



Oil & Gas



LNG



Mining



Maintenance

AUSGROUP LIMITED

Company Registration No. 200413014R

A N N U A L R E P O R T 2 0 0 5

Serving The Global Energy and Resources Industries



Kwinana fabrication facility

- comprising - steel fabrication
- refractory linings
- sheetmetal
- insulation activities

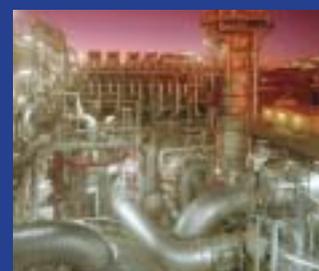
located at 15 Beach Street, Kwinana, Western Australia.

About Ausgroup Limited

AusGroup Limited ("AGL" or "the Group") is an integrated multi-disciplinary engineering services provider specializing in supporting the global needs of :

- Oil and gas
- Mining-related industries (including the extraction and processing of the mineral ores).

Website: www.ausclad.com.au



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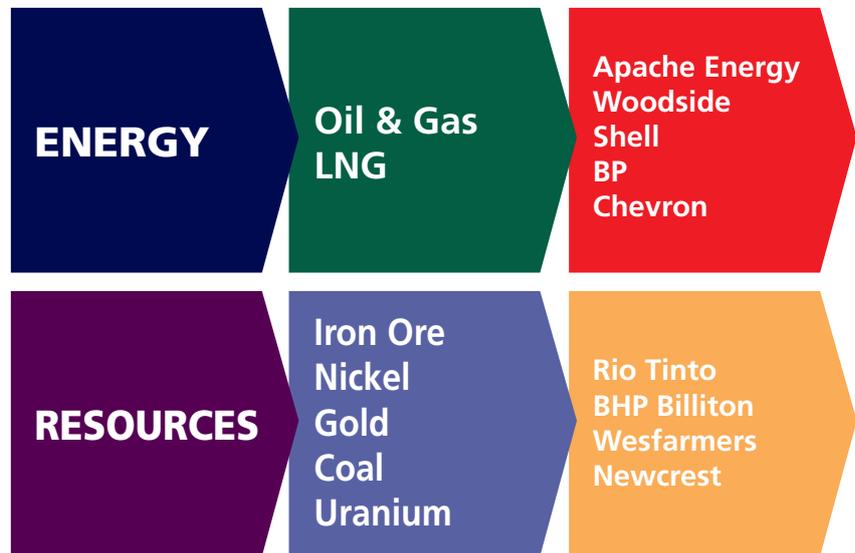
1. John Brookes topside module being transported to jetty loadout facility at Australian Marine Complex, Henderson Western Australia.
2. North West Shelf LNG operating facility Karratha Western Australia.
3. Dampier Port iron-ore screen house under construction for Hammersley Iron (part of Rio Tinto Group).
4. Relining cement kiln for Cockburn Cement Fremantle Western Australia.

What we do...

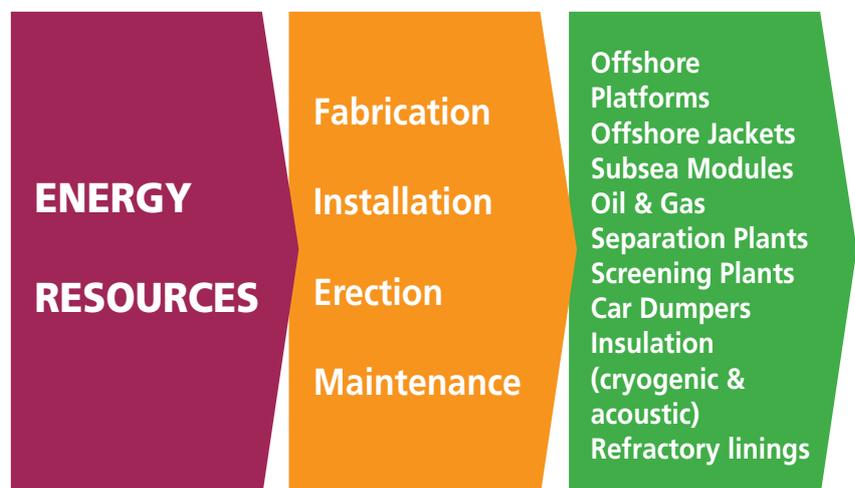


AGL is a diverse multi-disciplinary company providing total engineering solutions across a variety of industries.

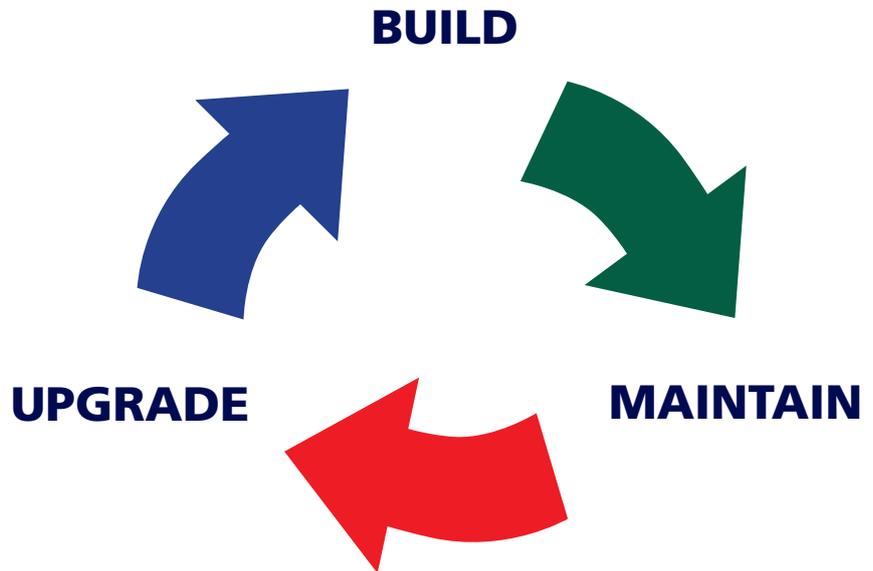
The Sectors We Serve...



Our Competencies...



The AGL Business Model



We are the “picks and shovels” of the energy and the resources Sectors that we serve.

Irrespective of the economic cycle the client is in, AGL’s services will always be required by clients to:

- **MAINTAIN** the processing plants or facilities, whether in boom or bad times
- **UPGRADE** when increased capacity is required, and/or
- **BUILD** new facilities or project infrastructure

A Letter to Shareholders



Stuart Kenny
Managing Director

On behalf of AusGroup Limited ("AGL" or "the Group"), we would like to begin by welcoming all our new shareholders who have given us your strong vote of confidence during our initial public offer this year.

In this first annual report, we are proud to inform you that for the financial year ended 30 June 2005, the Group delivered a 24.1% increase in revenue which rose from A\$115.5 million last year to A\$143.4 million this year. Reflecting the strong business sentiments, net profit after tax rose from A\$5.1 million to A\$6.8 million representing an increase of 33.9%.

The Group's performance during the year is attributable to the strong demand in the oil and gas and the mineral and resources industries in Western Australia. Our two core business divisions – the Engineering and Services Divisions saw revenue increases of 18.5% and 47.5% respectively with revenue contribution from the Engineering Division accounting for about 76.7% of our aggregate revenue.

Presently we are not only encountering the challenges presented by the strong business climate but more importantly, we have also been invited to tender for future jobs that will extend our order books into the next two to three years. To cater to these needs, we will be recruiting and expanding our human resource and our administrative and control capabilities will also be strengthened correspondingly to help us manage our business growth. The Corporate Overview that follows will provide insights into the developments at AusGroup during the year under review.

CORPORATE OVERVIEW

Operations

Both the Engineering and Services Divisions performed exceptionally well during the year delivering a 24% increase in revenue. In particular, the Engineering Division continues to benefit from strong demand driven by customers in the energy and resources sectors. By segmental analysis, revenue contributions from the Services and Engineering Divisions grew by 48% and 19% respectively in FY2005.

During the year, we successfully secured a number of contracts for onshore work from Apache Energy after completing the fabrication of a 350-tonne unmanned production deck for the John Brookes field development. In recognition of our abilities, we were also awarded a contract by Shell Todd Oil Services, a New Zealand based operator for the fabrication of an offshore platform for Shell Todd Oil Services' Pohokura Gas Development Project.

The rapid growth in the resources sector has also increased demand for our fabrication facilities and our onsite structural and mechanical capabilities. Our fabrication group also saw increased activity during the year having been awarded several significant resources related contracts. These contracts require complex skills for the fabrication of iron ore rail car unloading equipment, structural, conveyor, and tankage fabrication.

During the year we were able to assist a major customer overcome programme delays by carrying out extensive assembly work in our fabrication yard for wharf top deck components to be assembled into 450-tonne modules and a heavy lift ship was chartered to deliver these large modules to Dampier Port for direct installation. The successful implementation of this strategy recovered a three-month delay to the construction schedule and assisted the customer in meeting its new iron ore export commitments.

On the alumina and nickel front, the contracts secured are progressing well and are scheduled for completion in the 2006 financial year.



The 2005 financial year also saw the completion of the sixteen month cryogenic insulation and painting contract for the Woodside Energy Liquefied Natural Gas Train 4 in Karratha Western Australia.

Investment

The group continues to embrace technology by upgrading the profile cutting equipment in the fabrication facility with the installation of a computer controlled multi-head plasma cutting unit, automated high capacity welding equipment and a seven-axis robot for welding and cutting of pipes and structural steel.

To support the growth in the structural and mechanical installation business unit two 250-tonne Sumitomo cranes were purchased and mobilized from Japan in late April and June 2005. The aggregate value of these cranes amounted to approximately \$4.0 million.

The year also saw the formal recognition of our association with Minara Resources which commenced in 1997. We were awarded a three-year contract for the supply of labour, specialist maintenance and shutdown support for their Murin Murin nickel refinery.

The ongoing demand for commodities mined and processed in Western Australia boosted the growth of our maintenance and service-based work in the energy and resources sectors during the year.

Skilled Manpower and Staff Resources

The strong growth witnessed across all sectors through the year brought with it increased demand for skilled workers, engineers and management staff. To fulfill our human resource needs, a specialized team comprising eight experienced recruitment staff were assigned to work on a full time basis to support our recruitment needs. These recruitment professionals were tasked with the responsibilities to source appropriately qualified personnel spanning different disciplines to fill positions across the group.

Reflecting on the escalating human resource needs, the year saw a 65% increase in the headcount of our field workforce which rose from 344 to 567 employees during the year. Similarly headcounts at the staff level also from 96 employees to 152 employees. Total workforce increased from 440 to 719 being an increase of approximately 63%.

The implementation of these human resource initiatives saw the incurrence of higher operating and administrative expenses during the financial year under review. Administrative costs were higher due to the additional costs arising from higher wages and salary costs. Rental cost was also higher due to the relocation of our Australian Corporate Office from Kwinana to Perth's Central Business District.

Picture from left to right:

1. North West Shelf LNG Trains 1,2 and 3, Karratha Western Australia.
2. John Brookes topside module helideck under construction.
3. Coal granulation plant - Port Kembla New South Wales.
4. Iron Ore stacker and conveyor system for BHP Iron Ore Pilbara, northwest Western Australia.



Completed cryogenic insulation LNG Train 4
Karratha Western Australia

A Letter to Shareholders



Picture from left to right:

1. Iron Ore wharf extensions for Hammersley Iron Dampier Port, Western Australia.
2. TIG welding of pipespool section, Kwinana fabrication facility.
3. John Brookes field onshore expansion project for oil & gas processing facility at Varanus Island, northwest Western Australia.
4. Multifunctional robot welding flange plate to process pipespool at Kwinana fabrication facility.



Fabrication of stainless steel pressure vessel in progress, Kwinana fabrication facility.

PROSPECTS AHEAD

The prospects into the new financial year are extremely encouraging. Australia will remain AGL's strong hold. However, our newly acquired public listed status on the Singapore Stock Exchange has also given us the necessary credentials to tender for jobs in the ASEAN region. To undertake preliminary market development of the Group's capabilities within the region, AGL (Asia) Pte Ltd was incorporated and presently enquiries are progressing on several prospective contracts for works within the region.

In Australia we will continue to focus our efforts in the growing energy and resources to drive the revenue growth for our fabrication, oil and gas, LNG and industrial construction business units. The integration of the fabrication business and additional fabrication facilities that we acquired during July 2005 expand our fabrication capacity by up to 30% to support our additional fabrication needs.

In regard to the resources sector, the commitments undertaken by the large Australian suppliers of mineral resources such as iron ore, nickel, alumina and salt will necessitate the expansion of existing mines and facilities as well as develop new mines in Western Australia.

We are operating in a prime position where there are abundant opportunities for growth and expansion. The knowledge and competencies that we have developed over the many years in our industry will give us the competitive edge that we need to pitch for larger value added projects. The partnerships that we have forged with our customers over the years will enable us to serve their needs as they expand into the region. All these achievements that we see today would not have been possible without the commitments and dedication of our team in AGL. I would like to take this opportunity to thank all of them and look forward to their support as we move to meet new challenges ahead of us.

In closing, I would like to express my appreciation and gratitude to all our customers, business associates, bankers and all the professionals who have worked relentlessly to make our initial public offering a success. All your contributions have made this a memorable year in AGL's history for all of us. Going forward we will endeavour to do our best to deliver another good report card to our shareholders in the new financial year.

Stuart Kenny
Managing Director

Significant Events

		AUD\$
July 2004	Awarded Contract by Chevron to fabricate pipe supports for Barrow Island operating facility Western Australia.	\$1.4m
August 2004	Awarded Contract by Apache Energy for upgrade of Varanus Island onshore gas plant Varanus Island Western Australia.	\$6.0m
	Awarded Contract by Alcoa World Alumina to fabricate new calcination vessels for their Pinjarra Alumina Refinery Western Australia.	\$1.4m
September 2004	Completed insulation and painting Contract for Woodside Energy LNG Train 4 Project, Karratha Western Australia.	\$105.0m
October 2004	Awarded Contract by Shell Todd New Zealand to design and fabricate offshore oil production jacket and unmanned topside module.	\$6.0m
	Negotiated Contract variation by Rio Tinto for complete assembly of wharf top deck structure for Iron Ore loading facility Dampier Port, Western Australia.	\$4.3m
November 2004	Awarded Contract for provision of Maintenance Support Services by Minara Resources for a three year term.	\$45.0m
	Awarded Contract for Ravensthorpe Nickel Project to design, fabricate and install process storage tanks.	\$18.0m
	Awarded additional work by Apache Energy for Varanus Island onshore gas plant.	\$6.0m
December 2004	Awarded Contract by Rio Tinto for fabrication and site assembly of Screen House and conveyors for iron ore expansion project Dampier Port Western Australia.	\$32.0m
	Award of Contract by Minara Resources to fabricate 2 replacement stainless steel heat exchangers for installation at their Murrin Murrin Nickel Mine Western Australia.	\$0.75m
February 2005	Awarded Contract by Metso Minerals to fabricate iron ore train unloading facility for Rio Tinto expansion project Dampier Port Western Australia.	\$6.4m
	Awarded Contract by Apache Energy for upgrade of hot oil facility on Varanus Island Western Australia.	\$3.2m
March 2005	Awarded two additional Contracts by Rio Tinto for fabrication and onsite installation of pump station and water treatment facilities and additional conveyor systems for expansion project Dampier Port Western Australia.	\$18.3m
May 2005	Awarded Contract by Roc Oil Ltd for fabrication and onsite installation of Arrowsmith onshore oil separation plant, new oil field development Dongara, Western Australia.	\$22.0m

Board of Directors



Mr Koh Soo Keong

Non-Executive Chairman and Independent Director Age:53

Mr Koh is the President and Chief Executive Officer of SembCorp Logistics Ltd. He has been leading SembCorp Logistics since the company, formerly known as Sembawang Marine and Logistics (SML), acquired and merged with Singapore Technologies Logistics (ST Logistics) in 1999. Mr Koh was ST Logistics' chief executive since 1986, before the merger with SML. Under his leadership, ST Logistics enjoyed strong growth and successfully expanded its integrated logistics operations across Asia. After the merger, he played an instrumental role as CEO in transforming SML, a local marine logistics operator, into a leading supply chain management company in Asia. Mr Koh has more than 20 years of experience in the logistics industry. Between 1979 and 1986, prior to joining ST Logistics, Mr Koh was a key project manager in the Defence Material Organisation in the Singapore Ministry of Defence where he was involved in various areas of project management, including quality assurance, procurement, materials management and information technology. Mr Koh is also the Chairman of Sembawang Kimtrans Ltd. He holds a Bachelor of Engineering (Honours), a Master of Business Administration and a Post Graduate Diploma in Business Law from the University of Singapore. He was awarded a Public Service Commission (PSC) Scholarship in 1971 and a PSC MBA Scholarship in 1983.



Mr Stuart Maxwell Kenny

Managing Director Age:53

Mr Kenny is in charge of the overall management of our Group and is responsible for promoting, expanding, developing and steering the corporate plans, directions and business strategies of our Group. Mr Kenny was the Managing Director of AGC from December 1997 to May 2003 and thereafter from 14 May 2004. From June 2003 to May 2004, Mr Kenny was seconded to the Ausclad Meisei Joint Venture as its Project Director to oversee the A\$100 million insulation and painting contract for the North West Shelf Train 4 LNG expansion project. Mr Kenny has also been the Managing Director of AGC Industries since 1998. Mr Kenny has extensive experience as senior project manager on numerous large resource construction projects within the LNG, oil and gas, alumina and resource refining industries. Mr Kenny has successfully completed a number of major construction contracts with client commendations for his strong emphasis on project quality, team management and workforce safety. Mr Kenny holds a certificate for Contract Estimation and Supervision from Swinburne Institute of Technology, Australia. He is also certified by the Office of Energy, Western Australia as an Electrician (Grade A). Mr Kenny has attended a course entitled the "SID Company Directors' Course" conducted by the Enterprise Promotion Centre Pte Ltd in December 2004.



Mr James Finbarr Fitzgerald

Executive Director Age:41

Mr Fitzgerald is responsible for the management, development and performance of the Group's operating divisions. Mr Fitzgerald has been an Executive Director of AGC since 22 January 2002 and Operations Director of AGC Industries since December 1997. From 1989 to 1998, he was the Managing Director of Ausclad Industries Pty Ltd and spear-headed the expansion of our oil and gas business unit. Mr Fitzgerald has extensive experience in steel fabrication of production platforms for the oil and gas industry and for the construction and maintenance of production facilities for the resources extraction and refining industries gained as a sole proprietor and in establishing the fabrication facilities of Ausclad Industries Pty Ltd. Mr Fitzgerald holds an Australian Recognised Tradesman's Certificate (Sheet Metal Worker, First Class) from the Australian Local (Sheetmetal Trades) Committee of New South Wales.

Board of Directors



Mr Barry Alfred Carson

Non-Executive Director Age:60

Mr Carson has been a non-executive director of AGC since December 1997. Mr Carson has in excess of 40 years experience in the building and industrial industries. From 1964 to 1991, he was employed by CSR Limited, finally as the State Manager for CSR Bradford Insulation, a large Australian insulation manufacturer. Since 1995, Mr Carson has been the Managing Director of Australasian Insulations Supplies Pty Ltd. Mr Carson has previously served in the Australian Defence Force earning the rank of Army Major, awarded National Medal and Reserve Forces Decoration. Mr Carson graduated from the West Australian Institute of Technology with an Associateship in Business Administration (Marketing Option) in 1974. Mr Carson has attended a course entitled the "SID Company Directors' Course" conducted by the Enterprise Promotion Centre Pte Ltd in November 2004.



Mr Tay Eng Hoe

Non-Executive Director Age:53

Mr Tay is the Group Chief Executive Officer and Director of ECS Holdings Limited, a public company listed on the Mainboard of the SGX-ST. He is a veteran of the IT industry with more than 20 years experience. In 1983, he set up ECS and had grown the ECS Group to a S\$1.87 billion business today, with operations and subsidiaries in Singapore, Malaysia, Thailand, China and Indonesia. Mr Tay sits on the Boards of various companies and government statutory organisations and is also actively involved in charitable organisations. He sits on the Board of International Enterprise Singapore and is also a member of their Audit Committee. He is also a councillor of the Singapore Infocomm Technology Federation. Mr Tay is a member of the Committee on Industry & Development of the Singapore Corporation of Rehabilitative Enterprise (SCORE) as well as a member of the Mechanical Engineering Advisory Committee of the Ngee Ann Polytechnic. Mr Tay holds a Bachelor of Science (Hons) degree from LaTrobe University and a Master of Business Administration from the University of Melbourne.



Mr Kok Pak Chow

Independent Director Age:51

Mr Kok has held senior management positions in various insurance operations including a foreign general insurance company. Since 1996, he has been acting as a consultant to IXChange Pte Ltd (formerly known as APIC Integrated Care Pte Ltd) and from May 2005 to Shenton Insurance Pte Ltd (both companies are wholly owned subsidiaries of Parkway Group Healthcare Pte Ltd). He has also been a consultant to Parkway Group Healthcare Pte Ltd since December 2001. Mr Kok holds a Bachelor of Commerce (Honours), Major in Economics from University of Melbourne. He is a Fellow of the Institute of Certified Public Accountants of Singapore and member of CPA Australia. He is also a Fellow of the Chartered Insurance Institute, United Kingdom. Mr Kok is active in community work and was conferred the Public Service Medal by the President of the Republic of Singapore in 2000.



Mr David Chia Tian Bin

Independent Director Age:48

Mr Chia was responsible for financial audit and consulting services with an international accounting firm from 1980 to 1990. Since 1990, he has been involved in private equity and venture capital investment advisory services in Asia. He is currently an Executive Director of Enterprise Asean Fund Pte Ltd and ASC OSK Capital Pte Ltd. Mr Chia holds a Bachelor of Accountancy (Honours) from the University of Singapore. He is also a Fellow of the Institute of Certified Public Accountants of Singapore.

Key Management

Mr Kazimierz Jan Grygorcewicz

Chief Financial Officer Age:44

Mr Grygorcewicz is responsible for the overall management of the accounting and finance functions of our Group. He joined our Group in June 2003 as Manager (Finance – Special Projects) and became our Chief Financial Officer in June 2004. Prior to that, he was the Chief Financial Officer of Kaefer Technologies Limited between May 1995 and May 2003. Kaefer is a company listed on the Australian Stock Exchange that supplies industrial insulation and maintenance services to the resource processing and energy industries. From 1991 to 1992, Mr Grygorcewicz lectured in final year accounting subjects at the Curtin University of Technology. Mr Grygorcewicz graduated from the Curtin University of Technology with a Bachelor of Business in 1981. He has been an Associate Member of the Institute of Chartered Accountants in Australia since 1983.

Mr Bradley John Bain

General Manager, Refractory Linings and Protective Coatings Age:33

Mr Bain is responsible for the Refractory Linings and Protective Coatings business units of our Group. He joined our Group in 1997 as a contracts coordinator. Mr Bain has contract management experience involving maintenance and shutdown projects for the resource processing industry. Mr Bain holds a trade certificate for sheet metal work from the West Australia apprentice board. Mr Bain has attended a course entitled the "SID Company Directors' Course" conducted by the Enterprise Promotion Centre Pte Ltd in November 2004.

Mr Jason Henry Hughes

General Manager, Oil and Gas Age:33

Mr Hughes is responsible for the Oil and Gas business unit of our Group. He joined our Group in September 2000. Prior to that, he was employed in various management and supervisory roles in the engineering and construction industry, including serving as a Project Manager for Alinta, Western Australia's principal natural gas retailer and distributor. Mr Hughes is certified as a Technician and a Welding Inspector by The Welding Institute of England as well as an Engineering Technician by the Engineering Council of the United Kingdom.

Mr Adam Anthony Portaro

General Manager, Fabrication Age:42

Mr Portaro is responsible for the Fabrication business unit of our Group. He joined our Group in October 2000. Mr Portaro has more than 20 years of operational experience in the engineering and construction industry. He commenced his career as an apprentice boilermaker and first class welder in 1979 and has, since then, held various operational positions in a range of engineering and construction projects. Mr Portaro holds a Trade Certificate (Steel Construction and First Class Welding) from the Industrial Training Advisory Council of Western Australia, which he received in February 1983.

Mr Terence Hemsworth

General Manager, Maintenance and Insulation Age:52

Mr Hemsworth is responsible for the Maintenance and Insulation business units of our Group. He joined our Group in December 2002. Mr Hemsworth has more than 27 years of operational experience in the engineering and construction industry in Singapore, Malaysia, South Africa and the United Kingdom. Prior to joining our Group, he was employed by O'Donnell Griffin (which was part of the Tyco group of companies) between 1988 and 2002. During his employment with O'Donnell Griffin, his appointment included serving as their Regional Manager for Western Australia and Northern Territory. Mr Hemsworth is certified as an Electrical Mechanic by Electrical Licensing Board of Western Australia and registered as an Electrician with the Electrical Registration Board of New Zealand.

Mr Giuseppe Macri

Business Development Manager Age:56

Mr Macri is responsible for the development of our Group's businesses, which involves identifying new or potential projects, fostering customer relations, preparing expressions of interests and pre-qualification proposals, and assisting with tender reviews. He joined our Group in December 2002. Mr Macri has more than 27 years of management experience in the engineering and construction industry. Prior to joining our Group, he was an Associate Director of Transfield Construction, a leading Australian engineering and construction company where he was employed from 1967 to 2002. Mr Macri completed his Year 12 studies in 1965.

Corporate Structure



Incorporated in Singapore
Company Registration No. 200413014R

AusGroup Limited Board of Directors

Ausclad Group of Companies Limited

Engineering Division

Oil & Gas

Fabrication

Structural & Mechanical
Installation

Services Division

Insulation

Linings

Maintenance

AGL (Asia) Pte Ltd

Special Projects

Corporate Information

Company Registration Number: 200413014R

Board of Directors

Koh Soo Keong
(*Non-Executive Chairman and Independent Director*)

Stuart Maxwell Kenny
(*Managing Director*)

James Finbarr Fitzgerald
(*Executive Director*)

Barry Alfred Carson
(*Non-Executive Director*)

Tay Eng Hoe
(*Non-Executive Director*)

David Chia Tian Bin
(*Independent Director*)

Kok Pak Chow
(*Independent Director*)

Company Secretaries

Chan Chow Pheng Grace, ACIS, LLB (Hons)
Lim Bee Eng Corine, ACIS

Registered Office

138 Robinson Road, #17-00
The Corporate Office
Singapore 068906
Phone: (65) 6227 6660
Facsimile: (65) 6223 1735
Email: enquiries@ausclad.com.au

Principal Place of Business

Level 5
19 Pier Street,
Perth
Western Australia 6000
Australia
Phone: (618) 6210 7888
Facsimile: (618) 9439 1932

Company Registration Number

200413014R

Share Registrar and Share Transfer Office

M & C Services Private Limited
138 Robinson Road, #17-00
The Corporate Office
Singapore 068906

Auditors

Moore Stephens
Certified Public Accountants
11 Collyer Quay #10-02
The Arcade
Singapore 049317

Auditors of the Subsidiaries

Moore Stephens BG
Chartered Accountants
Level 3, 12 St George's Terrace
Perth, Western Australia 6000
Australia

Solicitors

Lee & Lee
5 Shenton Way, Level 19
UIC Building
Singapore 068808

Principal Banker

St. George Bank Limited
152-158 St George's Terrace
Perth, Western Australia 6000
Australia

Corporate Governance

AusGroup Limited ("AusGroup") recognises the importance of corporate governance and maintaining high standards of accountability to its shareholders and will follow closely the principles set out in the Code of Corporate Governance (the "Code") and the Best Practices Guide issued by the Singapore Exchange Securities Trading Limited ("SGX-ST").

This report describes the corporate governance practices of the Company with specific references to the Code. The Company was incorporated in the Republic of Singapore on 9 October, 2004 and was admitted on the Official List of the SGX-ST Dealing and Automated Quotation System ("SGX-SESDAQ") on 27 April 2005.

(A) BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Effective Board to lead and control the Company

Role of the Board of Directors (the "Board")

The primary role of the Board is to protect and enhance long-term shareholder value. It sets the overall strategy for the Company and its subsidiaries (collectively, the "Group") and supervises the management. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including setting its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Board Processes

To assist in the execution of its responsibilities, the Board has established a number of committees, including an Audit Committee ("AC"), a Nominating Committee ("NC") and a Remuneration Committee ("RC"). These committees are chaired by independent Directors or a Non-Executive Director and function within clearly defined terms of reference and operating procedures.

Board Meetings

The Board conducts regular scheduled meetings. Ad hoc meetings are also convened when circumstances require. To facilitate the attendance and participation of Directors at Board meetings, the Company's Articles of Association allow Board meetings to be conducted by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means.

Since the Company was admitted to the Official List of the SGX-SESDAQ on 27 April 2005, the Board has held one meeting for the financial period under review which was attended by all Directors.

EXECUTIVE COMMITTEE

The Company has established a Committee of Directors and referred to as the Executive Committee. The Executive Committee comprises Mr Koh Soo Keong (Chairman), Mr David Chia Tian Bin (independent Director) and Mr Stuart Maxwell Kenny (executive Director).

The Executive Committee was established to assist the Board in providing greater responsiveness to Management in the decision making process of the Group. The Executive Committee is authorized by the Board to review and where necessary rationalize the system of financial approval limits established within the Group. The Executive Committee shall review and where appropriate endorse, on behalf of the Board, significant financial commitments including significant capital investment in or disposal of Group assets and commitments to significant contract tenders.

The Executive Committee shall also approve the fixation of the Company's Common Seal and carry out such other functions as may be agreed by the Executive Committee and the Board. A summary of Executive Committee decisions shall be tabled for information at the following Board meeting.

Training

The Company recognises the importance of appropriate training for its Directors. Newly appointed Directors will be given briefings and orientation of the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors.

The Directors will also be briefed from time to time on regulatory changes which have an important bearing on the Company and the Directors' obligations towards the Company.

Corporate Governance

BOARD COMPOSITION AND BALANCE

Principle 2: Strong and independent element on the Board

The Board presently comprises:

1. Koh Soo Keong	-	Chairman & Independent Director
2. Stuart Maxwell Kenny	-	Managing Director and Chief Executive Officer
3. James Finbarr Fitzgerald	-	Executive Director
4. Barry Alfred Carson	-	Non-executive Director
5. Tay Eng Hoe	-	Non-executive Director
6. David Chia Tian Bin	-	Independent Director
7. Kok Pak Chow	-	Independent Director

Key information regarding the Directors is given in the section entitled "Board of Directors" in the Annual Report.

The independence of each Director is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an independent director in its review. The NC is of the view that the three independent Directors (who represent in excess of one-third of the Board) are independent.

The NC is of the view that the present constitution of the Board allows it to exercise objective judgement on corporate matters. The Board believes that the combined experience, knowledge and expertise of the Directors will provide for effective decision-making and leadership to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: Clear division of responsibilities at the Board level to ensure a balance of power and authority

The Board has a Chairman, Mr Koh Soo Keong, while the office of Chief Executive Officer is held by Mr Stuart Maxwell Kenny. The Board believes that this ensures an appropriate balance of power, increased accountability and greater capacity of the Board for decision-making.

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

BOARD MEMBERSHIP

Principle 4: Formal and transparent process for appointment of new Directors

The Company's Articles of Association require one-third of the Directors to retire from office by rotation and subject themselves to re-election by shareholders at each Annual General Meeting ("AGM"). Every Director must retire from office and submit themselves for re-nomination and re-election at least once every three years.

Nominating Committee

The NC comprises Mr Koh Soo Keong (independent Director), Mr David Chia Tian Bin (independent Director) and Mr Kok Pak Chow (independent Director). The Chairman of the NC is Mr Koh Soo Keong. The NC is responsible for, amongst other things:

- (i) re-nomination of the Directors having regard to the respective Director's contribution and performance;
- (ii) determining annually whether or not a Director is independent; and
- (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

Pursuant to Article 97 of the Company's Articles of Association, all Directors will cease to hold office at the forthcoming AGM and will offer themselves for election.

Since the Company was admitted to the Official List of the SGX-SESDAQ on 27 April 2005, the NC has held one meeting for the financial period under review which was attended by all members.

Corporate Governance

BOARD PERFORMANCE

Principle 5: Formal assessment of the effectiveness of the Board as a whole and performance of individual Directors

The NC will decide how the Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced long-term shareholders' value. The performance evaluation will also take into consideration the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and benchmark index of its industry peers. The Board will also implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board.

ACCESS TO INFORMATION

Principle 6: Board members to have complete, adequate and timely information

Directors are from time to time furnished with detailed information concerning the Group to enable them to be fully cognizant of the decisions and actions of the management. All Directors have unrestricted access to the Company's records and information. Detailed Board papers are prepared for each Board meeting and are normally circulated in advance of each meeting. The Board papers include sufficient information from management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings. All independent Directors have access to all levels of senior executives in the Group.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: Formal and transparent procedure for fixing the remuneration packages for Directors

Remuneration Committee

The RC comprises Mr Koh Soo Keong (independent Director), Mr David Chia Tian Bin (independent Director), Mr Kok Pak Chow (independent Director) and Mr Barry Alfred Carson (non-executive Director). The Chairman of the RC is Mr Barry Alfred Carson. Mr Barry Alfred Carson was appointed Chairman of the RC to utilise his knowledge of the Australian labour market and conditions.

The RC will recommend to the Board a framework of remuneration for the Directors and key executives, and determine specific remuneration packages for each executive Director. The recommendations of the RC will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share awards and benefits in kind shall be covered by the RC.

Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package.

Since the company was admitted to the Official List of the SGX-SESDAQ on 27 April 2005, the RC has held one meeting for the financial period under review which was attended by all members.

LEVEL AND MIX OF REMUNERATION

Principle 8: Remuneration of Directors should be adequate but not excessive

The RC ensures that the level of remuneration is appropriate to attract, retain and motivate the Directors needed to run the Company successfully.

Only the independent and non-executive Directors receive directors' fees, in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the independent Directors and the need to pay competitive fees to attract and, retain and motivate the independent Directors. Directors' fees will be recommended by the Board for the approval of the shareholders at the AGM.

The executive Directors (comprising Mr Stuart Maxwell Kenny and Mr James Finbarr Fitzgerald) do not receive directors' fees.

Corporate Governance

Service Agreements

The Company has entered into a service agreement (collectively, the "Service Agreements") with each of Mr Stuart Maxwell Kenny and Mr James Finbarr Fitzgerald (collectively, the "Executives") that took effect from 1 January 2005 for a period of 3 years and concluding on 31 2007. (the "**Termination Date**").

The Company may terminate the Service Agreements if any of the Executives, amongst other things, commits any serious and persistent breach of the provisions of the Service Agreements, becomes of unsound mind, becomes bankrupt or is found guilty of conduct with the effect of bringing himself or the Company into disrepute. The Service Agreements cover the terms of employment, specifically salaries and bonuses. They are also entitled to participate in any bonus program established by the Company during their term of service.

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

AusGroup Share Scheme

The AusGroup Share Scheme was approved by shareholders and adopted on 14 March 2005 as an incentive plan for employees of the Group. It is administered by the RC. No award shares have as yet been awarded under the AusGroup Share Scheme.

DISCLOSURE ON REMUNERATION

Principle 9: Disclosure on remuneration policy, level and mix of remuneration, and the procedure for setting remuneration

The compensation paid to the Directors and the executive officers of the Group (as detailed on page 10) for services rendered to the Group on an individual basis and in remuneration bands for the period commencing 9 October 2004 to 30 June 2005 is as follows:

Names	Remuneration for 2005
Directors	
Koh Soo Keong	Band A
David Chia Tian Bin	Band A
Kok Pak Chow	Band A
Tay Eng Hoe	Band A
Barry Alfred Carson	Band A
Stuart Maxwell Kenny ⁽¹⁾	Band A
James Finbarr Fitzgerald ⁽¹⁾	Band A
Executive Officers	
Mr Kazimierz Jan Grygorcewicz ⁽¹⁾	Band A
Mr Bradley John Bain ⁽¹⁾	Band A
Mr Jason Henry Hughes ⁽¹⁾	Band A
Mr Adam Anthony Portaro ⁽¹⁾	Band A
Mr Terence Hemsworth ⁽¹⁾	Band A
Mr Giuseppe Macri ⁽¹⁾	Band A

Legend:

Band A means between S\$0 and S\$249,999.

Notes:

1) Based on an average exchange rate of S\$1.2680: AUD\$1 for financial period 2005.

Corporate Governance

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: The Board is accountable to the shareholders while the management is accountable to the Board

As stated above, the Board's primary role is to protect and enhance long-term value and returns for the shareholders. In the discharge of its duties to the shareholders, the Board, when presenting annual financial statements and announcements, seeks to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects.

AUDIT

Principle 11: Establishment of the Audit Committee with written terms of reference

Audit Committee

The AC comprises Mr David Chia Tian Bin (independent Director), Mr Koh Soo Keong (independent Director), Mr Kok Pak Chow (independent Director) and Mr Barry Alfred Carson (non-executive Director). The Chairman of the AC is Mr David Chia Tian Bin. The Directors recognise the importance of corporate governance and the offering of high standards of accountability to the shareholders of the Company. The AC meets periodically to perform, amongst other things, the following functions:

- (i) review the announcements on the results and financial position of the Company and the Group and the financial statements of the Company and consolidated financial statements of the Group prior to their submission to the Board;
- (ii) review the audit plans and reports of the external and internal auditors and consider the effectiveness of the actions taken by management on the auditors' recommendations;
- (iii) appraise and report to the Board on the audits undertaken by the external and internal auditors, the adequacy of the disclosure of information, and the appropriateness and quality of the system of management and internal accounting and other controls;
- (iv) review the independence of external auditors annually and consider the appointment or re-appointment of external auditors;
- (v) ensure that arrangement is made for the review of the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management, at least annually; and;
- (vi) review interested person transactions, if any.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

The AC will meet with the external auditors without the presence of the management. This is to review the adequacy of audit arrangements, with particular emphasis on the scope and quality of their audits, the independence and objectivity of external auditors and the level of cooperation and assistance provided by the Group's officers.

The AC has undertaken a review of all the non-audit services provided by the external auditors during the year under review and is satisfied that such services would not, in the AC's opinion, affect the independence and objectivity of the external auditors.

The AC has recommended to the Board the re-appointment of Moore Stephens as the Company's external auditors at the forthcoming AGM.

Since the Company was admitted to the Official List of the SGX-SESDAQ on 27 April 2005, the AC has held one meeting for the financial period under review which was attended by all members.

Corporate Governance

INTERNAL CONTROLS & INTERNAL AUDIT

Principle 12: Sound system of internal controls

Principle 13: Independent internal audit function

The Board recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Company's assets. For the financial period under review, the Board is of the view that there is no significant weakness or breakdown in the Company's existing system of internal controls and they provide reasonable, but not absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The AC will meet with the Company's external auditors to discuss the results of their examination of the system of internal controls.

The Company presently has no separate internal audit function. The AC has recommended, and the Board has approved, the appointment of Deloitte Touche Tohmatsu as internal auditors.

(D) COMMUNICATION WITH SHAREHOLDERS

COMMUNICATION WITH SHAREHOLDERS & GREATER SHAREHOLDER PARTICIPATION

Principle 14: Regular, effective and fair communication with Shareholders

Principle 15: Greater shareholder participation at Annual General Meetings

The Company does not practice selective disclosure. In line with continuous disclosure obligations of the Company pursuant to the Listing Rules of the SGX-ST and the Companies Act, Chapter 50 Singapore (the "**Act**"), the Board's policy is that all shareholders should be provided identical and timely information of all major developments that impact the Group. Information will first be disseminated through SGXNET and where relevant, followed by a news release. The Company will also make announcements from time to time to update investors and shareholders on corporate developments that are relevant.

The Company will maintain open communications with investors and shareholders and will strive to attend to their queries directly, whether verbal or written. Shareholders will also be given the opportunity to raise queries with the Directors and management on any matters concerning the Company and the Group during the Company's AGMs.

The Company welcomes active participation from shareholders at its AGMs. To facilitate voting by shareholders, the Company allows shareholders to vote by proxy.

(E) DEALING IN SECURITIES

The Company has adopted the guidelines issued by the SGX-ST in the Best Practice Guide with respect to Dealings in Securities. The guidelines have been disseminated to the Directors and officers of the Group. Directors and officers of the Group are also expected to observe all applicable insider trading laws at all times even when dealing in the Company's securities within permitted trading periods.

(F) INTERESTED PERSON TRANSACTIONS

The Company has set out procedures governing all interested person transactions. In particular, the AC reviews all interested person transactions to ensure that these are carried out on arm's length bases, in conformity with normal commercial terms and not prejudicial to the interests of the Company and its shareholders. Management provides quarterly reports to the AC detailing all interested person transactions. A register is maintained of all interested person transactions. The internal audit plan will incorporate a review of all interested person transactions.

Note 5 of the attached Financial Statements details the interested person transactions the Group entered into with related parties during the financial period under review.

Financial Statements

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Report of the Directors

AS AT 30 JUNE 2005

The directors present their report to the members together with the audited financial statements of the Group and the balance sheet of the Company for the financial period from 9 October 2004 (date of incorporation) to 30 June 2005.

1 Directors

The directors of the Company in office at the date of this report are:

Koh Soo Keong	(Appointed on 14 March 2005)
Stuart Maxwell Kenny	(Appointed on 13 December 2004)
James Finbarr Fitzgerald	(Appointed on 13 December 2004)
Barry Alfred Carson	(Appointed on 13 December 2004)
David Chia Tian Bin	(Appointed on 22 December 2004)
Kok Pak Chow	(Appointed on 14 March 2005)
Tay Eng Hoe	(Appointed on 14 March 2005)

Details on director profiles are contained in pages 6 and 7 of this Annual Report.

2 Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

3 Directors' Interests in Shares or Debentures

The interests of the directors holding office at the end of the financial period in the share capital of the Company and its related companies as recorded in the register of directors' shareholdings were as follows:

Name of directors and companies in which interests are held	Direct Interest		Deemed Interest	
	At beginning of period or date of appointment, if later	At end of financial year	At beginning of period or date of appointment, if later	At end of financial year
<u>Ordinary shares of S\$ 0.05 each</u>				
The Company				
Stuart Maxwell Kenny	-	-	37,292,920	37,292,920
James Finbarr Fitzgerald	35,330,440	35,330,440	-	-
Barry Alfred Carson	22,693,660	22,693,660	42,499,940	42,499,940
Tay Eng Hoe	4,016,260	4,016,260	-	-

The directors' interest in the shares of the Company at 21 July 2005 were the same as at 30 June 2005.

4 Options

During the financial period, no options to take up unissued shares of the Company or any subsidiary were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary. There were no unissued shares of the Company or any subsidiary under option at the end of the financial period.

5 Directors' Contractual Benefits

Since the date of incorporation, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with the firm of which he is a member, or with a company in which he has a substantial financial interest except in respect of remuneration as disclosed in Note 29 to the financial statements and the directors received remuneration from related companies in their capacity as directors of those companies.

Report of the Directors

AS AT 30 JUNE 2005

6 Audit Committee

The Audit Committee performs the functions specified in the Singapore Companies Act and Code of Corporate Governance. The functions performed are detailed in the Report on Corporate Governance.

7 Auditors

Moore Stephens retire, and being eligible, have expressed their willingness to accept reappointment.

On behalf of the Directors

KOH SOO KEONG

STUART MAXWELL KENNY

Singapore
30 September 2005

Statement by Directors

AS AT 30 JUNE 2005

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 24 to 49 are drawn up so as to give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2005 and of the results of the business, changes in equity, and the cash flows of the Group for the financial period from the date of incorporation, 9 October 2004 to 30 June 2005; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

KOH SOO KEONG

STUART MAXWELL KENNY

Singapore
30 September 2005

Report of The Auditors to the Members of Ausgroup Limited

(INCORPORATED IN SINGAPORE)

We have audited the accompanying balance sheet of the Company and the consolidated financial statements of the Group as a set out on pages 24 to 49. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, Cap 50 ("the Act") and Singapore Financial Reporting Standards and so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2005 and the results, changes in equity and cash flows of the Group for the financial period from the date of incorporation, 9 October 2004 to 30 June 2005; and
- (b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Moore Stephens
Certified Public Accountants

Singapore
30 September 2005

Balance Sheets

AS AT 30 JUNE 2005

	Note	The Group 2005 AUD \$'000	The Company 2005 AUD \$'000
ASSETS			
Non-current assets:			
Investment in subsidiaries	12	-	10,492
Goodwill	15	1,339	-
Property, plant and equipment	14	11,803	-
Total non-current assets		<u>13,142</u>	<u>10,492</u>
Current assets:			
Contract work in-progress	11	12,551	-
Inventories	10	183	-
Trade receivables	7	21,508	-
Other receivables and prepayments	8	152	50
Due from subsidiaries	9	-	9,067
Cash and cash equivalents	6	19,752	1,888
Total current assets		<u>54,146</u>	<u>11,005</u>
Total assets		<u><u>67,288</u></u>	<u><u>21,497</u></u>
EQUITY AND LIABILITIES			
Capital and reserves:			
Issued capital	22	11,720	11,720
Share premium	23	9,316	9,316
Foreign currency translation reserve		260	-
Retained earnings		4,276	362
Total equity		<u>25,572</u>	<u>21,398</u>
Non-Current Liabilities			
Interest bearing liabilities	16	6,255	-
Deferred tax liabilities	21	414	-
Total non-current liabilities		<u>6,669</u>	<u>-</u>
Current Liabilities:			
Interest bearing liabilities	16	1,521	-
Progress billings in excess of contract work in-progress	11	4,624	-
Trade payables	17	20,860	9
Due to a related party	18	975	-
Other payables	19	3,795	-
Provisions	20	2,140	-
Income tax payable		1,132	90
Total current liabilities		<u>35,047</u>	<u>99</u>
Total liabilities and equity		<u><u>67,288</u></u>	<u><u>21,497</u></u>

The accompanying notes form an integral part of these financial statements

Consolidated Income Statement

FOR THE PERIOD FROM 9 OCTOBER 2004 (DATE OF INCORPORATION) TO 30 JUNE 2005

	Note	Period from 9.10.2004 to 30.6.2005 AUD \$'000
Revenue	24	95,642
Cost of sales		(76,626)
Gross profit		<u>19,016</u>
Other operating income	25	530
Other operating costs		(8,527)
Administrative expenses		(2,841)
Depreciation and amortisation		(682)
Profit from operations	26	<u>7,496</u>
Finance costs	28	(498)
Profit before taxation		<u>6,998</u>
Taxation	27	(2,722)
Net profit for the period		<u><u>4,276</u></u>
Earnings per share (AUD cents)		
Basic	31	<u><u>2.4</u></u>
Diluted	31	<u><u>2.4</u></u>

The accompanying notes form an integral part of these financial statements

Consolidated Statement Of Changes in Equity

FOR THE PERIOD FROM 9 OCTOBER 2004 (DATE OF INCORPORATION) TO 30 JUNE 2005

	Note	Issued capital AUD\$'000	Share premium AUD\$'000	Currency translation reserve AUD\$'000	Retained earnings AUD\$'000	Total AUD\$'000
At date of incorporation*		-	-	-	-	-
Issue of shares pursuant to the restructuring exercise	2B	6,475	842	-	-	7,317
Issue of new shares to pre-IPO Investors	2D	3487	4,327	-	-	7,814
Issue of new shares pursuant to the IPO exercise	2E	1,758	5,977	-	-	7,735
Share issue expenses		-	(1,830)	-	-	(1,830)
Foreign currency translation difference		-	-	260	-	260
Net profit for the period		-	-	-	4,276	4,276
Balance at 30 June 2005		<u>11,720</u>	<u>9,316</u>	<u>260</u>	<u>4,276</u>	<u>25,572</u>

* At date of incorporation, 9 October 2004, the Company issued one ordinary share of S\$1.00 each.

The accompanying notes form an integral part of these financial statements

Consolidated Cash Flow Statement

FOR THE PERIOD FROM 9 OCTOBER 2004 (DATE OF INCORPORATION) TO 30 JUNE 2005

	Note	The Group Period from 9.10.2004 to 30.6.2005 AUD \$'000
Cash flows from Operating Activities		
Profit before taxation		6,998
Add / (less) adjustments for:		
Depreciation and amortisation of property, plant & equipment		682
Profit on disposal of property, plant & equipment		(4)
Interest income		(368)
Interest expense		498
Operating cash flows before working capital changes		<u>7,806</u>
Changes in working capital		
Inventories and contract work in-progress		(10,148)
Trade receivables		2,080
Other receivables and prepayments		(311)
Trade and other payables		5,838
Provisions		282
Cash generated from operations		<u>5,547</u>
Interest paid		(498)
Interest received		368
Income tax paid		(215)
Net cash generated from operating activities		<u>5,202</u>
Cash flows from investing activities		
Formation costs		(40)
Proceeds from disposal of property, plant & equipment		81
Purchase of property, plant & equipment		(6,438)
Net cash inflow on acquisition of a subsidiary	A	<u>4,693</u>
Net cash used in investing activities		<u>(1,704)</u>
Cash flows from financing activities		
Net proceeds from issue of shares		7,403
Net proceeds from issue of shares pursuant to initial public offering		6,316
Proceeds from bank loans		2,275
Net cash from financing activities		<u>15,994</u>
Net increase in cash and cash equivalents		19,492
Effect of exchange rate changes		260
Cash and cash equivalents at beginning of period		<u>-</u>
Cash and cash equivalents at end of period	6	<u><u>19,752</u></u>

The accompanying notes form an integral part of these financial statements

Consolidated Cash Flow Statement

FOR THE PERIOD FROM 9 OCTOBER 2004 (DATE OF INCORPORATION) TO 30 JUNE 2005

NOTE A:

SUMMARY OF THE EFFECTS OF ACQUISITION OF A SUBSIDIARY

The fair value of the assets acquired and liabilities assumed are as follows:

	The Group Period from 9.10.2004 to 30.6.2005 AUD \$'000
Cash and cash equivalents	8,007
Trade receivables	23,588
Inventories and contract work in-progress	(2,038)
Other receivables and prepayments	(159)
Property, plant & equipment	6,124
Intangible assets	1,299
Deferred tax asset	961
Trade and other payables	(18,643)
Provisions	(2,032)
Interest bearing liabilities	(6,476)
Net assets acquired and total purchase consideration	<u>10,631</u>
Less: shares issued as consideration	<u>(7,317)</u>
Cash consideration	3,314
Less cash and cash equivalents acquired	<u>(8,007)</u>
Net cash acquired	<u><u>4,693</u></u>

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

30 JUNE 2005

1 GENERAL

The Company is incorporated in the Republic of Singapore with its principal place of business at Level 5, 19 Pier Street, Perth, Western Australia, 6000 and registered office at 138 Robinson Road, #1700, The Corporate Office, Singapore, 068906. The Company was incorporated on 9 October 2004 as AusGroup Pte Ltd. The Company became a public limited company on 4 April 2005 and changed its name to AusGroup Limited. On 27 April 2005, the Company was admitted to the Official List of the Singapore Exchange Trading Securities Limited ("SGX-ST"), Dealing and Automated Quotation System ("SESDAQ"). The financial statements are expressed in Australian dollars. The measurement currency is Australian dollars as the majority of the Company's and Group's transactions are denominated in Australian dollars.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

The consolidated financial statements of the Group and the balance sheet of the Company were authorised for issue by the Board of Directors on 30 September 2005.

2 RESTRUCTURING EXERCISE AND INITIAL PUBLIC OFFERING

- A. On 30 November 2004, the Company entered into an agreement with Emerald River (as trustee for the Kenny Trust), James Finbarr Fitzgerald and Olive Teresa Fitzgerald (as trustees for Fitzgerald Trust), Barry Alfred Carson and Jennifer Margaret Carson (as trustees for the Carson Trust), Bain Corporation Pty Ltd (as trustee for the Bain Trust) and Australasian Insulation Supplies Pty Ltd (as trustee for The AIS Unit Trust) (collectively, the "Vendors") to acquire 100% of the issued and paid-up share capital of Ausclad Group of Companies Limited ("AGC") from the Vendors, for a consideration equivalent to the fair value of AGC and its subsidiary companies as at 30 November 2004 of approximately A\$10.6 million.

Such consideration was satisfied by the allotment and issue of shares in the Company as set out in paragraph B below and the payment of a cash consideration of A\$3,216,000. The amount of A\$3,216,000 remained outstanding as an interest free loan from the Vendors to the Company and was fully settled in cash on 29 June 2005.

- B. In part satisfaction of the consideration for the acquisition of AGC as stated in paragraph A above, on 14 December 2004, the Company allotted and issued:
- (a) 1,864,646 ordinary shares of S\$1.00 each, credited as fully paid, to Emerald River Pty Ltd (as trustee for the Kenny Trust);
 - (b) 1,766,522 ordinary shares of S\$1.00 each, credited as fully paid, to James Finbarr Fitzgerald and Olive Teresa Fitzgerald (as trustees for the JF and OT Fitzgerald Family Trust);
 - (c) 1,134,683 ordinary shares of S\$1.00 each, credited as fully paid, to Barry Alfred Carson and Jennifer Margaret Carson (as trustees for the Carson Family Trust);
 - (d) 681,481 ordinary shares of S\$1.00 each, at par, credited as fully paid, to Bain Corporation Pty Ltd (as trustee for the Bain Trust);
 - (e) 2,124,997 ordinary shares of S\$1.00 each, credited as fully paid, to Australasian Insulation Supplies Pty Ltd (as trustee for the AIS Unit Trust); and
 - (f) 715,170 ordinary shares of S\$1.00 each, credited as fully paid, to Clarendon Pacific Holdings Pte Ltd ("Clarendon"). (Such shares were allotted and issued to Clarendon at the direction of the Vendors towards the settlement of the compensation for services rendered by Clarendon to the Vendors).

On 14 March 2005, the shareholders resolved to sub-divide the ordinary shares of S\$1.00 each into 20 ordinary shares of S\$0.05 each.

- C. Description of Convertible Loans

On 10 December 2004, a number of Pre-IPO Investors comprising Australian and Singaporean individuals and companies, entered into a convertible loan agreement with the Company ("Convertible Loan Agreement"). Pursuant to the Convertible Loan Agreement, the Pre-IPO Investors granted to the Company convertible loans amounting to S\$10 million which were convertible into ordinary shares in the capital of the Company.

Notes to the Financial Statements

30 JUNE 2005

2 RESTRUCTURING EXERCISE AND INITIAL PUBLIC OFFERING (CONT'D)

D. Conversion of Convertible Loans

On 14 March 2005, the Pre-IPO Investors converted all their convertible loans in the Company into 4,462,500 ordinary shares of par value S\$1.00 each at a premium of approximately S\$1.24 per share. The ordinary shares of S\$1.00 each were, on 14 March 2005, sub-divided into 20 ordinary shares of S\$0.05 each.

E. Initial Public Offering

On 26 April 2005, pursuant to the Prospectus dated 18 April 2005, the Company issued 45,000,000 new ordinary shares of S\$0.05 each at a premium of S\$0.17 per share to the public and institutional investors.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention and in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations as required by the Companies Act.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial period. Although these estimates are based on managements' best knowledge of current events and actions, actual results may ultimately differ from these estimates.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefit from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a controlled entity are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e., discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of controlled entities acquired or disposed of during the financial period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of controlled entities to bring the accounting policies used in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

GOODWILL

Goodwill arising on acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a controlled entity, or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Notes to the Financial Statements

30 JUNE 2005

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

GOODWILL (cont'd)

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of profit and loss on disposal.

REVENUE RECOGNITION

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see paragraph below).

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

CONSTRUCTION WORK IN-PROGRESS

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date.

This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

BORROWING COSTS

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

TAXATION

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Notes to the Financial Statements

30 JUNE 2005

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

TAXATION (cont'd)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

EMPLOYEE ENTITLEMENTS

Provision is made for the Group's liability for employee entitlements arising from services rendered by employees to balance sheet date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amounts. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements. Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, or valuation, less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Freehold buildings	-	2.5%
Plant and equipment	-	7.5 - 40%

Assets held under finance leases are recognised as assets of the Group at their fair values at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total lease commitments and the fair values of the assets acquired, are charged to the income statement over the term of the relevant lease using the effective interest rate method.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the terms of the relevant lease.

Notes to the Financial Statements

30 JUNE 2005

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IMPAIRMENT (cont'd)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

TRADE RECEIVABLES

Trade receivables, which generally have 30 to 60 day terms, do not carry any interest and are stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts.

FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all liabilities.

BORROWINGS

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the income statement using an effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

TRADE PAYABLES

Trade payables, which are normally settled on 30 to 90 day terms, are not interest-bearing and are stated at their nominal values.

Notes to the Financial Statements

30 JUNE 2005

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

INVESTMENT IN SUBSIDIARY COMPANIES

Subsidiary companies are entities in which the Company, directly or indirectly, holds more than 50% of the issued share capital or controls more than half of the voting power or controls the composition of the board of directors.

Investments in subsidiary companies are stated in the financial statements of the Company at cost less any impairment losses.

INTERESTS IN JOINT VENTURES

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Where a Group company undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant company and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements, which involve the establishment of a separate entity in which each venturer has an interest, are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation - the Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line by line basis.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

ASSOCIATED COMPANIES

An associate is an enterprise over which the Group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decision of the investee.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Interests in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate less any impairment in the value of individual investments. Any excess (deficiency) of the cost acquisition over (below) the Group's share of the fair values of the identifiable net assets the associate at the date of acquisition is recognised as goodwill (negative goodwill).

Where a Group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealised losses provide evidence of an impairment of the assets transferred.

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event where it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

FOREIGN CURRENCIES

Foreign currency transactions are recorded in Australian dollars at rates of exchange approximately those ruling at transactions dates. Foreign currency monetary assets and liabilities are converted at the rates ruling at the balance sheet date. Exchange differences arising are taken to the income statement.

Notes to the Financial Statements

30 JUNE 2005

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing goods and/or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and/or services within a particular economic environment that is subject to risks and returns that is different from that of other economic environments.

4 FINANCIAL RISKS AND MANAGEMENT

The Group's financial risk management policy seeks to minimise potential adverse effects on the financial performance of the Group by managing the following risks in manner set out below:

(i) Foreign exchange risk

Exchange risk occurs as a result of the Group's transactions that are not denominated in its functional currency, namely Australian dollars. The Group's sales and purchase transactions are denominated mainly in Australian dollars. Exposures to foreign currency risks are managed as far as possible by natural hedges of matching assets and liabilities.

(ii) Interest rate risk

The Group's exposure to interest rate risk related mainly to its banks borrowings, which is on floating rate terms. Interest rate on the short-term loans is fixed. The interest rate and terms of repayment of bank loans and cash balances of the Group are disclosed in Notes 16 and 6 respectively.

The fair value of short-term loans, leases and hire purchase commitments as at 30 June 2005 is approximately AUD\$1,506,000.

(iii) Credit risk

The Group's trade receivables are mainly from Australian based companies operating in the oil and gas, mining and resource support industries. As the directors believe that all trade receivables are fully collectible, no allowance for doubtful debts was made.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral or other security obtained.

The Group places its cash with Australian and Singaporean creditworthy institutions.

(iv) Liquidity risk

As at 30 June 2005, the Group has net current assets of AUD\$19,099,000. The Group is not exposed to significant liquidity risk.

(v) Fair values of financial assets and financial liabilities

Except as disclosed in part (ii) above, the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their respective net fair values, determined in accordance with the accounting policies disclosed in Note 3 to the financial statements.

5 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the Group's transactions and arrangements are with related parties and the effect of those on the basis determined between the parties is reflected in these financial statements.

Notes to the Financial Statements

30 JUNE 2005

5 RELATED PARTY TRANSACTIONS (CONT'D)

The Group
Period from
9.10.2004 to
30.6.2005
AUD \$'000

(a) Director - related entities

- (i) Australasian Insulation Supplies Pty Ltd ("AIS")
An entity related to Mr Barry Alfred Carson and Bain Corporation Pty Ltd (a substantial shareholder).

Supply of materials	390
Interest paid to AIS	53
During the period, AIS provided an unsecured loan to Ausclad Group of Companies Limited.	
Interest on the loan accrued at 13.5% per annum	

- (ii) Glenkarri Pty Ltd
An entity related to Mr Barry Alfred Carson, Mr Stuart Maxwell Kenny and Mr James Finbarr Fitzgerald.

Loan payable to Glenkarri Pty Ltd	975
Interest paid to Glenkarri Pty Ltd	29
Glenkarri Pty Ltd provided loan funds as deferred consideration on the acquisition of land and buildings. The loan was unsecured, with no fixed term of repayment and interest charged at 8.5% per annum.	

6 CASH AND CASH EQUIVALENTS

	The Group 2005 AUD \$'000	The Company 2005 AUD \$'000
Cash and bank balances	17,127	1,888
Fixed deposits	2,625	-
	<u>19,752</u>	<u>1,888</u>
Cash and cash equivalents are denominated in the following currencies:		
Australian dollar	17,864	-
Singapore dollar	1,888	1,888
	<u>19,752</u>	<u>1,888</u>

The effective deposit interest rates ranged from 0.6% to 5.4% per annum.

The above cash balances include AUD\$30,000 relating to a joint venture in which the Group has a 50% interest. These funds can only be accessed by the Group upon formal completion of the joint venture operation.

7 TRADE RECEIVABLES

	The Group 2005 AUD \$'000	The Company 2005 AUD \$'000
Outside parties	<u>21,508</u>	<u>-</u>

At 30 June 2005, retentions held by customers for contract work amounted to AUD\$2,537,000.

At 30 June 2005, all amounts included in trade receivables and arising from construction contracts are due for settlement within 12 months.

Notes to the Financial Statements

30 JUNE 2005

8 OTHER RECEIVABLES AND PREPAYMENTS

	The Group 2005 AUD \$'000	The Company 2005 AUD \$'000
Prepayments	102	-
Sundry debtors	50	50
	<u>152</u>	<u>50</u>

9 DUE FROM SUBSIDIARIES

	The Group 2005 AUD \$'000	The Company 2005 AUD \$'000
Advances to subsidiaries - non trade	-	9,067

The non-trade advances to the subsidiaries are unsecured, bear interest at Australian bank overdraft rates and are payable on demand. Interest rates charged ranged from 9.75% to 12.5% pa.

10 INVENTORIES

	The Group 2005 AUD \$'000	The Company 2005 AUD \$'000
Materials and consumables, at cost	<u>183</u>	<u>-</u>

11 CONSTRUCTION CONTRACTS

	The Group 2005 AUD \$'000	The Company 2005 AUD \$'000
Contracts costs incurred plus recognised profit		
less recognised losses to date	74,830	-
Less: Progress billings	(66,903)	-
	<u>7,927</u>	<u>-</u>
Comprising :		
Contract work in-progress	12,551	-
Excess of progress billings over contract work in-progress	(4,624)	-
	<u>7,927</u>	<u>-</u>

Notes to the Financial Statements

30 JUNE 2005

12 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The Company
2005
AUD \$'000

Investment – at cost 10,492

A. The details of the subsidiaries as at 30 June 2005 are as follows:

Name of Subsidiary	Principal Activity	Cost 2005 AUD \$'000	Group's Effective interest 2005 %
Ausclad Group of Companies Limited ⁽¹⁾⁽²⁾	Investment holding	<u>10,492</u>	100
and its subsidiaries:-			
AGC Services Pty Ltd ⁽¹⁾	Maintenance		100
AGC Refractory Pty Ltd ⁽¹⁾	Trustee company		100
AGC Industries Pty Ltd ⁽¹⁾	Engineering and services		100
Ausclad Commercial Industries Pty Ltd ⁽¹⁾⁽³⁾	Rental of vehicles		100
AGC Technologies Pty Ltd ⁽¹⁾⁽⁴⁾	Pipeline contracting		100
Clad Limited ⁽¹⁾	Investment holding		100
Associated Company			
Trade Fast (WA) Pty Ltd*	Dormant		50
Unit Trust			
AIS Refractory Unit Trust ⁽¹⁾	Refractory linings		100

⁽¹⁾ Audited by another member firm of Moore Stephens International Limited of which Moore Stephens, Singapore is a member.

⁽²⁾ The Company acquired 100% equity interest in this subsidiary on 30 November 2004.

⁽³⁾ Ceased operations on 30 June 2002.

⁽⁴⁾ Ceased operations on 31 October 2003.

* Cost of investment less than AUD\$1,000.

All the subsidiaries, associated company and Unit Trust operate in Australia.

13 INTERESTS IN JOINT VENTURES

(a) Ausclad-Meisei JV

A controlled entity, AGC Industries Pty Ltd had a 50% interest in the above named joint venture entity. The principal activity of the joint venture entity was to procure work in respect of the LPG Expansion Project and LNG Train 4 in the North West Shelf of Western Australia.

The joint venture contract was successfully completed during September 2004. The joint venture assets and liabilities have been settled as at 30 June 2005 and the joint venture was concluded.

(b) Thiess-AGC Joint Venture

A controlled entity, AGC Industries Pty Ltd has a 50% interest in the above named joint venture entity. The principal activity of the joint venture entity is to procure work in respect of the Hismelt Kwinana Project in Western Australia.

Notes to the Financial Statements

30 JUNE 2005

(b) Thiess-AGC Joint Venture (cont'd)

The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of the Thiess-AGC joint venture:

	The Company 2005 AUD \$'000
Current Assets:	
Cash	30
Receivables	1,082
	<u>1,112</u>
Current Liabilities:	
Payables	434
	<u>678</u>
Net interest in joint venture operation	<u>678</u>
Revenue	-
Expenses	-
Profit from ordinary activities after tax	-
Income tax expense	-
Profit from ordinary activities after tax	<u>-</u>
Operating cash inflows	<u>-</u>
Investing cash inflows	<u>-</u>
Financing cash inflows	<u>-</u>

No provision for income tax has been made in the accounts of the joint venture as the liability for income tax rests with each of the joint venture partners individually.

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land AUD \$'000	Freehold Buildings AUD \$'000	Plant & Equipment AUD \$'000	Total AUD \$'000
2005				
The Group				
Cost				
On acquisition of subsidiary	1,379	2,699	5,210	9,288
Disposals	-	-	(99)	(99)
Additions	-	-	6,438	6,438
At end of period	<u>1,379</u>	<u>2,699</u>	<u>11,549</u>	<u>15,627</u>
Accumulated depreciation:				
On acquisition of a Subsidiary	-	-	3,164	3,164
Depreciation for the period	-	51	631	682
Disposals	-	-	(22)	(22)
At end of period	<u>-</u>	<u>51</u>	<u>3,773</u>	<u>3,824</u>
Net carrying amount at end of period	<u>1,379</u>	<u>2,648</u>	<u>7,776</u>	<u>11,803</u>

Notes to the Financial Statements

30 JUNE 2005

14 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The carrying amount of the Group's plant and equipment includes an amount of AUD\$4,782,000 in respect of assets held under finance leases. Additions during the period amounted to AUD\$6,438,000.

The Group has pledged freehold land and buildings having a carrying amount of approximately AUD\$4,204,000 to secure banking facilities granted to the Group.

The Group's freehold land and buildings comprise:

Location	Description	Approximate Site Area (sq m)	Built up Area (sq m)
15 Beach Street, Kwinana Western Australia Australia	Office and fabrication facilities	31,258	9,118

15 GOODWILL

	The Group 2005 AUD \$'000	The Company 2005 AUD \$'000
At cost	1,339	-

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGU's) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	The Group 2005 AUD \$'000	The Company 2005 AUD \$'000
Engineering Division - comprising the Group's oil & gas, fabrication and mechanical erection services	873	-
Services Division - comprising the Group's maintenance, refractory and coatings services	466	-
	1,339	-

The recoverable amounts of the CGU's are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGU's.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows for the following three years based on an estimated growth rate of 20%.

The rate used to discount the forecast cash flows of the relevant CGU's was 5.1 %.

Management believes that the carrying amount of goodwill is not more than its recoverable amount.

Notes to the Financial Statements

30 JUNE 2005

16 INTEREST BEARING LIABILITIES

	Note	2005 AUD \$'000
Current		
Secured		
- Bank loans	(a), (c)	140
- Obligations under finance leases and hire purchase	(d)	1,366
		<u>1,506</u>
Unsecured		
- Other loan - related party	(e)	975
- Outstanding tax liabilities	(f)	15
		<u>990</u>
Total Current		<u>2,496</u>
Non-Current		
Secured		
- Bank loans	(a), (c)	2,105
- Obligations under finance leases and hire purchase	(d)	4,150
Total Non Current		<u>6,255</u>
Total interest bearing liabilities		<u>8,751</u>
(a) Total current and non-current secured liabilities		
- Bank loans		2,245
- Obligations under finance leases and hire purchase		5,516
		<u>7,761</u>
(b) Assets pledged as security		
The carrying amounts of the Group's assets pledged as security for:		
- Bank facilities		62,506
- Finance leases and hire purchase		4,782
		<u>67,288</u>
(c) Bank Loan and Overdraft Facilities		
(i) On 4 July 2005 the Group restructured its banking facilities with St George Bank Limited comprising extended facility sub-limits for bank loans, overdraft and bank guarantee facilities totaling AUD \$28.8 million.		
The bank facility sub-limits are as follows:		
	Facility sub-limit	Utilised at 30 June 2005
	AUD\$'000	AUD\$'000
Overdraft	5,000	Nil
Bank loans and commercial bills	6,210	2,245
Bank guarantees	11,125	9,514
Hire purchase	6,500	4,554
	<u>28,835</u>	<u>16,313</u>

Notes to the Financial Statements

30 JUNE 2005

16 INTEREST BEARING LIABILITIES (CONT'D)

(ii) The banking facilities provided to the Group are secured by the following:

Mortgages and charges provided by the Company:

- Equitable mortgage by the Company over the shares held in Ausclad Group of Companies Limited,
- Deed of priority and subordination in relation to all monies owed to the Company by Ausclad Group of Companies Limited granting St George Bank Limited first right priority for the total amount of the total banking facilities, and
- Unlimited guarantee and indemnity from the Company to the full amount of the total banking facilities.

Mortgages and charges provided by Subsidiary Companies:

- First registered fixed and floating charges over all the assets and undertakings of Ausclad Group of Companies Limited and its subsidiary companies,
- First registered mortgage by Ausclad Group of Companies Limited over 15 Beach Street , Kwinana, Western Australia, Australia, and
- Unlimited guarantee and indemnity from Ausclad Group of Companies Limited and all its subsidiary companies to the full amount of the total banking facilities,
- Deposit and set-off deed over all cash deposits held by St George Bank Limited,
- First registered fixed and floating charge over the assets and undertakings of Seagate Structural Engineering Pty Ltd,
- First registered mortgage by Seagate Structural Engineering Pty Ltd over Lot 430 Beach Street, Kwinana Western Australia, Australia, and
- Unlimited guarantee and indemnity from Seagate Structural Engineering Pty Ltd to the full amount of the total banking facilities,

(iii) The bank loan carries an interest rate of 8.75% per annum minus a margin of 1% per annum and is repayable over a 5 year term.

(iv) The covenants applicable to bank borrowings require the Group to maintain the following:

- gross debtors of no less than A\$10 million and not more than 90 days due
- a current ratio of no less than 1:1.1
- an interest rate cover of no less than 1.5 times
- a gearing ratio of not more than 4 times

(v) Bank loans are due as follows:

	2005 AUD \$'000
Within one year	140
In the second year	140
In the third to fifth year inclusive	1,965
	2,245
Less: Amount due for settlement within 12 months	140
Amount due for settlement after 12 months	2,105

(vi) All borrowings are arranged at floating rates. The average interest rates for the period were:

- Bank overdraft – 8.5% per annum.
- Bank loan – 6.5% to 8.25% per annum.

Notes to the Financial Statements

30 JUNE 2005

16 INTEREST BEARING LIABILITIES (CONT'D)

(d) Obligations under Finance Leases and Hire Purchase

	Minimum Lease Payments 2005 AUD \$'000	Present Value of Minimum Lease Payments 2005 AUD \$'000
Less than one year	1,700	1,455
In the second year	1,348	1,154
In the third to fifth years inclusive	3,397	2,907
Minimum lease payments	<u>6,445</u>	<u>5,516</u>
Less: Future finance charges	(929)	n/a
Present value of lease obligations	<u>5,516</u>	<u>5,516</u>
Less amount due for settlement within 12 months		(1,366)
Amount due for settlement after 12 months		<u>4,150</u>

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 3 to 5 years. For the period ended 30 June 2005, the average effective interest rate was 8.34%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of Group's lease obligations approximates their carrying amounts. The Group's obligations under finance leases are secured by the lessors' charges over the leased assets and personal guarantees by certain directors and their associates.

(e) Other Loan

Other unsecured loan for the financial period ended 30 June 2005 pertains to a loan payable to a director-related entity which bears interest at 8.5% per annum (refer to Note 18).

17 TRADE PAYABLES

	The Group 2005 AUD \$'000	The Company 2005 AUD \$'000
Outside parties	<u>20,860</u>	<u>9</u>

18 DUE TO A RELATED PARTY

The amount due to a related party (Notes 5 and 16) are non-trade in nature and stated at their nominal values.

19 OTHER PAYABLES

	The Group 2005 AUD \$'000	The Company 2005 AUD \$'000
Accruals	<u>3,795</u>	<u>-</u>

Notes to the Financial Statements

30 JUNE 2005

20 PROVISIONS

	The Group 2005 AUD \$'000	The Company 2005 AUD \$'000
Annual and Long Service Leave	1,650	-
Redundancy Fund/Rostered Day off*/Sick Leave	410	-
Fringe benefit tax	80	-
	<u>2,140</u>	<u>-</u>

* The rostered day off provision relates to the mandatory accrual of entitlements for those employees who are employed pursuant to enterprise bargaining agreements.

21 DEFERRED TAX LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	The Group 2005 AUD \$'000
Deferred tax assets	670
Deferred tax liabilities	(1,084)
To be settled within 12 months	<u>(414)</u>

The following are the major deferred tax assets/liabilities recognised by the Group and the movements thereon during the current period:

	Provisions/ Accruals AUD \$'000	Joint Venture Distribution AUD \$'000	Total AUD \$'000
On acquisition of a subsidiary	590	371	961
Charge to income for the year	80	(1,455)	(1,375)
At 30 June 2005	<u>670</u>	<u>(1,084)</u>	<u>(414)</u>

22 ISSUED CAPITAL

(a) Authorised share capital

	The Company and The Group 2005 S\$'000
At date of incorporation, 9 October 2004, 100,000 ordinary shares of S\$1.00 each	100
Increase in authorised share capital during the period:	
- 24,900,000 ordinary shares of S\$1.00 each	24,900
Sub-division and consolidation of the above ordinary shares of S\$1.00 each into ordinary shares of S\$0.05 each	
- 500,000,000 ordinary shares of S\$0.05 each	-
At 30 June 2005	<u>25,000</u>
- 500,000,000 ordinary shares of S\$0.05 each	<u>25,000</u>

Notes to the Financial Statements

30 JUNE 2005

22 ISSUED CAPITAL OF THE COMPANY (CONT'D)

(b) Issued and fully paid up ordinary share capital

	The Company and The Group 2005 AUD \$'000
At date of incorporation, 9 October 2004 - 1 ordinary shares of S\$1.00 each	- *
Issued and fully paid up ordinary shares in connection with the restructuring exercise referred to in Note 2 (amounting to S\$8,287,499)	6,475
Issued and fully paid up ordinary shares upon conversion of loan (amounting to S\$4,462,500)	3,487
Share split of one ordinary share of S\$1.00 each into 20 ordinary shares of S\$0.05 each	-
Issue of new ordinary shares pursuant to the initial public offering exercise:	
- 45,000,000 ordinary shares of S\$0.05 each (amounting to S\$2,250,000)	1,758
Balance at 30 June 2005	
- 300,000,000 ordinary shares of S\$0.05 each (amounting to S\$15,000,000)	<u>11,720</u>

* Amount less than AUD\$1,000

23 SHARE PREMIUM

	The Company and The Group 2005 AUD \$'000
Share premium comprises:	
Issued and fully paid up ordinary shares in connection with the restructuring exercise referred to in Note 2	842
Issued and fully paid up ordinary shares upon conversion of loan	4,327
Premium on issue of 45,000,000 ordinary shares at par value of S\$0.05 each at S\$0.22 per share pursuant to the initial public offering exercise	5,977
Expenses incurred pursuant to the initial public offering exercise	(1,830)
Balance at 30 June 2005	<u>9,316</u>

The application of the share premium account is governed by Section 69 and 70 (4) of the Companies Act., Chapter 50.

24 REVENUE

	The Group Period from 9.10.2004 to 30.6.2005 AUD \$'000
Contract revenue	<u>95,642</u>

Notes to the Financial Statements

30 JUNE 2005

25 OTHER OPERATING INCOME

	The Group Period from 9.10.2004 to 30.6.2005 AUD \$'000
Interest income	368
Other revenue	162
	<u>530</u>

26 PROFIT FROM OPERATIONS

	The Group Period from 9.10.2004 to 30.6.2005 AUD \$'000
Profit from operations has been determined after charging/(crediting):	
Directors' remuneration	
- directors of the Company	308
- directors of subsidiary companies	79
Other fees paid/payable to	
- auditors of the Company *	104
- auditors of the subsidiaries	166
Profit on disposal of property, plant and equipment	(4)
Operating lease expense	352
	<u>352</u>

* Includes fees paid to the auditors in their role as reporting accountants in the Company's Initial Public Offering Exercise.

27 INCOME TAX EXPENSE

	The Group Period from 9.10.2004 to 30.6.2005 AUD \$'000
Profit before taxation	<u>6,998</u>
(a) Prima facie Income Tax Expense calculated at applicable rate on Profit before tax	2,055
Tax effect of non-deductible items	869
Foreign tax credit	(34)
Overprovision of tax in prior years	(168)
Income tax expense	<u>2,722</u>
(b) Major components of income tax expense	
Current tax expense	1,515
Overprovision of tax in prior years	(168)
Deferred tax expense	1,375
	<u>2,722</u>

Notes to the Financial Statements

30 JUNE 2005

28 FINANCE COSTS

	The Group Period from 9.10.2004 to 30.6.2005 AUD \$'000
Interest expense on:	
Bank loans (Note 16)	285
Other loans	106
Obligations under finance leases and hire purchase	107
	<hr/> 498 <hr/> <hr/>

29 REMUNERATION BANDS OF DIRECTORS OF THE COMPANY

	The Group Period from 9.10.2004 to 30.6.2005
Number of directors of the Company in each remuneration band:	
\$500,000 and above	-
\$250,000 to \$499,999	-
\$0 to \$249,999	7
Total	<hr/> 7 <hr/> <hr/>

30 STAFF COSTS

	The Group Period from 9.10.2004 to 30.6.2005 AUD \$'000
Salaries and related costs (including directors remuneration)	32,335
Other benefits	2,839
	<hr/> 35,174 <hr/> <hr/>

At the end of the financial period the Group had 719 employees.

31 EARNINGS PER SHARE

The calculations of basic earnings per ordinary share are based on the Group's net profit for the period as follows:

	Number of shares
Issued and paid-up ordinary shares of S\$0.05 each as at 30 June 2005	<hr/> 300,000,000 <hr/> <hr/>

Notes to the Financial Statements

30 JUNE 2005

31 EARNINGS PER SHARE (CONT'D)

	The Group 2005 AUD \$'000
Profit attributable to shareholders of the Company	4,276
Weighted average number of ordinary shares on issue	179,626,000
Basic earnings per share (cents)	2.4
Diluted earnings per share (cents)	2.4

32 COMMITMENTS AND CONTINGENT LIABILITIES

As at the end of financial year, the Group has the following outstanding commitments and unsecured contingent liabilities:

- (i) Bank Guarantees
Bank guarantees to a total of AUD\$9,514,000 have been issued on behalf of the Group by its bank to secure contract performance obligations.
- (ii) Operating Lease Commitments
At the balance sheet date, commitments in respect of the Group's non-cancelable operating leases for the rental of the office premises, lodgings for staff and equipment rental were as follows:

	The Group 2005 AUD \$'000
Lease payments under operating lease included in the income statement	352
Future minimum lease payments payable:	
Within one year	740
In the second to fifth year inclusive	2,718
	<u>3,458</u>

33 SEGMENTAL INFORMATION

- (a) Primary reporting format – business segment

The Group's principal business segments are Engineering and Services business segments.

	Engineering Division AUD \$'000	Services Division AUD \$'000	Total AUD \$'000
2005			
Total revenue	<u>72,342</u>	<u>23,300</u>	<u>95,642</u>
Segment results	<u>5,982</u>	<u>1,146</u>	7,128
Interest income			368
Interest expense			(498)
Profit before taxation			6,998
Taxation			(2,722)
Net profit for the period			<u>4,276</u>
Assets and liabilities			
Segment assets	<u>35,646</u>	<u>10,755</u>	46,401
Unallocated assets			20,887
Total assets			<u>67,288</u>

Notes to the Financial Statements

30 JUNE 2005

33 SEGMENTAL INFORMATION (CONT'D)

(a) Primary reporting format – business segment (cont'd)

	Engineering Division AUD \$'000	Services Division AUD \$'000	Total AUD \$'000
2005			
Segment liabilities	24,988	6,431	31,419
Unallocated liabilities			1,546
Interest-bearing liabilities			8,751
Total liabilities			41,716
Other segment information:			
Capital expenditure	4,895	1,543	6,438
Depreciation	538	144	682
Provisions	1,626	514	2,140

(b) Secondary reporting format – geographical segment

The Group's geographical segmentation of revenue is based on the country in which the engineering and maintenance services are conducted. The Group's significant operations are currently conducted in the Commonwealth of Australia.

34 SUBSEQUENT EVENTS

- (a) On 1 July 2005, the Group acquired 100% of the issued capital of Seagate Structural Engineering Pty Ltd ("Seagate"), incorporated in Australia. Seagate has fabrication facilities neighboring the Group's existing facilities in Kwinana, Western Australia and the acquisition expands the Group's fabrication potential. The consideration of AUD\$5.5 million was settled in cash.
- (b) On 7 July 2005, the company incorporated AGL (Asia) Pte Ltd ("AGL Asia") as a wholly owned subsidiary company. The authorised capital of AGL Asia is S\$1,000,000 divided into 1,000,000 ordinary shares of S\$1.00 each. Total issued and paid up capital consisted of \$1.00 being 1 fully paid ordinary share of S\$1.00 each. AGL Asia was incorporated in the Republic of Singapore to provide multi disciplinary engineering services to the oil & gas, petrochemical and infrastructure industries within the ASEAN Region.

Unaudited Proforma Financial Statements

The audited financial statements presented in this annual report are for the period from the date of incorporation of the Company, 9 October 2004, to 30 June 2005 and incorporate the results for 7 months of operations of the Company's subsidiary, Ausclad Group of Companies Limited from the date of acquisition, 30 November 2004.

To permit shareholders, the investing community and other interested and potential stakeholders the opportunity to fully evaluate the Group's performance, the Company presents the following proforma financial statements. These proforma financial statements are a representative presentation of the financial performance of the Group for the 12 month financial periods from 1 July 2002 to 30 June 2005.

The Proforma Financial Statements do not form part of the Audited Financial Statements

PROFORMA FINANCIAL STATEMENTS

Proforma Balance Sheets

As at 30 June 2005

	Proforma Group	
	<u>2005</u>	<u>2004</u>
	AUD \$'000	AUD \$'000
ASSETS		
Non-current assets		
Goodwill	1,339	1,165
Property, plant and equipment	11,803	2,278
Deferred tax assets	-	962
Total non-current assets	13,142	4,405
Current Assets:		
Contract work-in-progress	12,551	1,986
Inventories	183	195
Receivables	21,660	26,062
Cash and cash equivalents	19,752	7,371
Total current assets	54,146	35,614
Total assets	67,288	40,019
EQUITY AND LIABILITIES		
Capital and Reserves:		
Issued capital	11,720	3,150
Share premium	9,316	-
Reserves	-	118
Foreign currency translation reserve	260	-
Retained earnings	4,276	4,940
Total equity	25,572	8,208
Non-Current Liabilities		
Interest bearing liabilities	6,255	1,435
Deferred tax liabilities	414	-
Total non-current liabilities	6,669	1,435
Current Liabilities		
Interest bearing liabilities	2,496	4,949
Progress billing in excess of contract work in-progress	4,624	-
Payables	24,655	20,695
Provisions	2,140	1,271
Provision for taxation	1,132	3,461
Total current liabilities	35,047	30,376
Total liabilities and equity	67,288	40,019

Unaudited Proforma Financial Statements

PROFORMA INCOME STATEMENTS

	Financial years ended 30 June		
	<u>2005</u> AUD \$'000	<u>2004</u> AUD \$'000	<u>2003</u> AUD \$'000
Continuing Operations			
Revenue	143,378	115,505	53,159
Cost of sales	(112,113)	(92,103)	(38,609)
Gross profit	31,265	23,402	14,550
Other operating income	690	378	113
Other operating costs	(15,315)	(10,507)	(7,361)
Administrative expenses	(4,923)	(4,242)	(3,256)
Depreciation and amortisation	(998)	(592)	(570)
Amortisation of goodwill	-	(92)	(92)
Profit from operations	10,719	8,347	3,384
Finance costs	(719)	(842)	(1,150)
Profit before taxation	10,000	7,505	2,234
Taxation	(3,161)	(2,036)	(527)
Net profit from continuing operations	6,839	5,469	1,707
Loss from discontinued operations	-	(324)	(287)
Net Profit for the year	6,839	5,145	1,420
Earnings per share (Australian cents)			
Basic and diluted (including discontinued operations)	3.4	3.1	-
Basic and diluted (excluding discontinued operations)	3.4	3.1	-
Weighted average number of ordinary shares in issue applicable to earnings	199,438,000	165,750,000	-

These notes are an integral part of and should be read in conjunction with the accompanying proforma financial statements. No detailed notes to the proforma financial statements of the Group have been presented.

A. BASIS OF PRESENTATION OF PROFORMA FINANCIAL STATEMENTS

The consolidated financial statements for the Proforma Group are arrived at after making adjustments as were considered necessary in order to present the financial statements on a consistent and comparable basis, as if the Proforma Group had existed since 1 July 2002.

B. RECONCILIATION OF PROFORMA GROUP RESULTS TO ACTUAL GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2005

	<u>2005</u> AUD \$'000
Net Profit for the year As reflected in the Proforma Income Statement	6,839
Less:	
Subsidiary's profits taken as pre-acquisition profits in the statutory accounts	(2,563)
As reflected in the statutory accounts	4,276

Unaudited Proforma Financial Statements

C. EARNINGS PER SHARE

Earnings per share for the year ended 30 June 2005 is calculated based on the weighted average number of ordinary shares in issue applicable to earnings for FY2005 being 199,438,000 (2004:165,750,000) ordinary shares. The number of shares for the year ended 30 June 2004 is based on the pre-IPO exercise share capital after adjusting for the sub-division and consolidation of shares.

As at the date of this report, no share options have been granted. As such, the fully diluted earnings per share is the same as the basic earnings per share.

D. REVENUE BY DIVISION

	Financial years ended 30 June		
	2005 AUD \$'000	2004 AUD \$'000	2003 AUD \$'000
Revenue by Division			
Engineering Division			
Oil & Gas	36,854	12,989	1,151
LNG Projects	12,808	40,692	-
Fabrication	38,574	29,065	25,060
Industrial Construction	21,805	10,160	2,819
Total Engineering division	110,041	92,906	29,030
Services Division			
Maintenance	12,539	5,578	-
Protective coatings & refractory linings	11,664	9,367	13,923
Insulation	9,134	7,654	10,206
Total Services division	33,337	22,599	24,129
Group Total Revenue	143,378	115,505	53,159

Shareholdings Statistics

AS AT 12 SEPTEMBER 2005

Authorised Share Capital	: S\$25,000,000
Issued & Fully Paid-up Capital	: S\$15,000,000
Class of Equity Security	: Ordinary shares of S\$0.05 each
Voting rights	: On a show of hands : one vote for each member On a poll : one vote for each ordinary share

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	3	0.61	1,000	0.00
1,000 - 10,000	238	48.18	1,236,000	0.41
10,001 - 1,000,000	223	45.14	23,275,680	7.76
1,000,001 and above	30	6.07	275,487,320	91.83
	<u>494</u>	<u>100.00</u>	<u>300,000,000</u>	<u>100.00</u>

Shareholdings Held in Hands of Public

Based on the information available to the Company and to the best knowledge of the Company as at 12 September 2005, approximately 42.1% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

TOP 20 SHAREHOLDERS

No.	Name	No. of Shares	%
1	Australasian Insulation Supplies Pty Ltd	42,499,940	14.17
2	Emerald River Pty Ltd	37,292,920	12.43
3	James Finbarr Fitzgerald and Olive Teresa Fitzgerald	35,330,440	11.78
4	Barry Alfred Carson and Jennifer Margaret Carson	22,693,660	7.56
5	Bain Corporation Pty Ltd	13,629,620	4.54
6	Dr Henry Tay Yun Chwan	13,387,500	4.46
7	United Overseas Bank Nominees Pte Ltd	10,434,000	3.48
8	Westcomb Securities Pte Ltd	9,385,650	3.13
9	Matab Ltd	9,371,260	3.12
10	Avia Growth Opportunities II Pte Ltd	8,764,350	2.92
11	HSBC (Singapore) Noms Pte Ltd	8,671,000	2.89
12	Clarendon Pacific Holdings Pte Ltd	7,303,420	2.43
13	Skylight Assets Limited	6,693,760	2.23
14	TH Investments Pte Ltd	6,693,760	2.23
15	HSBC Institutional Trust Services (Singapore) Limited	4,462,500	1.49
16	Tay Eng Hoe	4,016,260	1.34
17	Phillip Ventures Enterprise Fund Ltd	3,793,120	1.26
18	Sirius Capital Holdings Pte Ltd	3,793,120	1.26
19	Cheong Chung Kin	3,570,000	1.19
20	Foo Siang Guan	3,570,000	1.19
		<u>255,356,280</u>	<u>85.10</u>

Substantial Shareholders

AS AT 12 SEPTEMBER 2005

Substantial shareholders	Direct interest		Deemed interest	
	No. of shares	%	No. of shares	%
Emerald River Pty Ltd (as trustee for The Kenny Family Trust)	37,292,920	12.43	-	-
Stuart Maxwell Kenny ⁽¹⁾	-	-	37,292,920	12.43
Faye Lorraine Kenny ⁽²⁾	-	-	37,292,920	12.43
James Finbarr Fitzgerald and Olive Teresa Fitzgerald (as trustees for The JF & OT Fitzgerald Family Trust)	35,330,440	11.78	-	-
Barry Alfred Carson and Jennifer Margaret Carson (as trustees for the Carson Family Trust) ⁽³⁾	22,693,660	7.56	42,499,940	14.17
Bain Corporation Pty Ltd (as trustee for The Bain Family Investment Trust) ⁽⁴⁾	13,629,620	4.54	42,499,940	14.17
Bradley John Bain ⁽⁵⁾	-	-	56,129,560	18.71
Carol Anne Bain ⁽⁶⁾	-	-	56,129,560	18.71
Australasian Insulation Supplies Pty Ltd (as trustee for the AIS Unit Trust)	42,499,940	14.17	-	-
Bains Group Holdings Pty Ltd ⁽⁷⁾	-	-	42,499,940	14.17
Insul Nominees Pty Ltd ⁽⁸⁾	-	-	42,499,940	14.17
Avia Growth Opportunities II Pte Ltd ⁽⁹⁾	8,764,350	2.92	9,085,650	3.03

Notes

- (1) Stuart Maxwell Kenny is deemed to be interested in the 37,292,920 shares held by Emerald River Pty Ltd (as trustee for The Kenny Family Trust).
- (2) Faye Lorraine Kenny is deemed to be interested in the 37,292,920 shares held by Emerald River Pty Ltd (as trustee for The Kenny Family Trust).
- (3) Barry Alfred Carson and Jennifer Margaret Carson (as trustees for the Carson Family Trust) are deemed to be interested in the 42,499,940 shares held by Australasian Insulation Supplies Pty Ltd (as trustee for the AIS Unit Trust).
- (4) Bain Corporation Pty Ltd (as trustee for The Bain Family Investment Trust) is deemed to be interested in the 42,499,940 shares held by Australasian Insulation Supplies Pty Ltd (as trustee for the AIS Unit Trust).
- (5) Bradley John Bain is deemed to be interested in the 13,629,620 shares held by Bain Corporation Pty Ltd (as trustee for The Bain Family Investment Trust) and the 42,499,940 shares held by Australasian Insulation Supplies Pty Ltd (as trustee for the AIS Unit Trust).
- (6) Carol Anne Bain is deemed to be interested in the 13,629,620 shares held by Bain Corporation Pty Ltd (as trustee for The Bain Family Investment Trust) and the 42,499,940 shares held by Australasian Insulation Supplies Pty Ltd (as trustee for the AIS Unit Trust).
- (7) Bains Group Holdings Pty Ltd is deemed to be interested in the 42,499,940 shares held by Australasian Insulation Supplies Pty Ltd (as trustee for the AIS Unit Trust).
- (8) Insul Nominees Pty Ltd is deemed to be interested in the 42,499,940 shares held by Australasian Insulation Supplies Pty Ltd (as trustee for the AIS Unit Trust).
- (9) Avia Growth Opportunities II Pte Ltd is deemed to be interested in the 9,085,650 shares held by Westcomb Securities Pte Ltd.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at Boardroom 1, Level 4, The Oriental, Singapore, 5 Raffles Avenue, Marina Square, Singapore 039797 on Friday, 28 October 2005 at 3.00 p.m. for the following purposes:-

Ordinary Business

- 1 To receive and adopt the audited financial statements for the period ended 30 June 2005 and the reports of the directors and auditors thereon.
- 2 To approve directors' fees of S\$300,000 for the period ended 30 June 2005.
- 3 To re-elect the following directors, each of whom will cease to hold office pursuant to Article 97 of the Company's Articles of Association and who, being eligible, will offer themselves for re-election:-

(a) Mr Koh Soo Keong

Note: Mr Koh Soo Keong, if re-elected as a director of the Company, will remain a member of the audit committee, a member and chairman of the nominating committee and a member of the remuneration committee. Mr Koh is an independent director.

(b) Mr Stuart Maxwell Kenny

(c) Mr James Finbarr Fitzgerald

(d) Mr Barry Alfred Carson

Note: Mr Barry Alfred Carson, if re-elected as a director of the Company, will remain a member of the audit committee and a member and chairman of the remuneration committee. Mr Carson is a non-independent director.

(e) Mr Tay Eng Hoe

(f) Mr David Chia Tian Bin

Note: Mr David Chia Tian Bin, if re-elected as a director of the Company, will remain a member and chairman of the audit committee, a member of the nominating committee and a member of the remuneration committee. Mr Chia is an independent director.

(g) Mr Kok Pak Chow

Note: Mr Kok Pak Chow, if re-elected as a director of the Company, will remain a member of the audit committee, a member of the nominating committee and a member of the remuneration committee. Mr Kok is an independent director.

Special Business

- 4 To consider and, if thought fit, to pass, with or without any modifications, the following resolution as an ordinary resolution:-

"That Moore Stephens be and are hereby re-appointed auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company at a fee to be agreed upon between the directors and the auditors."

- 5 To consider and, if thought fit, to pass, with or without any modifications, the following resolution as an ordinary resolution:-

"That authority be and is hereby given to the directors of the Company to:-

(a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors may in their absolute discretion deem fit; and

Notice of Annual General Meeting

- (b) (notwithstanding that the authority conferred by this resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors while this resolution was in force,

provided that:-

- (A) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 20% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (B) below);
- (B) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (A) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time of the passing of this resolution, after adjusting for:-
- (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this resolution; and
 - (ii) any subsequent consolidation or subdivision of shares;
- (C) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association for the time being of the Company; and
- (D) (unless revoked or varied by the Company in general meeting) the authority conferred by this resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

- 6 To consider and, if thought fit, to pass, with or without any modifications, the following resolution as an ordinary resolution:-

"That authority be and is hereby given to the directors of the Company to grant awards in accordance with the provisions of the AusGroup Share Scheme (the "Scheme") and pursuant to Section 161 of the Companies Act, Cap. 50 to allot and issue from time to time such number of new shares in the capital of the Company as may be required to be issued pursuant to the Scheme provided always that the aggregate number of new shares to be issued pursuant to the Scheme shall not exceed 15% of the total issued share capital of the Company from time to time."

- 7 To transact any other business as can be transacted at an annual general meeting of the Company.

By Order of the Board

Grace C P Chan and Corine B E Lim
Company Secretaries

Singapore
7 October 2005

Notice of Annual General Meeting

Notes

A member entitled to attend and vote at the annual general meeting may appoint not more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. A proxy need not be a member of the Company. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906 not less than 48 hours before the time appointed for the meeting.

Statement Pursuant To Article 54 Of The Company's Articles Of Association

The ordinary resolution proposed in item 4 above is to re-appoint Moore Stephens as auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company at a fee to be agreed upon between the directors and the auditors.

The ordinary resolution proposed in item 5 above is to empower the directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in total 50% of the issued share capital of the Company, with a sub-limit of 20% for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital shall be based on the issued share capital of the Company at the time that the resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time the resolution is passed, and (b) any subsequent consolidation or subdivision of shares.

The ordinary resolution proposed in item 6 above is to empower the directors to grant awards and to allot and issue new shares in the capital of the Company pursuant to the AusGroup Share Scheme (the "Scheme") provided that the aggregate number of new shares to be issued pursuant to the Scheme does not exceed 15% of the total issued share capital of the Company from time to time.



AUSGROUP LIMITED

(Incorporated In The Republic Of Singapore)
Company Registration No. 200413014R

PROXY FORM

IMPORTANT

- 1 For investors who have used their CPF monies to buy AusGroup Limited's shares, this annual report is forwarded to them at the request of their CPF approved nominees and is sent solely FOR INFORMATION ONLY.
- 2 This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- 3 CPF investors who wish to attend the annual general meeting as OBSERVERS have to submit their requests through their respective agent banks so that their agent banks may register with the company secretaries of AusGroup Limited.

I/We _____, NRIC/Passport no. _____

of _____

being a member/members of AusGroup Limited hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the annual general meeting of the Company to be held at Boardroom 1, Level 4, The Oriental, Singapore, 5 Raffles Avenue, Marina Square, Singapore 039797 on Friday, 28 October 2005 at 3.00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the notice of annual general meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the annual general meeting.)

No.	Resolutions	For	Against
1	Adoption of audited financial statements and reports		
2	Approval of directors' fees		
3(a)	Re-election of Mr Koh Soo Keong as director		
3(b)	Re-election of Mr Stuart Maxwell Kenny as director		
3(c)	Re-election of Mr James Finbarr Fitzgerald as director		
3(d)	Re-election of Mr Barry Alfred Carson as director		
3(e)	Re-election of Mr Tay Eng Hoe as director		
3(f)	Re-election of Mr David Chia Tian Bin as director		
3(g)	Re-election of Mr Kok Pak Chow as director		
4	Re-appointment of Moore Stephens as auditors		
5	Renewal of share issue mandate		
6	Authority for directors to grant awards and to allot and issue new shares in accordance with the provisions of the AusGroup Share Scheme		

Dated this _____ day of _____ 2005

Total Number of Shares Held

Signature(s) of Member(s) or Common Seal

IMPORTANT
PLEASE READ NOTES OVERLEAF

Notes

- 1 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
- 2 A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
- 3 Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy.
- 4 The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906 not less than 48 hours before the time appointed for the holding of the meeting.
- 5 The instrument appointing a proxy or proxies must be signed by the appointor or his attorney. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.
- 6 Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- 7 A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
- 8 The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.



