or any of the amounts recognised in the financial statements.

(e) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Results of controlled entities are included in the consolidated statement of profit or loss from the date control is obtained or excluded from the date the entity is no longer controlled. Intragroup balances and transactions, and any unrealised gains or losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Investments in equity accounted investees

The Group's interests in equity accounted investees comprise interests in joint venture entities only.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint venture entities are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated statement of financial position at cost, including transaction costs and goodwill on acquisition, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively. A reconciliation of joint ventures accounted for using the equity method is in Note 12.

Joint operations

A joint operation is an arrangement in which the Group has joint control whereby the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement. The Group accounts for its share of jointly held assets, liabilities, revenues and expenses of joint operations. A list of joint operations is in Note 13.

(f) Business Combinations

The acquisition method of accounting is used to account for all business combinations. The consideration for the acquisition of a controlled entity comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any pre-existing equity interest in the controlled entity. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The excess of the consideration transferred over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. Where the consideration is less than the fair value of the net identifiable assets of the controlled entity acquired the difference is recognised directly in the statement of profit or loss as a gain on acquisition of a controlled entity.

1. Significant accounting policies (continued)

(g) Revenue

Revenue earned from the provision of services to entities outside the Group is presented net of the amount of goods and services tax (GST).

The Group performs construction, installation, maintenance and other services for a variety of different industries. Contracts entered into can cover servicing of related assets which may involve various different processes. These processes and activities tend to be highly interrelated and the Group provides a significant service of integration for these assets under contract. Where this is the case, these are taken to be one performance obligation. The total transaction price is allocated across each service or performance obligation and, where linked, the construction and installation of the relevant asset. The transaction price is allocated to each performance obligation based on contracted prices. The total transaction price may include variable consideration.

Performance obligations are fulfilled over time as the Group enhances assets which the customer controls, for which the Group does not have an alternative use and for which the Group has right to payment for performance to date. Revenue is recognised in the accounting period in which the services are rendered based on the amount of the expected transaction price allocated to each performance obligation.

Customers are in general invoiced on a monthly basis for an amount that is calculated on either a schedule of rates or a cost-plus basis that are aligned with the stand alone selling prices for each performance obligation. Payment is received following invoice on normal commercial terms.

Variable consideration

It is common for contracts to include performance bonuses or penalties assessed against the timeliness or cost effectiveness of work completed or other performance related KPIs. Where consideration in respect of a contract is variable, the expected value of revenue is only recognised when the uncertainty associated with the variable consideration is subsequently resolved. The Group assesses these requirements on a periodic basis when estimating the variable consideration to be included in the transaction price. The estimate is based on all available information including historic performance. Where modifications in contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification has not been confirmed, an estimate is made of the amount of revenue to recognise whilst also considering these requirements.

Contract fulfilment costs

Costs incurred prior to the commencement of a contract may arise due to mobilisation/site setup costs, feasibility studies, environmental impact studies and preliminary design activities as these are costs incurred to fulfil a contract. Where these costs are expected to be recovered, they are capitalised and amortised over the course of the contract consistent with the transfer of service and asset to the customer. Where the costs, or a portion of these costs, are reimbursed by the customer, the amount received is recognised as deferred revenue and allocated to the performance obligations within the contract and recognised as revenue over the course of the contract.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer represents a financing component. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Loss making contracts

A provision is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price where the forecast costs are greater than the forecast revenue.

Other revenue

Interest revenue is recognised on an accrual basis.

Dividend income is recognised when the dividend is declared. A payable is not recognised for dividends to be paid unless the dividend has been declared by the Directors, but not distributed, at or before the end of the year.

1. Significant accounting policies (continued)

(h) Income tax

Income tax expense on the profit or loss for the year comprises current and deferred tax expense. Income tax expense is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Group adopts the balance sheet liability method to provide for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Taxable temporary differences are not provided for the initial recognition of goodwill.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the statement of financial position date. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The Company and its subsidiaries are part of a Tax Consolidated Group of which Ventia Services Group Pty Limited is the head entity. The head entity recognises all of the current tax assets and liabilities and deferred tax assets in respect of tax losses of the Tax Consolidated Group (after elimination of intra-group transactions). Deferred tax assets and liabilities in respect of temporary differences are recognised in the respective Companies' financial statements.

The Tax Consolidated Group has entered into a tax funding agreement that requires the Group to make contributions to the head entity for current tax assets and liabilities occurring after the implementation of tax consolidation. Under the tax funding agreement, the contributions are calculated using the "group allocation" approach so that the contributions are equivalent to the current tax balances generated by transactions entered into by wholly-owned subsidiaries. The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to current income tax.

(i) Inventory

Inventories are carried at the lower of cost and net realisable value. Inventories comprise of:

Raw materials and consumables

Cost is based on weighted averages and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

(j) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation

Depreciation is calculated so as to write off the cost of property, plant and equipment over their estimated effective useful lives for the current and comparative reporting years as follows:

- Major plant and equipment: straight line method — up to 10 years;
- Office and other equipment: straight line method — up to 4 years;
- Leased plant and equipment: straight line method — over the terms of the leases, up to 10 years;
- Leasehold buildings and improvements: straight line method — over the terms of the leases, up to 40 years.

Subsequent costs

Subsequent expenditure is included in the carrying amount of property, plant and equipment only when it is probable that the associated future economic benefits will flow to the Group. All other costs are recognised in the statement of profit or loss.

1. Significant accounting policies (continued)

(k) Leases

Policies applied prior to 1 January 2019

Leases under which the Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

A lease asset and a lease liability equal to the lower of the fair value of the leased property and the present value of the minimum lease payments is recorded at the inception of the lease. The finance lease liability is the net present value of future finance lease rentals and residuals. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals, which are potential incremental lease payments not fixed in amount as they relate to future changes, are expensed as incurred.

Operating leases

Payments made under operating leases are expensed on a straight-line basis over the term of the lease.

Policies applied from 1 January 2019

The Group as Lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In such instances, the Group recognises a right of use asset and a corresponding lease liability with respect to all lease agreements, except for short term leases, cancellable leases that if cancelled by the lessee the losses associated with the cancellation are borne by the lessor and low value leased assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The Group has a significant lease portfolio, comprising predominantly property, plant, minor equipment and fleet vehicle rentals.

Measurement and presentation of lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The following items are also included in the measurement of the lease liability:

- Fixed lease payments offset by any lease incentives;
- Variable lease payments, for lease liabilities which are tied to a floating index;
- The amounts expected to be payable to the lessor under residual value guarantees;
- The exercise price of purchase options (if it is reasonably certain that the option will be exercised); and
- Payments of penalties for terminating leases, if the lease term reflects the lease terminating early.

The lease liability is separately disclosed on the statement of financial position. The liabilities which will be repaid within twelve months are recognised as current and the liabilities which will be repaid in excess of twelve months are recognised as non-current.

The lease liability is subsequently measured by reducing the balance to reflect the principal lease repayments made and increasing the carrying amount by the interest on the lease liability.

The Group is required to remeasure the lease liability and make an adjustment to the right of use asset in the following instances:

- The term of the lease has been modified or there has been a change in the Group's assessment of the purchase option being exercised, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; and
- The lease payments are adjusted due to changes in the index or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate. However, if a change in lease payments is due to a change in a floating interest rate, a revised discount rate is used.

1. Significant accounting policies (continued)

Measurement and presentation of right-of-use asset

The right of use assets recognised by the Group comprise the initial measurement of the related lease liability, any lease payments made at or before the commencement of the contract, less any lease incentives received and any direct costs. Costs incurred by the Group to dismantle the asset, restore the site or restore the asset are included in the cost of the right of use asset.

It is subsequently measured under the cost model with any accumulated depreciation and impairment losses applied against the right of use asset. If the cost of the right of use asset reflects that the Group will exercise a purchase option, the right of use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the asset over the shorter period of either the useful life of the asset or the lease term. The depreciation starts at the commencement date of the lease and the carrying value of the asset is adjusted to reflect the accumulated depreciation balance.

Any remeasurement of the lease liability is also applied against the right of use asset value. The right of use assets is separately disclosed on the statement of financial position.

The Group as Lessor

The Group enters into lease agreements as a lessor with respect to some property subleases as well as renting equipment to its partners, suppliers and contractors.

The leases entered into by the Group are recognised as either finance or operating leases. If the terms of the lease agreement transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. If this is not the case, then the lease is recognised as an operating lease. The income received from operating leases is recognised on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are included in the carrying amount of the leased asset. Amounts due from lessees under finance leases are recognised as receivables.

(I) Intangibles

Goodwill

Goodwill arising from a business combination is not amortised but is tested for impairment annually or more frequently if there is an indication that it might be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Brand names

The Visionstream brand name was acquired as part of a business combination. Brand names are carried at their fair value at the date of acquisition less accumulated amortisation and any impairment losses. The useful life of the brand name is assessed as being indefinite. Subsequently, the brand name is not amortised but tested for impairment annually, or more frequently whenever there is an indication that it might be impaired.

Customer contracts and relationships

Customer contracts and relationships were acquired as part of a business combination. Customer contracts and relationships are carried at their fair value at the date of acquisition less accumulated amortisation and any impairment losses. Customer contract and relationship intangible assets are amortised over 5 years on a straight-line basis.

Capitalised software

Software and development costs consist of costs incurred in developing systems, costs incurred in acquiring software and licences that will provide future economic benefits. These assets are carried at cost less accumulated amortisation and amortised over 3-7 years on a straight-line basis.

1. Significant accounting policies (continued)

(m) Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and indefinite useful life intangible assets, the recoverable amount is estimated annually regardless of whether any indicators of impairment exist.

An asset's recoverable amount is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying of the other assets in the unit on a pro-rata basis.

(n) Non-derivative financial instruments

Non-derivative financial instruments comprise of cash and cash equivalents, trade and other receivables, trade and other payables and interest bearing liabilities. When acquired, non-derivative financial instruments are recognised at fair value. At subsequent reporting dates they are measured at amortised cost unless specifically mentioned below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at bank.

Trade and other receivables

Trade debtors include all net receivables from services and other contracting services. Trade debtors are normally settled within 60 days of billing.

Contract work in progress represents the amount expected to be collected from customers for contract work performed to date. It is measured as costs incurred plus profits recognised to date, less progress billings and recognised losses. In the statement of financial position, services contracts in progress for which costs incurred plus recognised profits exceed progress billings and recognised losses are presented as trade and other receivables.

Other receivables generally arise from transactions other than the provision of services and include amounts in respect of sales of assets and GST receivable.

The recoverability of trade and other receivables is assessed at reporting date and impairment is recorded for any doubtful debts.

Trade and other payables

Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are also comprised of amounts received from customers in advance of work completed. Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as deferred revenue. Advances received from customers are presented as deferred revenue.

Trade payables are settled on terms aligned with normal commercial terms.

Interest bearing liabilities

Borrowings are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest method.

(o) Derivative financial instruments

Derivative financial instruments are stated at fair value, with changes in fair value recognised in the statement of profit or loss. Where derivative financial instruments qualify for hedge accounting, recognition of changes in fair value depends on the nature of the item being hedged. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting.

1. Significant accounting policies (continued)

Cash flow hedge

Changes in the fair value of designated and qualifying cash flow hedges are deferred in equity. Where it is expected that all or a portion of a loss recognised directly in equity will not be recovered in future periods, that loss is recognised in the statement of profit or loss. Amounts deferred are included in the initial measurement of the cost of the asset or liability where the forecast transaction being hedged results in the recognition of a non-financial asset or a non-financial liability.

Cash flow hedges relating to operating activities are recognised in profit or loss in the same period the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss deferred in equity is recognised immediately in profit or loss.

The cash flow hedging reserve represents the cumulative effective portion of the gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects profit or loss.

A reconciliation of the cash flow hedging reserve is in Note 22(b).

(p) Employee benefits

Liabilities in respect of employee benefits which are not due to be settled within twelve months are discounted at year end using rates which most closely match the terms of maturity of the related liabilities. Corporate bond rates are utilised where a deep market exists. Rates from national government securities are utilised where a deep market for corporate bonds does not exist.

Wages, salaries, annual and long service leave

The provision for employee entitlements to wages, salaries, annual and long service leave represents the amount which the Group has a present obligation to pay resulting from employees' services provided up to the reporting date. Provisions have been calculated based on expected wage and salary rates and include related on-costs. In determining the liability for these employee entitlements, consideration has been given to estimated future increases in wage rates, and the Group's experience with staff departures.

Superannuation

Defined contribution superannuation plans exist to provide benefits for eligible employees or their dependants. Contributions by the Group are expensed to the statement of profit or loss as incurred.

Annual bonus and deferred incentive arrangements

Annual bonuses and deferred incentives are provided for at reporting date and include related on-costs. The Group recognises a provision where there is a contractual or constructive obligation.

(q) Share capital

Ordinary shares are classified as equity and recognised at the value of consideration received by the Company.

(r) Share capital payment reserve

Share capital compensation benefits are provided to executive employees via the Ventia Employee Incentive Plan ("EIP"). This share scheme was approved by the shareholders and is designed to provide incentives to attract, retain and motivate key people within the Company and its controlled entities ("the Group") whose contributions are important to the Group's success.

The EIP is administered by Ventia Services Group EIP Pty Limited ("the Trustee"), a wholly owned subsidiary of the Company. When the EIP shares vest, the trust transfers the appropriate number of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

The fair value of the EIP shares is recognised as an expense with a corresponding increase in the share capital payments reserve. The share capital payments reserve is used to recognise the fair value of share capital payments issued to employees over the vesting period, and to recognise the value attributable to the share capital payments during the year. A reconciliation of the share capital payments reserve is in Note 22(c).

1. Significant accounting policies (continued)

The total amount of the expense is determined by reference to the fair value of EIP shares granted:

- including any market performance conditions (e.g. the Group's share valuation);
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the Group over a specified time period); and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specified period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Company revises its estimates of the number of EIP shares that are expected to vest based on the non-market vesting and service conditions. The Company recognises the impact of the revision to original estimates, if any, in profit or loss and the Company recognises the corresponding adjustment in its own equity.

A portion of the shares issued to employees under the EIP are funded by a limited recourse loan ("the EIP shares") and therefore are treated like share options in accordance with AASB 2 Share-based Payment.

(s) Foreign currency translation

Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions are recognised in 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 controlled foreign entities

Assets and liabilities of controlled foreign entities are translated into the presentation currency at the rates of exchange at reporting date and the statement of profit or loss is translated at the rates approximating foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are taken directly to the foreign currency translation reserve. Exchange gains and losses on transactions which form part of the net investments in foreign controlled entities together with any related income tax effect are recognised in the foreign currency translation reserve. On disposal of a controlled foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign entity is recognised in the statement of profit or loss as part of the gain or loss on sale.

A reconciliation of the foreign currency translation reserve is in Note 22(a).

1. Significant accounting policies (continued)

(t) Reclassification

Trade and other receivables and trade and other payables have been reclassified for consistency with the current year presentation. Trade and other receivables have been reclassified from current to non-current assets and trade and other receivables have been reclassified to trade and other payables. The reclassifications are to better reflect the nature of the balances. This reclassification has no effect on the reported results of operations and has no overall impact on net assets.

Impact on assets, liabilities and equity at 1 January 2019:

	As reported 31 December 2018 \$'000	Reclassification \$'000	Adjusted balance 31 December 2018 \$'000
Trade and other receivables	326,296	16,966	343,262
Total current assets	506,370	16,966	523,336
Trade and other receivables	-	9,285	9,285
Total non-current assets	1,057,960	9,285	1,067,245
Total assets	1,564,330	26,251	1,590,581
Trade and other payables	527,172	26,251	553,423
Total current liabilities	637,948	26,251	664,199
Total non-current liabilities	881,526	-	881,526
Total liabilities	1,519,474	26,251	1,545,725
Net assets	44,856	-	44,856
Total equity	44,856	-	44,856

Ventia Services Group Pty Limited
Notes to the consolidated financial statements
31 December 2019

2. Revenue

	Year ended 31 December 2019 \$'000	Year ended 31 December 2018 \$'000
Services Revenue	2,255,470	2,233,183
Net gains/ (losses) on sale of property, plant and equipment	1,066	(25)
Revenue	<u>2,256,536</u>	<u>2,233,158</u>

3. Expenses

	Year ended 31 December 2019 \$'000	Year ended 31 December 2018 \$'000
Labour	693,833	711,137
Subcontractors	1,123,129	1,080,477
Materials	93,630	99,700
Professional fees	25,245	13,817
IT costs	40,975	39,643
Lease payments	15,721	45,845
Foreign exchange (gains)/losses	(779)	830
Other expenses	34,640	46,577
Total expenses excluding interest, tax, depreciation and amortisation	<u>2,026,394</u>	<u>2,038,026</u>

4. Finance costs

	Year ended 31 December 2019 \$'000	Year ended 31 December 2018 \$'000
Interest payable on bank loans	60,206	61,599
Amortisation of borrowing costs	9,595	8,908
Bank guarantee costs	5,694	5,408
Lease liabilities interest costs	4,802	-
Total finance costs	<u>80,297</u>	<u>75,915</u>

5. Auditor's remuneration

	Year ended 31 December 2019 \$	Year ended 31 December 2018 \$
Deloitte Touche Tohmatsu		
- Audit of financial statements	451,000	415,000
- Other services	10,000	25,445
	<u>461,000</u>	<u>440,445</u>
Other auditors		
KPMG	<u>12,000</u>	<u>25,000</u>
Total	<u>473,000</u>	<u>465,445</u>

6. Income tax

	Year ended 31 December 2019 \$'000	Year ended 31 December 2018 \$'000
6(a) Income tax expense recognised in the statement of profit or loss		
Current tax expense	22,013	15,321
Deferred tax expense	11,544	16,125
Adjustment of prior years	(6,069)	(88)
Opening balance adjustment on application of AASB 15	-	(4,362)
Opening balance adjustment on application of AASB 16	<u>(1,305)</u>	<u>-</u>
Aggregate income tax expense	<u>26,183</u>	<u>26,996</u>

6(b) Reconciliation of prima facie tax to income tax expense

Profit before income tax expense	<u>88,305</u>	<u>97,090</u>
Tax at the statutory tax rate of 30%	26,492	29,127
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	884	2,606
R&D tax benefit	-	(409)
Effect of different tax rates on overseas income	(284)	(308)
Adjustments in the current year in relation to prior year current tax balances	(399)	(4,237)
Other	<u>(510)</u>	<u>217</u>
Income tax expense	<u>26,183</u>	<u>26,996</u>

31 December 2019	31 December 2018
\$'000	\$'000

6(c) Current tax asset

Current tax asset	<u>5,097</u>	<u>14,990</u>
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6. Income tax (continued)

	31 December 2019 \$'000	31 December 2018 \$'000
6(d) Deferred taxes		
Deferred tax liabilities are attributed to the following:		
Contract debtors	(36,020)	(30,971)
Property, plant and equipment	(5,887)	(3,865)
Intangible assets	(9,355)	(11,616)
Capitalised borrowing costs	3,472	3,108
Acquisition costs	2,149	1,687
Other items	1,801	(300)
Hedging	775	1,041
Trade and other payables	8,462	12,050
Provisions	33,190	37,958
Net deferred tax (liabilities)/assets	(1,413)	9,092
Deferred tax assets	8,917	17,574
Deferred tax (liabilities)	(10,330)	(8,482)
Net deferred tax (liabilities)/assets	(1,413)	9,092

7. Current assets - Cash and cash equivalents

	31 December 2019 \$'000	31 December 2018 \$'000
Cash at bank and on hand	212,044	143,281

8. Current and non-current assets - Trade and other receivables

	31 December 2019 \$'000	31 December 2018 \$'000
Current assets - Trade and other receivables		
Trade receivables	57,771	72,566
Contract work in progress	283,057	253,466
Other receivables	4,812	756
Prepayments	10,245	11,987
Amounts receivable from related parties	1,668	4,487
	<u>357,553</u>	<u>343,262</u>
Total current trade and other receivables		
	<u>357,553</u>	<u>343,262</u>
Non-current assets - Trade and other receivables		
Amounts receivable from related parties	9,285	9,285
	<u>9,285</u>	<u>9,285</u>
Total non-current trade and other receivables		
	<u>9,285</u>	<u>9,285</u>
Current	357,553	343,262
Non-current	9,285	9,285
	<u>366,838</u>	<u>352,547</u>
Total		
<i>Impairment losses</i>		

The movement in the allowance for impairment in respect of trade and other receivables is detailed below:

	31 December 2019 \$'000	31 December 2018 \$'000
Balance at the beginning of the year	300	606
Provisions no longer needed	(123)	(306)
	<u>177</u>	<u>300</u>
Balance at the end of the year		

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9. Current assets - Inventories

	31 December 2019 \$'000	31 December 2018 \$'000
Raw materials and consumables at net realisable value	10,313	14,487

10. Derivative asset / liability

	31 December 2019 \$'000	31 December 2018 \$'000
Current assets		
Cross currency interest rate swaps	50,651	7,316
Non-current assets		
Cross currency interest rate swaps	146	41,405
Total derivative assets	50,797	48,721
Current liabilities		
Cross currency interest rate swaps	55	352
Non-current liabilities		
Cross currency interest rate swaps	1,164	10
Total derivative liabilities	1,219	362
Total net derivative assets	49,578	48,359

11. Non-current assets - Property, plant and equipment

	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
Cost or fair value at 1 January 2019	8,295	52,088	60,383
Accumulated depreciation at 1 January 2019	(4,171)	(13,639)	(17,810)
Balance at 1 January 2019	4,124	38,449	42,573
Balance at 1 January 2019	4,124	38,449	42,573
Additions	510	5,114	5,624
Disposals	(3)	(539)	(542)
Depreciation expense	(1,037)	(11,460)	(12,497)
Transfer to right of use assets	-	(6,721)	(6,721)
Balance at 31 December 2019	3,594	24,843	28,437
Cost or fair value at 31 December 2019	8,799	46,163	54,962
Accumulated depreciation at 31 December 2019	(5,205)	(21,320)	(26,525)
Balance at 31 December 2019	3,594	24,843	28,437

12. Non-current assets - Investments accounted for using equity method

	31 December 2019 \$'000	31 December 2018 \$'000
Joint venture entities		
Balance at the beginning of the year	5,455	7,483
Prior period investment reclassified to loans	-	(5,935)
Share of profit for the year	5,648	8,427
Share of tax expense	(1,669)	(2,518)
Dividends received	(1,575)	(2,002)
	<u>7,859</u>	<u>5,455</u>
Balance at the end of the year		

The Group has the following interests in joint venture entities whose principal activity is services, and are accounted for using the equity method;

Joint venture entities	Country	Ownership interest	
		31 December 2019 %	31 December 2018 %
Brisbane Motorway Services Pty Limited (i)	Australia	50.0%	50.0%
Gateway Motorway Services Pty Limited	Australia	50.0%	50.0%
Ventia Boral Amey QLD Pty Limited (ii)	Australia	44.4%	44.4%
Ventia Boral Amey NSW Pty Limited	Australia	44.4%	44.4%
Infocus Infrastructure Management Pty Limited (ii)	Australia	50.0%	50.0%
SV Joint Venture Pty Limited	Australia	50.0%	50.0%
Venture Smart Pty Limited (iii)	Australia	50.0%	50.0%

(i) The sole contract of the company ended in March 2019.

(ii) These entities are dormant.

(iii) The entity was incorporated on 26 July 2018.

13. Non-current assets - Joint operations

The Group has the following interests in joint operations whose primary activity is providing services:

Name	Country	Ownership interest	
		31 December 2019 %	31 December 2018 %
Ventia Boral Amey QLD	Australia	44.4%	44.4%
Ventia Boral Amey NSW	Australia	44.4%	44.4%
Optus Wireless Project (OWP)	Australia	50.0%	50.0%
Watersure	Australia	40.0%	40.0%
Ngarda Civil & Mining Pty Ltd & Ventia Utility Services Pty Ltd (i)	Australia	-	50.0%
Arup Pty Limited & BMD constructions Pty & Ventia Pty Ltd (Smartways)	Australia	20.0%	20.0%

(i) The contract and arrangement ended in FY 2019.

14. Non-current assets - Right of use assets

	31 December 2019 \$'000
Opening balance on application of AASB 16 at 1 January 2019	84,223
Additions	22,605
Transfer from plant and equipment	6,721
Depreciation	<u>(33,034)</u>
Balance at 31 December 2019	<u>80,515</u>
Cost or fair value at 31 December 2019	113,525
Accumulated depreciation at 31 December 2019	<u>(33,010)</u>
Balance at 31 December 2019	<u>80,515</u>

The majority of the right of use assets relate to plant and equipment.

The depreciation expense of \$33,034,000 includes depreciation on right of use assets that have been disposed of at net book value of \$nil (cost \$24,000 and accumulated depreciation of \$24,000).

15. Non-current assets - Intangibles

	Brand names \$'000	Customer contracts and relationships \$'000	Capitalised software \$'000	Total \$'000
Cost or fair value at 1 January 2019	31,184	76,103	87,881	195,168
Accumulated amortisation at 1 January 2019	<u>-</u>	<u>(68,566)</u>	<u>(18,069)</u>	<u>(86,635)</u>
Balance at 1 January 2019	<u>31,184</u>	<u>7,537</u>	<u>69,812</u>	<u>108,533</u>
Balance at 1 January 2019	31,184	7,537	69,812	108,533
Additions	-	-	16,152	16,152
Disposals	-	-	(32)	(32)
Amortisation	<u>-</u>	<u>(7,537)</u>	<u>(15,074)</u>	<u>(22,611)</u>
Balance at 31 December 2019	<u>31,184</u>	<u>-</u>	<u>70,858</u>	<u>102,042</u>
Cost or fair value at 31 December 2019	31,184	76,103	103,970	211,257
Accumulated amortisation at 31 December 2019	<u>-</u>	<u>(76,103)</u>	<u>(33,112)</u>	<u>(109,215)</u>
Balance at 31 December 2019	<u>31,184</u>	<u>-</u>	<u>70,858</u>	<u>102,042</u>

16. Non-current assets - Goodwill

	31 December 2019 \$'000	31 December 2018 \$'000
Balance at the end of the year	<u>842,420</u>	<u>842,420</u>

Goodwill has been allocated to groups of Cash Generating Units (CGU) represented by the Group's operating segments for the purpose of impairment testing.

The recoverable amounts of all CGUs are based on value in use calculations. The calculations use five year cash flow projections based on a 3% growth in forecasted operating results. A pre-tax discount rate of 13.6% (2018: 15.0%) has been used in discounting the projected cash flows.

The recoverable amount of each CGU exceeds its carrying amount at balance sheet date.

The key assumptions included in the value in use approach to determine the recoverable amount of all CGUs in the current year are:

- Market / segment growth
- Economic forecasts, taking into account the Group's participation in each market
- Analysis of price forecasts, adjusted for actual experience
- Inflation / CPI rates and foreign currency rates

A reasonable change in the above assumptions would not result in an impairment of goodwill.

17. Current liabilities - Trade and other payables

	31 December 2019 \$'000	31 December 2018 \$'000
Trade payables	74,660	77,356
Accruals	146,845	163,026
Deferred revenue	217,170	261,170
Other creditors	84,836	50,737
Amounts payable to related parties	-	1,134
Dividend payable	<u>4,876</u>	<u>-</u>
Total trade and other payables	<u>528,387</u>	<u>553,423</u>

18. Current and non-current liabilities - Provisions

	Employee benefits \$'000	Other \$'000	Total \$'000
Balance at 1 January 2019	91,653	30,898	122,551
Opening balance on application of AASB 16 at 1 January 2019	-	3,030	3,030
Balance at 1 January 2019	91,653	33,928	125,581
Additions	81,185	10,153	91,338
Reversal of unutilised provisions	-	(1,038)	(1,038)
Provisions used during the year	(89,525)	(15,903)	(105,428)
Provisions transferred during the year	148	(148)	-
Balance at 31 December 2019	83,461	26,992	110,453
Current	75,214	19,724	94,938
Non-current	8,247	7,268	15,515
Total	83,461	26,992	110,453

19. Current and non-current liabilities – Lease liabilities

	31 December 2019 \$'000	31 December 2018 \$'000
Current	33,085	-
Non-current	49,765	-
Total lease liabilities	82,850	-

20. Non-current liabilities - Borrowings

	31 December 2019 \$'000	31 December 2018 \$'000
Borrowings	972,006	873,524
Capitalised borrowing costs	(12,655)	(12,617)
Total	<u>959,351</u>	<u>860,907</u>
Current	4,641	-
Non-current	<u>954,710</u>	<u>860,907</u>
Total	<u>959,351</u>	<u>860,907</u>

In May 2015 the Group raised debt in the Term Loan B market. The Borrowers to the Syndicated Agreement are Ventia Finco Pty Limited and Ventia Deco LLC.

Facility Type	Facility Limit \$'000	Utilised Facility \$'000	Unutilised facility \$'000	Maturity
USD Term Loan B	392,497	392,497	-	22/05/2026
AUD Term Loan B	414,683	414,683	-	22/05/2026
AUD Revolver facility	132,850	-	132,850	22/05/2024

The facilities have a fixed and floating charge over the assets of Ventia Midco Pty Ltd and its controlled entities.

The Group has entered into swap arrangements to mitigate its exposure to unfavourable foreign exchange and interest rate movements. The swap arrangements satisfy the requirements for hedge accounting and are accounted for accordingly. Refer to Note 22(b).

21. Equity - Share capital

	Number of Shares '000	Amount \$'000
Balance at 1 January 2018	610,001	1,649
Capital reduction	(540)	(377)
Transfers from share capital payment reserve	<u>5,362</u>	<u>1,572</u>
Balance at 31 December 2018	<u>614,823</u>	<u>2,844</u>
Capital reduction	(555)	(534)
Transfers from share capital payment reserve	<u>2,637</u>	<u>939</u>
Balance at 31 December 2019	<u>616,905</u>	<u>3,249</u>

In addition to the above, there are 16,873,429 treasury shares which were issued under the Company's EIP share scheme as at 31 December 2019 (31 December 2018: 19,106,463). As these shares are unvested and held in trust, they do not form part of the total ordinary shares outstanding.

22. Equity - Reserves

	31 December 2019 \$'000	31 December 2018 \$'000
Foreign currency translation reserve (a)	251	(609)
Cash flow hedging reserve (b)	(1,808)	(2,429)
Share capital payment reserve (c)	6,229	6,463
	<u>4,672</u>	<u>3,425</u>

	31 December 2019 \$'000	31 December 2018 \$'000
22.(a) Foreign currency translation reserve		
Balance at beginning of the year	(609)	(1,892)
Opening balance adjustment on application of AASB 15	-	120
Currency translation differences during the year	860	1,163
	<u>251</u>	<u>(609)</u>
Balance at the end of the year		

	31 December 2019 \$'000	31 December 2018 \$'000
22.(b) Cash flow hedging reserve		
Balance at beginning of the year	(2,429)	(6,968)
Gains arising on the change in the fair value of hedging instruments entered into for cash flow hedges	5,049	56,290
Income tax related to gains recognised in other comprehensive income	(1,515)	(16,887)
Cumulative loss arising on changes in fair value of hedging instruments reclassified to profit or loss	(4,164)	(49,805)
Income tax related to losses reclassified to profit or loss	1,251	14,941
	<u>(1,808)</u>	<u>(2,429)</u>
Balance at end of the year		

22.(c) Share capital payment reserve

The Company has a share scheme for certain employees of the Company and its subsidiaries, which is referred to as the Executive Incentive Plan ("EIP" or "the Plan"). The EIP share scheme is designed to provide incentives to attract, retain and motivate those whose contributions are important to the Company's success. In accordance with the terms of the Plan, as approved by shareholders and the Board of the Company, an employee or Director of the Company or its subsidiaries may be invited to participate in the Plan at the discretion of the Board of the Company. If the invitation is accepted, the employee or Director will be granted a class of share called an "EIP share" which is unvested upon issue.

Unvested EIP shares will vest in accordance with the time vesting and performance vesting conditions outlined in the Plan. Only vested EIP shares will be able to be sold for market value, subject to certain trigger events set out in the Plan.

EIP shares do not carry any voting rights but may become voting shares under certain circumstances outlined in the rules of the Plan. However, these voting rights cannot be exercised until the EIP shares are vested and the trigger events in the Plan have materialised.

The participating employee or Director may pay for their EIP shares with their own money or by taking out a limited recourse loan with the Company. If the employee or Director chooses to pay for their EIP shares using a limited recourse loan, then there are additional requirements in relation to the receipt and treatment of dividends or other distributions.

The number of EIP shares granted and the price of the EIP shares are at the discretion of the Board.

22. Equity - Reserves (continued)

The following share capital payment arrangements were in existence during the current and prior years:

EIP Plan No	Grant Date	Number of EIP shares granted	Fair value at grant date
EIP Plan No. 1	31 March 2015	31,028,107	\$0.36
EIP Plan No. 1	1 January 2016	3,898,819	\$0.33
EIP Plan No. 2	1 January 2016	650,000	\$0.33
EIP Plan No. 2	19 May 2016	2,000,000	\$0.33
EIP Plan No. 2	9 January 2017	433,333	\$0.33
EIP Plan No. 1	1 July 2017	433,333	\$0.33
EIP Plan No. 2	1 July 2017	666,666	\$0.33
EIP Plan No. 1	1 September 2018	600,000	\$0.33
EIP Plan No. 1	1 October 2019	1,085,658	\$0.33

The following reconciles the EIP shares outstanding at the beginning and end of the year:

	Number of options	Weighted average exercise price
Balance at 1 January 2019	19,106,463	\$0.13
Granted during the year	1,085,658	\$0.92
Forfeited during the year	(682,293)	-
Vested during the year	(2,636,399)	-
Balance at 31 December 2019	16,873,429	\$0.17
Balance at 1 January 2018	26,952,753	\$0.07
Granted during the year	600,000	\$1.50
Forfeited during the year	(3,281,507)	-
Vested during the year	(5,164,783)	-
Balance at 31 December 2018	19,106,463	\$0.13
	Year ended 31 December 2019 \$'000	Year ended 31 December 2018 \$'000
Share capital payments reserve		
Balance at beginning of the year	6,463	5,023
Share capital payments during the year	705	3,653
Transfers to share capital	(939)	(1,572)
Transfers to retained earnings	-	(641)
Balance at end of the year	6,229	6,463

23. Commitments

31 December 2019 \$'000	31 December 2018 \$'000
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Capital expenditure commitments

Capital expenditure contracted for but not recognised as liabilities, are payable as follows:

Within one year	4,291	2,590
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24. Contingent liabilities

Bank guarantees, insurance bonds and letters of credit

Indemnities given by third parties on behalf of the Group in the ordinary course of business are as follows:

	31 December 2019 \$'000	31 December 2018 \$'000
Letters of credit	3,364	3,302
Insurance, performance and payment bonds	152,770	186,264
	<u>156,134</u>	<u>189,566</u>

25. Related party transactions

25.(a) Ultimate parent entity

The Group is jointly controlled by the immediate parent entity AIF VIII Singapore Pte Ltd, a company domiciled in Singapore and CIMIC Group Limited, a company domiciled and listed on the Australian Securities Exchange.

The ultimate parent entities of the Group and the respective entities above are Apollo Global Management, LLC a company incorporated in the United States of America and listed on the New York Stock Exchange and Actividades de Construcción y Servicios, SA (ACS) a company incorporated in Spain and listed on the Bolsa de Madrid Stock Exchange.

25.(b) Terms and conditions of transactions with related parties

The terms and conditions of the transactions with related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related parties on an arm's length basis.

25.(c) Key Management Personnel compensation

Key Management Personnel (KMP) are considered to be the Chief Executive Officer, the Chief Financial Officer and the Executive General Managers of each of the cash generating units. KMP compensation was \$5,147,245 for the year ended 31 December 2019 (2018: \$5,886,880).

25.(d) Related party disclosures

The following table provides the total amount of transactions that have been entered into with related parties.

	Revenue \$'000	Expenses \$'000	Current receivables \$'000	Non-current receivables \$'000	Current payables \$'000
31 Dec 2018					
Directors	-	750	-	-	-
Parent and their controlled entities	11,926	4,657	2,281	-	1,134
Joint Ventures	22,162	389	2,206	9,285	-
	<u>34,088</u>	<u>5,796</u>	<u>4,487</u>	<u>9,285</u>	<u>1,134</u>
31 Dec 2019					
Directors	-	750	-	-	-
Parent and their controlled entities	320	6,012	512	-	-
Joint Ventures	20,814	3,537	1,156	9,285	-
	<u>21,134</u>	<u>10,299</u>	<u>1,668</u>	<u>9,285</u>	<u>-</u>

26. Ventia Services Group Pty Limited and controlled entities

26.(a) Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2019 the parent entity of the Group was Ventia Services Group Pty Limited. A statement of profit or loss and statement of financial position is set out below:

	Year ended 31 December 2019 \$'000	Year ended 31 December 2018 \$'000
Statement of profit and loss		
Dividend income	100,000	60,000
Interest income	228	6
Profit before tax	100,228	60,006
Income tax expense	(68)	(2)
Total comprehensive income for the year	100,160	60,004
	31 December 2019 \$'000	31 December 2018 \$'000
Statement of financial position		
Cash and cash equivalents	20,658	384
Current tax asset	5,097	14,990
Trade and other receivables	9,733	-
Total current assets	35,488	15,374
Investment in subsidiaries	103	103
Total non-current assets	103	103
Total assets	35,591	15,477
Dividend Payable	4,876	-
Trade and other payables	-	2,214
Total current liabilities	4,876	2,214
Total non-current liabilities	-	-
Total liabilities	4,876	2,214
Net Assets	30,715	13,263
Share capital	3,249	2,844
Reserves	6,229	6,463
Retained earnings	21,237	3,956
Total equity	30,715	13,263

26.(b) Parent entity commitments and contingent liabilities

The Company does not have any commitments or contingent liabilities.

26. Ventia Services Group Pty Limited and controlled entities (continued)

26.(c) Controlled entities

Name of entity	Country	Interest held %	
		2019	2018
Ventia Services Group EIP Pty Ltd (iv)	Australia	100	100
Ventia Midco Pty Limited (iv)	Australia	100	100
Ventia Finco Pty Limited (iv)	Australia	100	100
Ventia Holdings I Pty Limited (i) (iv)	Australia	100	-
Ventia Pty Limited (iv, v)	Australia	100	100
Visionstream Services Pty Limited (iv, v)	Australia	100	100
Visionstream Australia Pty Limited (iv, v)	Australia	100	100
Ventia Leasing Pty Limited (iv, v)	Australia	100	100
Vision Hold Pty Limited (iv, v)	Australia	100	100
ChargePoint Pty Limited (iv, v)	Australia	100	100
ChargeLink Australia Pty Limited (iv)	Australia	100	100
Visionstream Pty Limited (iv, v)	Australia	100	100
Visionstream Operations Pty Limited (iii)	Australia	-	100
Ventia Utility Services Pty Limited (iv, v)	Australia	100	100
Ventia Utility Services Operations Pty Limited (iii)	Australia	-	100
Silcar Pty Ltd (iv, v)	Australia	100	100
Ventia Asset Infrastructure Services Pty Limited (iv)	Australia	100	100
Ventia Asset Infrastructure Services Operations Pty Limited (iii)	Australia	-	100
Ventia NBH Pty Limited (iv)	Australia	100	100
Delron Group Facility Services Pty Ltd (iv, v)	Australia	100	100
Delron Cleaning Pty Ltd (iv, v)	Australia	100	100
Ventia Environmental Services Pty Limited (ii) (iv)	Australia	100	-
Ventia NZ Limited	New Zealand	100	100
Ventia Pty Limited (NZ Branch)	New Zealand	100	100
Chargepoint Limited	New Zealand	100	100
Visionstream Pty Ltd (NZ Branch)	New Zealand	100	100
Visionstream NZ Ltd	New Zealand	100	100
Ventia (PNG) Ltd	Papua New Guinea	100	100
Silcar Nouvelle-Caledonie SAS	New Caledonia	100	100
Ventia Deco LLC	United States of America	100	100

(i) This entity was incorporated on 13 December 2019.

(ii) This entity was incorporated on 16 July 2019.

(iii) These entities have been deregistered in 2019.

(iv) Entities included in the Tax Consolidated Group.

(v) Entities party to the deed of cross guarantee entered into on 2 December 2015 pursuant to ASIC Class Order 2016/785.

27. Significant changes in the state of affairs

On 23 December 2019, Ventia Holdings I Pty Limited (a controlled entity of Ventia Services Group Pty Limited) signed an agreement with Ferrovial S.A. (a Spanish public limited liability company) to purchase the entire share capital of Ferrovial Services Australia Pty Limited for \$485 million. Ferrovial Services Australia Pty Limited is the parent entity for Broadspectrum Pty Limited ("Broadspectrum"). Broadspectrum delivers operations, maintenance, asset management and project management services in Australia and New Zealand.

The transaction is subject to various conditions and regulatory approvals. Ventia has fully committed financing for the transaction through existing funding and acquisition debt finance.

The acquisition is expected to close in 2020.

28. Events after the reporting period

Subsequent to the end of the financial year there have been considerable economic impacts in Australia and globally arising from the outbreak of Coronavirus disease (COVID-19).

At the date of signing the financial report the Group has insufficient information to determine the financial effects that COVID-19 may have on the Group in the coming financial period.

No financial effects arising from the economic impacts of COVID-19 have been included in the financial results for the year ended 31 December 2019.

No other matter or circumstance has occurred subsequent to the reporting date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

In the opinion of the Directors of Ventia Services Group Pty Limited ("the Company"):

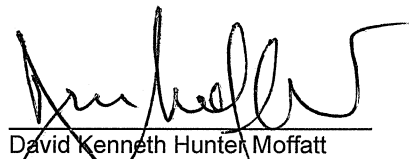
(a) the consolidated financial statements and notes that are set out on pages 4 to 34 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2019 and of their performance, for the financial year ended on that date;

(ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001; and

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

This declaration is made in accordance with a resolution of the Board of Directors pursuant to section 295(5) of the Corporations Act 2001.



David Kenneth Hunter Moffatt
Director

19 March 2020
Sydney

Independent Auditor's Report to the Members of Ventia Services Group Pty Limited

Opinion

We have audited the financial report of Ventia Services Group Pty Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the directors' report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

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



In connection with our audit of the financial 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.

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 – Reduced Disclosure Requirements 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related 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 judgement 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.
- 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's 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.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

G J McLean
G J McLean
Partner
Chartered Accountants
Sydney, 19 March 2020