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Issuer: AusGroup Limited

Stock code: 5GJ

Meeting details:

Date: 21 October 2021

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. Would the board/management provide shareholders with greater clarity on the following operational matters? Specifically:

- (i) **Order book:** The group's order book was boosted significantly by the award of the Chevron Central Services Contract and stood at \$1.035 billion as at the end of the financial year (2020: \$0.25 million) (page 7 – CEO & managing director's report). It appears that the group does not have the practice of announcing its order book in previous annual reports prior to the Chevron win. **Would management continue the good practice of announcing the group's order book routinely in its regular results announcements on SGXNet? What is the breakdown of the order book by operating segments and by delivery deadlines/completion dates?**
- (ii) **Chevron:** It was noted that the contract is the longest maintenance master contract in the Australian oil and gas market. Under the ten-year master contract, Chevron Australia will be able to order full-service asset maintenance from AGC Industries ("AGC") across Chevron's onshore and offshore natural gas and oil production facilities located in the north-west of Australia. **How much visibility does AGC have on the services required by Chevron? Does AGC have the requisite manpower and technical expertise in-house to fulfill its obligations to Chevron? Does the group have the financial resources (working capital) to support this contract win? How does management ensure that this will be cash-flow generative for AGC and thus strengthen the financial position of the group?**
- (iii) **Port and marine cash-generating unit (CGU):** As noted in the key audit matter, as at 30 June 2021, the group's carrying amounts in property, plant and equipment (Note 11) and intangible assets (Note 14) deployed in the Port and Marine CGU were A\$25.1 million and A\$12.2 million respectively, net of accumulated impairment losses of A\$112.3 million and A\$73.8 million respectively. Segment revenue fell from A\$4.8 million in FY2020 to A\$3.1 million in FY2021. It is observed that the interest expense related to the Port and marine CGU was A\$3.5 million, higher than the segment revenue of A\$3.1 million. Details of the impairment assessment of the CGU can be seen in Note 24 (pages 83 to 86 – Impairment of non-current assets). **Can management provide shareholders with greater clarity on the projected impact of the Barossa project? When does management expect to formalise the various revenue streams with different parties (fuel supply, woodchips and pine log sales etc)?**

Q2. As shown in Note 4e (page 64 – Financial risk management: Capital risk), the group has net debt of A\$71.6 million and equity of A\$39.9 million as at the end of the reporting period.

The net debt to equity ratio is 1.79 times.

- (i) **Has the board evaluated the group’s financial position and determined the optimal capital structure to support its business?**

The auditors have included material uncertainty related to going concern in their report on the audit of financial statements. The multi-currency notes, with a carrying value of A\$39.2 million, will be maturing on 3 December 2022. As disclosed in Note 2(a) (page 37 – Summary of significant accounting policies), the group had twice extended the Note repayment maturity date. At/before the maturity of the multi-currency notes, the group may seek another extension of the notes, secure a re-financing of the Notes and/or redeem the notes at maturity through an equity injection and/or asset sale.

Since 3 December 2020, the interest charged on the multi-currency notes stepped-up to 7% per annum.

- (ii) **Has management estimated its cost of capital? Has it explored other cheaper sources of financing?**
- (iii) **Has the board/management considered doing a rights issue or approach any strategic partners for an equity injection in the near term?**

Q3. On 22 March 2021, the company made an announcement titled “AusGroup Awarded Significant Long-Term Maintenance Master Contract in Oil & Gas Sector” on SGXNet.

It was not titled “Announcement pursuant to Rule 703(1) of the Listing Manual”.

Further on 7 October 2021, the company also updated shareholders about a new contract win with the announcement being titled “AusGroup secures AUD\$32 million in new contracts across Australian resources and minerals sector”.

On the other hand, the company has routinely titled its announcements “technically” by stating the rules of the listing manual in the past for other types of announcements, such as the following:

| | | | | |
|-------------------------|---------------------|----------|--|----------------------|
| 30 Sep 2021 08:58 AM | AUSGROUP LIMITED | MULTIPLE | General Announcement::Announcement pursuant to Rule 704(5) of the Listing Manual | General Announcement |
| 25 Sep 2020 05:29 PM | AUSGROUP LIMITED | MULTIPLE | General Announcement::Announcement pursuant to Rule 704(5) and Rule 704(6) of the Listing Manual | General Announcement |
| 23 Sep 2020 07:17 PM | AUSGROUP LIMITED | MULTIPLE | General Announcement::Announcement pursuant to rule 703 (1)(a) of the Listing Manual | General Announcement |
| 26 Sep 2019 05:01 PM | AUSGROUP LIMITED | MULTIPLE | General Announcement::Announcement pursuant to rule 704 (5) of the listing manual | General Announcement |

(Source: sgx.com)

The matters under the various listing rules are:

| | |
|-------------|---|
| Rule 703(1) | Material information to avoid the establishment of a false market; in this case, a non-cash impairment of A\$50 million on the carrying value of the NT Port and Marine CGU |
| Rule 704(5) | Any adverse opinion, disclaimer of opinion, qualified opinion or emphasis of a matter (including a material uncertainty relating to going concern) by the auditors on the financial statements of the issuer and its subsidiaries |
| Rule 704(6) | Material adjustments to its preliminary full-year results made subsequently by auditors |

- (i) **What roles did the directors (especially the independent directors) play, if any, in the company’s communications with shareholders and the market?**
- (ii) **Do the directors vet and approve the announcements made by the company?**
- (iii) **Will the board be examining how the company conducts its communications with shareholders and be reviewing how the company can be more balanced in its communications, especially in the disclosure of negative developments?** It is observed that the company is straightforward when disclosing positive developments but uses SGX listing rules as the announcement titles when it has to report on negative events.

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](#)

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[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)