Bhagwan Marine Pty Ltd

ABN 81 009 154 349

Annual Report

30 June 2023

The Directors present their report, together with the consolidated financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'the group') consisting of Bhagwan Marine Pty Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors
The following persons were Directors of Bhagwan Marine Pty Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name, qualifications and independence status	Experience, special responsibilities, and other directorships
Mr. Anthony Wooles: Chairman	Director and Chairman since 2012. Has held executive and advisory roles in diverse industries including mining, oil and gas, power generation, manufacturing, telecommunications, food and beverages and retail. Non-Executive Chairman of Imdex Limited since 2016 and Non-Executive Director of High Peak Royalties Limited since 2012.
Mr. Lauri Kannikoski: Managing Director	Managing Director since 1985.
Mrs. Kerren Kannikoski: Alternate Director	Alternate Director since 2012.

Company Secretary
Ms. Cheryl Williams (ACCA) was appointed as Company Secretary in September 2019.

Directors' meetings
The Board of Directors holds monthly board meetings which are attended by all Directors, the Alternate Director and the Company Secretary.

Principal activities
During the financial year the principal activities of the consolidated entity consisted of operating a diverse range of vessels, servicing the oil and gas, resources, port services, towage, construction and subsea industries.

Dividends
No dividends were paid during the year ended 30 June 2023 (2022: nil).

Review of operations
During the financial year ended 30 June 2023, the consolidated entity has continued to focus on the inshore marine sector in Australia. Revenues were generated from sectors including mining, oil and gas, port operations, civil construction, and infrastructure maintenance.

The consolidated entity reported revenue from contracts with customers of $169.0m for the year (2022: $134.7m). The reported profit is $17.3m for the year (2022 restated: $2.4m).

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2023 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity operates in compliance with the International Convention for the Prevention of Pollution from Ships (MARPOL) under Commonwealth legislation through the Australian Maritime Safety Authority (AMSA) Marine Order Regulations. State operated vessels comply with National Law Marine Orders.

The consolidated entity has regulatory reporting obligations to the Clean Energy Regulator under the National Greenhouse and Energy Reporting Act 2007.

Shares under option

There were no unissued ordinary shares of Bhagwan Marine Pty Ltd under option at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Bhagwan Marine Pty Ltd issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

Indemnity and insurance of directors and officers

The Group has agreed to indemnify the directors and executives of the Group against all liabilities to another person (other than the Group or a related body corporate) that may arise from their position as directors / executives of the Group and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Group will meet the full amount of any such liabilities, including costs and expenses.

During the financial year, the company has paid insurance premiums in respect of directors and executives' liability and legal expenses insurance contracts, for the current directors and executives of the Group and its controlled entities.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors and executives' liability and legal expenses contracts, as such disclosure is prohibited under the terms of the contract.

Indemnity and insurance of auditor

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

On behalf of the directors

Anthony Wooles Chairman

30 October 2023
Perth, WA

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Bhagwan Marine Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Bhagwan Marine Pty Ltd for the financial year ended 30 June 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG

KPMG

Matthew Hingeley

Partner

Perth

30 October 2023

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30 June 2023

Bhagwan Marine Pty Ltd
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated 2023 $'000	Restated [1] 2022 $'000
Continuing operations			
Revenue from contracts with customers	7	168,973	134,709
Cost of sales	9(A)	(111,574)	(94,477)
Gross profit		57,399	40,232
Other income	8	132	3,758
Administrative expense	9(B)	(19,481)	(15,982)
Depreciation and amortisation expense	9(C)	(20,989)	(19,370)
Impairment of assets	9(D)	(322)	(1,529)
Operating profit		**16,739**	**7,109**
Finance income	8	3	1
Finance costs	9(E)	(6,717)	(4,705)
Profit before tax		**10,025**	**2,405**
Income tax benefit	10	7,318	-
Profit for the period attributable to the owners of Bhagwan Marine Pty Ltd		**17,343**	**2,405**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of vessels	18	-	4,626
Other comprehensive income for the year, net of tax		**-**	**4,626**
Total comprehensive income for the year attributable to the owners of Bhagwan Marine Pty Ltd		**17,343**	**7,031**
Earnings per share			
Basic and diluted earnings per share (dollars)	11	11.56	1.60

[1] Refer to Note 20 for more details.

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

Bhagwan Marine Pty Ltd
Consolidated statement of financial position
For the year ended 30 June 2023

	Note	2023 $'000	Consolidated Restated [1] 2022 $'000	Restated [1] 2021 $'000
Assets				
Current assets				
Cash and cash equivalents	12	42	516	332
Trade and other receivables	13	33,964	34,658	17,697
Inventories	14	2,858	2,414	2,288
Other current assets	15	1,757	911	434
Assets held for sale	16	1,401	6	3,333
Total current assets		**40,022**	**38,505**	**24,084**
Non-current assets				
Other investments	17	1,455	6,415	1,455
Deferred tax assets	10	7,318	-	-
Property, plant and equipment	18	117,583	118,797	120,292
Right-of-use assets	19	20,356	23,167	18,860
Intangible assets	20	-	-	5
Non-current financial assets	21	9,990	4,566	-
Total non-current assets		**156,702**	**152,945**	**140,612**
Total assets		**196,724**	**191,450**	**164,696**
Liabilities				
Current liabilities				
Trade and other payables	22	30,073	34,229	15,316
Loans and borrowings	23	32,156	34,104	23,456
Lease liabilities	19	8,572	8,996	7,931
Employee benefits	24	3,399	2,735	2,570
Total current liabilities		**74,200**	**80,064**	**49,273**
Non-current liabilities				
Loans and borrowings	23	45,992	49,797	67,503
Lease liabilities	19	12,021	14,556	7,834
Employee benefits	24	378	243	327
Total non-current liabilities		**58,391**	**64,596**	**75,664**
Total liabilities		**132,591**	**144,660**	**124,937**
Net assets		**64,133**	**46,790**	**39,759**
Equity				
Issued capital	25	65,910	65,910	65,910
Reserves	25	47,898	47,898	43,272
Accumulated losses		(49,675)	(67,018)	(69,423)
Total equity		**64,133**	**46,790**	**39,759**

[1] Refer to Note 20 for more details.

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

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2021 (restated) [1]	65,910	43,272	(69,423)	39,759
Profit after income tax benefit for the year (restated) [1]	-	-	2,405	2,405
Revaluation of vessels	-	4,626	-	4,626
Total comprehensive income for the year (restated) [1]	-	4,626	2,405	7,031
Balance at 30 June 2022 (restated) [1]	65,910	47,898	(67,018)	46,790

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2022 (restated) [1]	65,910	47,898	(67,018)	46,790
Profit after income tax benefit for the year	-	-	17,343	17,343
Total comprehensive income for the year	-	-	17,343	17,343
Balance at 30 June 2023	65,910	47,898	(49,675)	64,133

[1] Refer to Note 20 for more details.

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

	Note	Consolidated 2023 $'000	Restated [1] 2022 $'000
Cash flows from operating activities			
Receipts from customers		185,655	126,191
Payments to suppliers and employees		(151,053)	(102,735)
Interest and other finance costs paid		(4,916)	(3,513)
Payments for SaaS customisation		(799)	(1,686)
Net cash from operating activities	30	**28,887**	**18,257**
Cash flows from investing activities			
Payments for property, plant and equipment		(11,558)	(9,038)
Proceeds from disposal of property, plant and equipment		250	9,603
Net cash (used in)/generated from investing activities		**(11,308)**	**565**
Cash flows from financing activities			
Repayment of borrowings		(4,528)	(8,592)
(Repayment)/proceeds in multi-option facility	23	(2,953)	378
Principal element of lease payments		(10,572)	(10,423)
Net cash used in financing activities		**(18,053)**	**(18,637)**
Net (decrease)/increase in cash and cash equivalents		**(474)**	**185**
Cash and cash equivalents at the beginning of the financial year		**516**	**331**
Cash and cash equivalents at the end of the financial year	12	**42**	**516**

[1] Refer to Note 20 for more details.

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

Note 1. Reporting entity

Bhagwan Marine Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 3, 251 St Georges Terrace
Perth, Western Australia 6000

The consolidated financial statements comprise Bhagwan Marine Pty Ltd and the entities it controlled at the end of, or during, the year.

The Group is a for-profit entity and a description of the nature of the group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

Note 2. Basis of preparation

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with *Australian Accounting Standards* adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*.

These consolidated financial statements are the first general purpose financial statements which have been prepared in accordance with *Australian Accounting Standards*. In the prior year, the consolidated financial statements were prepared in accordance with *Australian Accounting Standards – Simplified Disclosures.* There was no impact on the recognition and measurement of amounts recognised in the statements of financial position, profit or loss and other comprehensive income and cash flows of the Group as a result of the change in the basis of preparation.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

The consolidated financial statements have been prepared under the historical cost convention, except for contingent consideration, derivative financial instruments and vessel assets which are measured at fair value.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

These consolidated financial statements were authorised for issue by the Company's board of directors on 30 October 2023.

Details of the Group's accounting policies are included in Note 4.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group's financing facilities with a carrying amount of $80,867k all expire on or before 31 December 2024 (refer Note 23). The ability of the Group to continue to operate is dependent on it having access to adequate funding, and also to continue to generate adequate cash and profit. This will require that the Group maintain compliance with the terms of its loan facilities including loan covenants, and then renewing the facilities prior to their expiry, or if required obtaining alternative funding.

Note 2. Basis of preparation (continued)

Going concern (continued)

Discussions with the Group's existing financiers are at an advanced stage and the directors are confident based on these discussions that the Group will be able to renew its loans and financing facilities at an amount and on satisfactory terms. Further, the Group has prepared a cash flow forecast for a 12-month period from the date of these financial statements. The cash flow forecast is sensitive to revenue from both contracted and new business. Based on this forecast, the directors are confident that the Group will generate positive cash flows from operations and will maintain compliance with bank covenants.

Accordingly, the directors believe that, at the date of approving the financial statements, there are reasonable grounds to believe that the Group will have sufficient funds to meet its obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate.

Note 3. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

Note 4. Significant accounting policies

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bhagwan Marine Pty Ltd ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Bhagwan Marine Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities, and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received, and the fair value of any investment retained together with any gain or loss recognised in profit or loss.

Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 4. Significant accounting policies (continued)

Revenue
Revenue from contracts with customers is recognised over time when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue from Subsea services
Revenue from subsea services is derived from the provision of a diverse range of services, through the provision of purpose-built vessels, to companies operating in subsea environments, including commercial diving, complete integrated subsea Inspection, Maintenance and Repair (IMR), construction and decommissioning services and the provision of equipment, personnel and materials. The services provided in each contract are all integrated and represent single performance obligations. These services are contracted on a set rate per day. Revenue is recognised over the period of time based on the number of days the customer utilises the services provided and on completion of performance obligations. Income received in advance is deferred until the service is rendered.

Revenue from Offshore, Port and Civil construction services
Revenue from these services, is derived from the provision of a diverse range of services, including project management, wharf & jetty construction, coastal towage, crew and cargo transfers, dredging and the provision of specialised vessels, equipment, personnel, to customers across a variety of industries.
The services provided in each contract are all integrated and represent single performance obligations. These services are contracted on a set rate per day. Revenue is recognised over the period of time based on the number of days the customer utilises the services provided and on completion of performance obligations. Income received in advance is deferred until the service is rendered.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Note 4. Significant accounting policies (continued)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Bhagwan Marine Pty Ltd (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within loans and borrowings in current liabilities on the statement of financial position unless the overdraft account is used for financing.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Inventory of fuel is stated at cost on a 'first in first out' basis. Cost comprises of direct cost of fuel and delivery costs, duties and other taxes. Costs are determined after deducting rebates and discounts received or receivable.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

Note 4. Significant accounting policies (continued)

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The Group applies the AASB 9 'Financial Instruments' simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets. The expected loss rates are based on historical evidence of collection. The historical loss rates are adjusted to reflect current and future information such as estimated future cash flows or by using fair value where this is available through observable market prices and review of macroeconomic factors which may affect the counterparty's ability to settle the receivables. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the original impairment was recognised, the impairment reversal is recognised in the income statement on a basis consistent with the original charge.

Property, plant and equipment

Property, plant and equipment, except vessels, is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Vessels are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure the carrying amount of a revalued vessel does not differ materially from its fair value.

Vessels – survey and refits

In a vessel's life time, it will undergo general maintenance due to operations, be inspected to satisfy the requirements of licensing, and go through restoration to extend the useful life of the vessel.

- A vessel survey is an Australian Maritime Safety Authority (AMSA) requirement, a certificate of survey is evidence that a vessel is surveyed and meets specified standards for design, construction, stability and safety equipment that apply to the vessel. When each major survey is performed the costs are recognised in the carrying amount of the vessel as a component. Any previous vessel survey cost remaining within the carrying amount of the vessel is derecognised, when the new vessel survey is recognised in the carrying amount.
- A vessel refit is general vessel upgrades and improvements in addition to the requirement of the vessel survey. When a vessel has a scheduled refit, the work performed extends the useful life of the vessel therefore all costs in relation to the refit are recognised in the carrying amount of the vessel as a component.

Vessels - leasehold vessels

Capital costs in relation to vessels that are leased rather than owned are capitalised and depreciated over the life of the lease.

Note 4. Significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is calculated on a straight-line or diminishing value basis to write off the net cost of each item of property, plant and equipment over their expected useful lives. The depreciation rates used are as follows:

Buildings	2.5%
Leasehold land (over period of lease)	4%-10%
Leasehold vessels (over period of lease)	20%-100%
Plant and equipment	20%-66%
Vessels	4%
Vessel refits	40%
Vessel survey	20%-100%

Increases in the carrying amounts arising on the revaluation of vessels are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The Group as a lessee

The Group makes use of leasing arrangements principally for the provision of office space and related facilities and vessels. The rental contracts for properties are typically negotiated for terms of between 2 and 20 years and some of these have extension terms. Lease terms for vessels are between 1 and 5 years and some of these have extension terms.

The group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability in its consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implied in the lease. The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the same amount over a similar term, and with a similar security to obtain an asset of equivalent value.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual guarantee and payments arising from options reasonably certain to be exercised.

Note 4. Significant accounting policies (continued)

Leases (continued)

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Change in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to the lease term is discounted using an unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

The Group has elected to account for short-term leases using the practical expedients. $3,973k was recognised in the profit or loss for the reporting period ($1,818k, prior year) to reflect changes in lease payments that arise from short-term leases. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software

Development expenditure is capitalised only if development costs can be measured reliably or the process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use the asset. The software expenditure capitalised are costs directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.
Capitalised software development expenditure is deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 4. Significant accounting policies (continued)

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits
Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

External valuers are engaged for valuation of significant assets, such as vessels and unquoted financial assets, and significant liabilities, such as contingent consideration.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Note 4. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, unless otherwise stated.

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

A. Deferred Tax related to Assets and Liabilities arising from a Single transaction (Amendments to AASB 112)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g., leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

B. Classification of Liabilities as Current or Non-Current (Amendments to AASB 101)

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2024. Due to these ongoing developments, the Group is unable to determine the impact of these amendments on the consolidated financial statements in the period of initial application. The Group is closely monitoring the developments.

C. Other standards

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- AASB 17 *Insurance Contracts* and amendments to AASB 17 *Insurance Contracts*;
- *Disclosure of Accounting Policies (Amendments to AASB 101*) and
- *Definition of Accounting Estimates (Amendments to AASB 108*).

Note 5. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 5. Critical accounting judgements, estimates and assumptions (continued)

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not exercise the option to renew.

Allowance for expected credit losses (ECL) of receivables
The ECL of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by considering the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Assets held for sale
The consolidated entity assessed the fair value of the assets held for sale based on the current market conditions. The calculations require the use of assumptions including fair value less costs of disposal. Significant judgement is required in determining the fair value given the vessels were purpose-built vessels.

Note 6. Segment information

A. Basis for segmentation

The Group has the following four strategic divisions, which are its reportable segments. These divisions offer different products and services and are managed separately because they require different technology and marketing solutions.

The following summary describes the operations of each reportable segment.

Reportable segments	**Operations**
Subsea services	Services in subsea environments, including commercial diving, complete integrated subsea IMR, construction and decommissioning services, through the provision of purpose-built vessels.
Civil construction services	Provision of support vessels to civil construction projects, including project management services, wharf & jetty construction and deconstruction, coastal towage and cargo transfers.
Offshore services	Provision of specialised offshore support vessels to assist in all marine services, including dredging.
Port services	Provision of support vessels to port projects and maintenance, including wharf & jetty construction support, dredging, harbour towage, and crew change/transfers.

Note 6. Segment information (continued)

The Group's Chairman reviews the internal management reports of each division monthly.

Other operations include defence and head office divisions, neither of these segments met the quantitative thresholds for reportable segments in 2023.

B. Information about reportable segments

Information related to each reportable segment is set out below. Segment EBITDA (Earnings before interest, tax, depreciation and amortisation) is used to measure performance as management believe that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries. The Group's reporting segments cover Australia. The Group does not operate in any other geographical locations.

	Reportable segments						
Restated [1] 2022	Subsea services	Civil construction services	Offshore services	Port services	Total reportable segments	All other segments	Consolidated
External revenue	32,181	23,229	33,189	26,399	114,998	19,711	134,709
Segment revenue	32,181	23,229	33,189	26,399	114,998	19,711	134,709
EBITDA	9,070	6,802	6,585	4,559	27,016	(4,295)	22,721

Finance Income	1
Other Income	3,758
Depreciation and amortisation expense	(19,370)
Finance costs	(4,705)
Profit for the year	2,405

	Reportable segments						
2023	Subsea services	Civil construction services	Offshore services	Port services	Total reportable segments	All other segments	Consolidated
External revenues	41,477	39,626	39,351	32,918	153,372	15,601	168,973
Segment revenue	41,477	39,626	39,351	32,918	153,372	15,601	168,973
EBITDA	9,841	17,055	10,320	5,888	43,104	(5,508)	37,596

Finance Income	3
Other Income	132
Depreciation and amortisation expense	(20,989)
Finance costs	(6,717)
Income tax benefit	7,318
Profit for the year	17,343

[1] Refer to Note 20 for more details.

C. Major customers

The group has three customers which represent approximately 40% ($67,631k) of total revenue reported for the year ended 30 June 2023, (2022: $37,240k), generated across the civil construction, subsea, offshore and port services segments.

Note 7. Revenue

A. Revenue streams

	Consolidated 2023 $'000	2022 $'000
Sales revenue		
Rendering of Services	168,973	134,709
	168,973	**134,709**

B. Disaggregation of revenue from contracts with customers

In the following tables, revenue from contracts with customers is disaggregated by primary geographical market and timing of revenue recognition.

	Consolidated 2023 $'000	2022 $'000
Primary geographical markets:		
Australia	168,973	134,709
	168,973	**134,709**
Revenue recognised over time:		
Products and services transferred over time:		
Subsea services	41,477	32,181
Civil construction services	39,626	23,229
Offshore services	39,351	33,189
Port services	32,918	26,399
Other services	15,601	19,711
External revenue as reported	**168,973**	**134,709**

Note 8. Other income

	Consolidated 2023 $'000	2022 $'000
Other income	75	60
Gains on sale of property, plant and equipment - net	57	3,698
Finance income	3	1
Total	**135**	**3,759**

Note 9. Expenses

	Consolidated 2023 $'000	Restated [1] 2022 $'000
Profit before income tax includes the following specific expenses:		
A. Cost of sales		
Raw materials and consumables	7,971	6,740
Vessel expenses	51,187	38,888
Employee benefits expense (note 9(Fi))	50,123	46,138
Other direct costs	2,293	2,711
Total cost of sales	**111,574**	**94,477**
B. Administration expense		
Employee benefits expense (note 9(Fii))	13,808	10,198
Professional fees	1,737	1,290
Insurance	1,425	1,287
Occupancy expenses	929	777
SaaS customisation costs	799	1,695
Other expenses	783	735
Total administration expense	**19,481**	**15,982**
C. Depreciation and amortisation expense		
Depreciation		
Leasehold buildings	228	228
Plant and equipment	910	837
Vessels and vessel refits	9,373	9,679
Right-of-use assets	10,478	8,621
Total depreciation	**20,989**	**19,365**
Amortisation		
ERP system	-	5
Total amortisation	**-**	**5**
Total depreciation and amortisation	**20,989**	**19,370**
D. Impairment of assets		
Trade receivables	322	-
Other investments	-	292
Vessels and vessel refits	-	1,237
Total impairment of assets	**322**	**1,529**
E. Finance costs		
Interest and finance charges paid/payable	5,846	3,787
Interest on lease of ROU assets	785	747
Net foreign exchange loss	86	171
Total finance costs expensed	**6,717**	**4,705**

Note 9. Expenses (continued)

F. Employee benefits expense	Consolidated 2023 $'000	Restated [1] 2022 $'000
(i) Cost of sales (note 9(A))		
Wages and salaries	42,154	39,402
Contributions to defined superannuation funds	4,483	3,954
Increase in liability for annual leave	377	40
(Decrease) in liability for long service leave	(41)	(164)
Increase in liability for other employee benefits	180	33
Other employee benefits expense	2,970	2,873
	50,123	46,138
(ii) Administration expense (note 9(B))		
Wages and salaries	11,439	8,400
Contributions to defined superannuation funds	1,155	801
Increase in liability for annual leave	1	167
Increase in liability for long service leave	282	5
Other employee benefits expense	931	825
	13,808	10,198
	63,931	**56,336**

[1] Refer to Note 20 for more details.

Note 10. Income tax benefit

	Consolidated 2023 $'000	Restated [1] 2022 $'000
Amounts recognised in profit or loss		
Current tax expense		
Current year	-	-
Changes in estimates related to prior years	-	-
	-	-
Deferred tax expense		
Utilisation of prior period tax loss	(2,993)	-
Origination and reversal of temporary differences	(34)	-
Recognition of previously unrecognised tax losses	10,345	-
Tax benefit on continuing operations	7,318	-
Reconciliation of effective tax rate		
Profit before tax from continuing operations	10,025	2,405
Tax at the statutory tax rate of 30%	(3,007)	(722)
Non-deductible expenses:		
Entertainment expenses	(20)	(20)
Other	-	(461)
	(20)	(481)
Unused tax losses for which a deferred tax asset has been recognised	10,345	-
Utilisation of prior period tax losses	-	1,392
Adjustment on deferred tax balances not recognised	-	(189)
Income tax benefit	7,318	-

The Group has recognised a deferred tax asset as at 30 June 2023 of $7,318k. In part this is due to the Group demonstrating the achievement of profit in both the 30 June 2022 and 2023 financial year ends as well as an increase in the probability of future profits forecast for subsequent financial years based on current projects. Previously the Group had not recognised a deferred tax asset given it was not probable that sufficient taxable profit would be available to utilise the deferred tax asset. The unused tax losses carried forward as at 30 June 2023 for which a deferred tax asset had not been recognised were $nil (30 June 2022: $60,152k).

Balance 30 June 2023 **Movements in tax balances**	Net balance 1 July $'000	Previously unrecognised $'000	Charged to Income Statement $'000	Net balance 30 June $'000	Deferred tax assets $'000	Deferred tax liabilities $'000
Tax losses carried forward	7,507	10,345	(2,993)	14,859	14,859	-
Impairment of receivables	153	-	(97)	56	56	-
Accrued expenses	1,008	-	385	1,393	1,393	-
Property, plant and equipment	(8,729)	-	(316)	(9,045)	-	(9,045)
Prepaid expenses	(12)	-	(77)	(89)	-	(89)
Intangible assets	604	-	240	844	844	-
AASB 16 Leases	108	-	(36)	72	6,178	(6,106)
Other items	(639)	-	(133)	(772)	-	(772)
Tax assets/(liabilities) before offset	**-**	**10,345**	**(3,027)**	**7,318**	**23,330**	**(16,012)**
Tax liabilities offset					**(16,012)**	
Net deferred tax assets					**7,318**	

Note 11. Earnings per share

	Consolidated	
		Restated [1]
	2023	2022
	$'000	$'000
The calculation of basic and diluted earnings per share is based on the following:		
Profit for the year, attributable to ordinary shareholders	17,343	2,405
Weighted average number of ordinary shares	150,086	150,086

[1] Refer to Note 20 for more details.

Note 12. Cash and cash equivalents

	Consolidated	
	2023	2022
	$'000	$'000
Cash at bank and on hand	42	516

Note 13. Trade and other receivables

	Consolidated	
	2023	2022
	$'000	$'000
Trade receivables	26,017	25,791
Less: Allowance for expected credit losses	(186)	(508)
	25,831	**25,283**
Accrued revenue	5,900	8,241
Insurance receivables	2,233	1,134
	33,964	**34,658**

Note 14. Inventories

	Consolidated	
	2023	2022
	$'000	$'000
Fuel and other inventories	2,858	2,414

Note 15. Other current assets

	Consolidated	
	2023	2022
	$'000	$'000
Prepayments	1,607	761
Security deposits	150	150
	1,757	**911**

Note 16. Assets held for sale

Information regarding the assets held for sale in the Statement of Financial Position is presented below. At 30 June 2023, the Group holds one (2022: nil) vessel within the fleet to be disposed of. The vessel was damaged in 2021 and underwent repairs in Singapore. While the Group does not actively sell vessels, an initial intention to lease the repaired vessel became a request to purchase.

No impairment has been recognised on the reclassification of this vessel in the year 30 June 2023. The vessel sale is highly probable at 30 June 2023.

	Consolidated	
	2023	2022
	$'000	$'000
Vessel at carrying amount	1,401	6

Note 17. Other investments

	Consolidated	
	2023	2022
	$'000	$'000
Investment in Marine & Towage Services Group	1,455	1,455
Investment in Bhagwan Seaworks Marine Pty Ltd	-	4,960
	1,455	6,415

The investment in Marine & Towage Services Group is the initial value of the investment which is management's best estimate of Fair Value. The fair value measurement of the investment is categorised as Level 3 fair value as it is not based on observable market data.

In the current year, the Group transferred its 50% ownership in the joint venture (JV) to related party BM Fleet Pty Ltd. The investment in the JV, that was previously accounted for using equity accounting, has been transferred to a loan due to the Group from BM Fleet Pty Ltd at the original investment amount. No gain or loss on the transfer of the investment has been recognised.

Note 18. Property, plant and equipment

	Consolidated	
	2023	**2022**
	$'000	**$'000**
Leasehold land and buildings improvements – at cost	5,488	5,468
Less: Accumulated depreciation	(2,138)	(1,910)
	3,350	**3,558**
Plant and equipment – at cost	16,493	16,497
Less: Accumulated depreciation	(13,326)	(13,057)
	3,167	**3,440**
Leasehold vessel improvements – at cost	9,650	6,837
Less: Accumulated depreciation	(4,976)	(3,758)
	4,674	**3,079**
Vessel equipment – at cost	4,691	4,575
Less: Accumulated depreciation	(3,493)	(3,113)
	1,198	**1,462**
Vessels– at revaluation	149,063	143,993
Less: Accumulated depreciation	(46,610)	(38,835)
Less: Impairment	-	(1,237)
	102,453	**103,921**
Capital work in progress	2,741	3,337
	117,583	**118,797**

Note 18. Property, plant and equipment (continued)

Consolidated	Leasehold land and buildings	Plant and equipment	Vessels	Leasehold vessels and vessel equipment	Capital work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2021	**3,786**	**3,830**	**106,813**	**3,715**	**2,148**	**120,292**
Additions	-	447	5,299	2,103	1,189	9,038
Disposals	-	-	(3,168)	(10)	-	(3,178)
Impairment of assets	-	-	(1,237)	-	-	(1,237)
Revaluation of vessels	-	-	4,626	-	-	4,626
Depreciation expense	(228)	(837)	(8,412)	(1,267)	-	(10,744)
Balance at 30 June 2022	**3,558**	**3,440**	**103,921**	**4,541**	**3,337**	**118,797**
Additions	20	730	6,477	2,165	1,588	10,980
Disposals	-	(93)	(189)	-	-	(282)
Transfer to assets held for sale	-	-	(1,401)	-	-	(1,401)
Transfers from capital wip	-	-	1,537	647	(2,184)	-
Other transfers	-	-	(117)	117	-	-
Depreciation expense	(228)	(910)	(7,775)	(1,598)	-	(10,511)
Balance at 30 June 2023	**3,350**	**3,167**	**102,453**	**5,872**	**2,741**	**117,583**

Impairment of non-current assets

The consolidated entity performs a review of non-current asset values each year whenever circumstances indicate that the carrying amount of assets are impaired. The Group did not recognise an impairment as at 30 June 2023 (2022: impairment of $1,237k). There were no other indicators of impairment identified as at the end of June 2023.

Revaluation of vessels

The Group's vessels are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's vessels at 30 June 2022 were performed by Maritime Engineers Pty Ltd, independent valuers not related to the Group. Maritime Engineers Pty Ltd are ISO 9001:2015 accredited, and they have appropriate qualifications and recent experience in the fair value measurement of vessels in the relevant sectors. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar vessels. The fair value of the vessels was determined based on the market comparable approach that reflects recent transaction process for similar vessels.

The vessels have not been independently valued during the year ended 30 June 2023. The Director's view is that the 2022 valuation remains appropriate in the current year due to their knowledge of current market, sales and trends, limited vessel availability in the market due to local and international supply chain constraints and the associated longer lead time to build new vessels.

The carrying amount of vessels, had they been carried under the cost model, would be $47,506k.

Note 19. Leases

This note provides information for leases where the group is a lessee.

The Group leases several assets including:
- Current head office premises in Perth which expires on 15 December 2025.
- Operating premises in Henderson, Darwin, Gove, Dampier, Brisbane, and Melbourne.
- Vessel bareboat charters with varying lease terms.

(i) Amounts recognised in the consolidated statement of financial position

Consolidated	Properties $'000	Vessels $'000	Motor vehicles and cranes $'000	Total $'000
Balance at 30 June 2021	**6,755**	**11,603**	**502**	**18,860**
Depreciation charge for the year	(2,179)	(6,042)	(400)	(8,621)
Additions to right-of-use assets	3,526	14,582	72	18,180
Derecognition of right-of-use assets	-	(5,252)	-	(5,252)
Balance at 30 June 2022	**8,102**	**14,891**	**174**	**23,167**
Depreciation charge for the year	(2,750)	(7,558)	(170)	(10,478)
Additions to right-of-use assets	1,342	5,977	348	7,667
Balance at 30 June 2023	**6,694**	**13,310**	**352**	**20,356**

	Consolidated 2023 $'000	2022 $'000
Lease liabilities		
Balance at 1 July	23,552	15,765
Additions	6,828	17,463
Accretion of interest	785	747
Payments	(10,572)	(10,423)
Balance at 30 June	**20,593**	**23,552**
Current	8,572	8,996
Non-Current	12,021	14,556

Note 19. Leases (continued)

(ii) Amounts recognised in the consolidated statement of profit or loss

	Consolidated 2023 $'000	2022 $'000
Interest expense (included in finance cost)	785	747
Expense relating to short-term leases	3,973	1,818
	4,758	**2,565**

The total cash outflow for leases in 2023 was $14,545k (2022: $11,920k).

(iii) Future lease payments

The total of future lease payments is disclosed for each of the following periods:

	Consolidated 2023 $'000	2022 $'000
Less than one year	13,242	13,617
One to two years	6,662	5,832
Two to three years	3,030	3,670
Three to four years	1,468	2,774
Four to five years	828	1,372
More than five years	1,656	2,308
	26,886	29,573

Note 20. Intangible assets and goodwill

	ERP system at cost $'000	Total $'000
Balance at 30 June 2021 (restated)	**5**	**5**
Acquisitions – purchases (restated)	-	-
Disposals	(5)	(5)
Balance at 30 June 2022 (restated)	**-**	**-**
Acquisitions – purchases	-	-
Disposals	**-**	**-**
Balance at 30 June 2023	**-**	**-**

Note 20. Intangible assets and goodwill (continued)

Change in accounting and the impact of cash flow reclassification
Software-as-a-Service (SaaS) arrangements

The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements:

- Customer's right to receive access to the supplier's software hosted on the cloud (March 2019) – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
- Configuration or customisation costs in a cloud computing arrangement (April 2021) – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

During the year, the Group revised its accounting for configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements.

The adoption of the above agenda decision has resulted in recognition of costs capitalised on SaaS arrangements as an expense of $799k in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the current year ended 30 June 2023 and $2,010k as an opening balance adjustment in retained earnings related to 30 June 2022 and 30 June 2021.

Historical financial information has been restated, as follows:

a) Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022	As previously reported $'000	Adjustment $'000	As restated $'000
Administrative expense	(14,287)	(1,695)	(15,982)
Income tax benefit	-	-	-
Profit after Income tax for the year	**4,100**	**(1,695)**	**2,405**

b) Consolidated Statement of Financial Position

Balances as at 30 June 2021	As previously reported $'000	Adjustment $'000	As restated $'000
Intangible assets	320	(315)	5
Net assets	**40,074**	**(315)**	**39,759**
Accumulated losses	(69,108)	(315)	(69,423)
Total equity	**40,074**	**(315)**	**39,759**

Balances as at 30 June 2022			
Intangible assets	2,010	(2,010)	-
Net assets	**48,800**	**(2,010)**	**46,790**
Accumulated losses	(65,008)	(2,010)	(67,018)
Total equity	**48,800**	**(2,010)**	**46,790**

Note 20. Intangible assets and goodwill (continued)

c) Consolidated Statement of Cash Flows

Balances as at 30 June 2022	As previously reported $'000	Adjustment $'000	As restated $'000
Payments for SaaS customisation	-	(1,686)	(1,686)
Net cash from operating activities	**19,943**	**(1,686)**	**(18,257)**
Payments for intangible assets	(1,686)	1,686	-
Net cash (used in)/generated from investing activities	**(1,121)**	**1,686**	**565**

Note 21. Non-current financial assets

	Consolidated 2023 $'000	2022 $'000
Debt instruments at amortised cost		
Receivables from related parties (note 26)	9,990	3,005
Receivable from joint venture	-	1,561
	9,990	**4,566**

Note 22. Trade and other payables

	Consolidated 2023 $'000	2022 $'000
Trade payables	23,915	28,229
Payable to related party (note 26)	67	208
Accrued expenses	6,091	5,792
	30,073	**34,229**

Note 23. Loans and borrowings

	Consolidated 2023 $'000	2022 $'000
Non-current Liabilities		
Commercial advance facility	32,124	32,124
Term debt facility	1,278	5,806
Shareholder loan (note 26)	12,590	11,867
	45,992	**49,797**
Current Liabilities		
Current portion of term debt facility	3,996	3,996
Bank Overdraft	16,884	19,837
Other loans	11,276	10,271
	32,156	**34,104**

Note 23. Loans and borrowings (continued)

Terms and repayment schedule
The terms and conditions of outstanding loans are as follows.

	Currency	Nominal interest rate	Year of Maturity	2023 $'000 Limit	2023 $'000 Carrying Amount	2022 $'000 Limit	2022 $'000 Carrying Amount
Bank overdraft	AUD	10.07%	2024[a]	10,824	6,884	10,824	9,837
Bank overdraft facility	AUD	5.90%	2024[a]	10,000	10,000	10,000	10,000
Total bank overdraft facility				**20,824**	**16,884**	**20,824**	**19,837**
Commercial advance facility	AUD	6.87%	2024[b]	32,124	32,124	32,124	32,124
Term debt facility	AUD	6.66%	2024[b]	9,799	5,274	9,802	9,802
Bank contingent instrument facility	AUD		2024[b]	3,053	2,666	2,864	2,764
Credit cards facility	AUD		2024[b]	224	53	224	42
Shareholder loan	AUD	6.00%	2024[c]	12,590	12,590	11,867	11,867
Other loans	AUD	10.00%	2023[d]	11,276	11,276	10,271	10,271
Total interest-bearing liabilities				**89,890**	**80,867**	**87,976**	**86,707**

(a) 31 January 2024
(b) 30 September 2024
(c) 31 December 2024
(d) 30 June 2023

The other loans bear interest at 10% p.a and are unsecured. The expiry date was 30 June 2023, Bhagwan anticipates the loan to be repaid in full before 30 June 2024, it has been agreed to continue this facility on a rolling month by month basis.

The bank overdraft facility has a termination date of 31 January 2024.
Under the current facilities arrangement, Bhagwan has a requirement to amortise their Bank loans by $333k per month.

Assets pledged as security
The bank overdraft and bank loans are secured by property and ship mortgages over the consolidated entity's land, buildings and vessels. The lease liabilities are secured by rights to the leased assets, recognised in the statement of financial position, and revert to the lessor in the event of default.

Interest rates and maturity dates
The bank overdraft forms part of a working capital facility to be used for general corporate and working capital purposes. The base interest rate is the overdraft reference rate, currently 10.07% p.a, with an expiry date of 31 January 2024.

The term debt facility bears interest at a base rate of BBSY and an interest rate margin of 2.50% p.a. with a termination date of 30 September 2024.

The bank contingent facility has been used towards letters of credits and bank guarantees.

The shareholder loan bears interest at 6% p.a and is unsecured. The expiry date is 31 December 2024.

Note 24. Employee benefits

	Consolidated 2023 $'000	2022 $'000
Non-current Liabilities		
Liability for long-service leave	378	243
	378	**243**
Current Liabilities		
Liability for long-service leave	1,484	1,378
Liability for annual leave	1,388	1,010
Liability for marine leave	527	347
	3,399	**2,735**

Amounts not expected to be settled within the next 12 months
The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement.

Note 25. Capital and reserves

Share capital	2023 Shares	2022 Shares	2023 $'000	2022 $'000
Ordinary shares fully paid	150,086,073	150,086,073	65,910	65,910

Movements in ordinary share capital

	Date	Shares	Issue Price	$'000
Balance	30 June 2022	150,086,073	-	65,910
Balance	30 June 2023	150,086,073	-	65,910

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Nature and purpose of reserves

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Revaluation reserve
This reserve is used to recognise the fair value adjustment on revaluation of vessels.

Note 25. Capital and reserves (continued)

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

	Foreign Currency	Revaluation	Total
	$'000	$'000	$'000
Balance at 30 June 2021	(78)	43,350	43,272
Movement for the year	-	4,626	4,626
Balance at 30 June 2022	**(78)**	**47,976**	**47,898**
Movement for the year	-	-	-
Balance at 30 June 2023	**(78)**	**47,976**	**47,898**

Dividends

Dividend
No dividends were declared or paid for the year ended 30 June 2023 (2022: nil).

Franking Credits

	Consolidated	
	2023	2022
	$'000	$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	23,522	23,522

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Franking credits are related to the Australian operations of the consolidated entity.

Note 26. Related party disclosures

Parent entity

The Parent entity of the Group is Bhagwan Marine Pty Ltd.

Transactions with key management personnel

Key management personnel compensation comprised the following:

	Consolidated	
	2023	2022
	$	$
Short-term employee benefits	1,199,738	941,372
Post-employment benefits	95,068	64,687
Non-monetary car parking employment benefits	6,824	6,987
	1,301,630	**1,013,046**

Compensation of the Group's key management personnel includes salaries, non-cash car parking benefits and contributions to a post-employment superannuation fund.

Trading transactions with related parties

During the year, the Group had nil (2022: nil) sales and purchases of goods and services to and from related parties. The following balances were outstanding at the end of the reporting period:

	Amounts owed by related party		Amounts owed to related party	
	2023	2022	2023	2022
	$	$	$	$
Related Party Loans	9,777,015	3,005,000	-	-
Shareholder Loan	-	-	12,590,007	11,866,670
Payable from/to related party	213,173	-	67,251	208,685
	9,990,188	3,005,000	12,657,258	12,075,355

Loan to related party

A loan has been granted to a related party of $3,127k (30 June 2022: $3,005k). Interest will be charged at 8% per annum as from 1 July 2023. The outstanding loan receivable was priced on an arm's length basis, is unsecured and is not expected to be settled within the next 12 months. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of amounts owed by related parties.

The Group transferred its 50% ownership in the joint venture (refer to Note 17) to related party BM Fleet Pty Ltd. BM Fleet Pty Ltd is considered a related party as the consolidated entity and BM Fleet Pty Ltd have mutual directors who have control. The investment in the JV that was previously accounted for using equity accounting has been converted to a loan of $6,650k due to the Group from BM Fleet Pty Ltd. The loan is priced on an arm's length basis, is unsecured and is not expected to be settled within the next 12 months.

Loan from related party

A loan has been granted from a related party during the financial year ended 30 June 2023 of $12,590k (30 June 2022: $11,867k). Interest is charged at 6% per annum. The outstanding loan payable is priced on an arm's length basis, is unsecured and is not expected to be settled within the next 12 months.

Payable from/to related party

Payables from a related party of $213k (2022: $nil) relate to funds to be received from Director related parties for miscellaneous expenses incurred and are regularly repaid throughout the period. Similarly, the payable to a related party of $67k (2022: $208k) relates to the settlement of expenses owing by the Group to the Director related parties at year end.

Note 26. Related party disclosures (continued)

Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2:

Name	Principal place of business/country of incorporation	Ownership	
		2023 %	2022 %
Bhagwan Investments Pty Ltd	Australia	100%	100%
Intrepid Marine Pty Ltd	Australia	100%	100%
DSL Marine Holdings Pty Ltd	Australia	100%	100%
C-side Marine Engineering Pty Ltd	Australia	100%	100%
Barge Partners Group Australia Pty Ltd	Australia	100%	100%
Work Boats Northern Australia 2 Pty Ltd	Australia	100%	100%
Ugly Boats Northern Australia 2 Pty Ltd	Australia	100%	100%
Bhagwan Marine Security Pty Ltd	Australia	100%	100%
RCWB Northern Australia Pty Ltd	Australia	100%	100%
North Australian Barge Services Pty Ltd	Australia	100%	100%
Barge Partnership Pty Ltd	Australia	100%	100%
Bhagwan Marine (NT) Pty Ltd	Australia	100%	100%

Note 27. Remuneration of auditors

The board has considered the non-audit services provided during the year, by the auditor, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the board to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

The following fees were paid or payable to the Group's auditors, KPMG, and services provided by other firms:

	Consolidated	
	2023	2022
	$	$
Audit services		
Audit of the financial statements – *KPMG*	230,470	91,263
Other services		
Tax compliance and advisory - *KPMG*	45,540	44,091
	276,010	**135,354**

Note 28. Contingent liabilities

The consolidated entity has given bank guarantees and letters of credit to third party customers, in the normal course of business, as at 30 June 2023 totalling $2,666k (30 June 2022: $2,764k). The outflow of settlement is considered remote and additional information is not considered practicable to disclose.

Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
		Restated [1]
	2023	2022
	$'000	$'000
Profit after income tax	18,596	3,680
Total comprehensive income	18,596	7,047

Statement of financial position

	Parent	
		Restated [1]
	2023	2022
	$'000	$'000
Total current assets	38,859	38,576
Total assets	192,718	186,184
Total current liabilities	72,742	78,604
Total liabilities	131,133	143,199
Equity		
Issued capital	65,910	65,910
Foreign currency reserve	(78)	(78)
Revaluation reserve	32,605	32,605
Accumulated losses	(36,852)	(55,452)
Total equity	61,585	42,985

[1] Refer to Note 20 for more details.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

Contingent liabilities
The parent entity has given bank guarantees as at 30 June 2023 of $2,666k (30 June 2022: $2,764k).

Capital commitments - Property, plant and equipment
The parent entity has no capital commitments for property, plant and equipment at as 30 June 2023 and 30 June 2022.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 30. Reconciliation of profit after income tax to net cash from operating activities

	2023 $'000	Restated [1] 2022 $'000
Profit after income tax benefit from continuing operations	17,343	2,405
Adjustments for:		
Depreciation and amortisation	20,989	19,370
Impairment of non-current assets	322	1,529
Bad debts provided	185	508
Foreign exchange differences	86	171
Net (gain) on disposal of property, plant and equipment	(57)	(3,698)
Interest expense on shareholder and vendor loans	1,818	1,191
Income tax benefit	(7,318)	-
Change in operating assets and liabilities		
Decrease/(Increase) in trade and other receivables	694	(16,879)
(Increase) in Non-current financial assets	(5,424)	(4,566)
(Increase) in inventories – fuel	(444)	(126)
(Increase) in prepayments	(846)	(477)
Decrease in other investments	4,960	-
(Decrease)/Increase in trade and other payables	(4,220)	18,748
Increase in employee benefits	799	81
Net cash from operating activities from continuing operations	28,887	18,257

[1] Refer to Note 20 for more details.

Note 31. Financial instruments – Fair values and risk management

When measuring the fair value of a vessel, the Group uses market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurements of vessel assets have been categorised as Level 2 fair values based on the valuation techniques used by the vessel valuer. In acknowledging Market Value, the Valuer makes recognition of the actual market and market bandwidth of the subject vessel should it be listed for sale under the "willing buyer-willing seller arm's length transaction" conditions of sale.

A. Accounting classifications and fair values

Other than the investment in Marine & Towage Services Group (refer to Note 17), the consolidated entity does not have financial assets measured at fair value.
Cash and cash equivalents (refer to Note 12) and Trade and other receivables (refer to Note 13) are financial assets at amortised cost.

Financial liabilities not measured at fair value include Bank overdrafts and secured bank loans (refer to Note 23).

B. Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk (see (B)(ii);
- Liquidity risk (see (B)(iii); and
- Market risk (see (B)(iv)

i. Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

ii. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Note 31. Financial instruments – Fair values and risk management (continued)

ii. Credit risk (continued)

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows.

	2023 $'000	2022 $'000
Impairment loss on trade receivables and contract assets arising from contracts with customers (See note 9(D))	322	-
	322	**-**

Expected credit loss (ECL) assessment for individual customers

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

The Group writes off a trade receivable when there is information indicating that the debtor is in significant financial difficulty and there is no realistic prospect of recovery. Subsequent recoveries of amounts previously written off are credited against the allowance account.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 30 June 2023.

30 June 2023 $'000	**Gross carrying amount**	**Loss allowance**	**Credit-impaired**
Current (not past due)	22,342		No
1-30 days past due	2,351		No
31-60 days past due	537		No
61-90 days past due	296		No
More than 90 days past due	491		Yes
	26,017	**(186)**	

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 30 June 2022.

30 June 2022 $'000	**Gross carrying amount**	**Loss allowance**	**Credit-impaired**
Current (not past due)	22,146		No
1-30 days past due	1,916		No
31-60 days past due	94		No
61-90 days past due	866		No
More than 90 days past due	769		Yes
	25,791	**(508)**	

Note 31. Financial instruments – Fair values and risk management (continued)

ii. Credit risk (continued)

Movements in the allowance for impairment in respect of trade receivables and contract assets

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows.

	2023 $'000	2022 $'000
Balance at 1 July	508	494
Amounts written off	(644)	(55)
Net remeasurement of loss allowance	322	69
Balance at 30 June	**186**	**508**

Trade receivables with a contractual amount of $635k, written off during 2023, are still subject to enforcement activity.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Notes 7(A)–(B).

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the Board of Directors.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and two months for individual and corporate customers, respectively.

More than 85% of the Group's customers have been transacting with the Group for over four years, and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Group and existence of previous financial difficulties.

The Group manages credit risk exposure of trade receivables by monitoring each individual customer, utilising data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. The credit risk defined using qualitative and quantitative factors that are indicative of the risk of default.

Collectability of trade receivables is reviewed on an ongoing basis and managed through regular meetings with the customers, on-going contractual arrangements and regular receipts for the balances outstanding. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due, according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The Group does not require collateral in respect of trade and other receivables.

Note 31. Financial instruments – Fair values and risk management (continued)

ii. Credit risk (continued)

Trade receivables and contract assets (continued)

At 30 June 2023, the exposure to credit risk for trade receivables and contract assets by geographic region was as follows.

	2023 $'000	2022 $'000
Australia:		
Trade receivables	26,017	25,791
Less: Allowance for expected credit losses	(186)	(508)
	25,831	**25,283**
Accrued revenue	5,900	8,241
Insurance receivables	2,233	1,134
Total Australia exposure	**33,964**	**34,658**

At 30 June 2023, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows.

	2023 $'000	2022 $'000
End-user customers:		
Trade receivables	26,017	25,791
Less: Allowance for expected credit losses	(186)	(508)
	25,831	**25,283**
Accrued revenue	5,900	8,241
Total End-user customers	31,731	33,524
Insurance Providers:		
Insurance receivables	2,233	1,134
	33,964	**34,658**

At 30 June 2023, the carrying amount of the receivable from the Group's most significant customer (an Australian end-user) was $1,631k (2022: $2,691k).

iii. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

Note 31. Financial instruments – Fair values and risk management (continued)

iii. Liquidity risk (continued)

In addition, the Group maintains the following lines of credit.
– $10.8 million overdraft facility that is secured. Interest would be payable at the nominal rate of 10.07%.

– $32.1 million commercial advance facility that is secured and can be drawn down to meet short-term financing needs. Interest would be payable at the nominal rate of 6.87%.

– $9.8 million commercial advance facility that is secured and can be drawn down to meet short-term financing needs. Interest would be payable at the nominal rate of 6.66%.

– $10.0 million commercial advance facility that is secured and can be drawn down to meet short-term financing needs. Interest would be payable at the nominal rate of 5.90%.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.
The carrying amount of variable interest rate instruments is in agreement with Note 23 terms and repayment schedule, bank overdraft facility and commercial advance facilities carrying amounts.

30 June 2023	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Variable interest rate instruments	54,284	(58,230)	(1,306)	(22,881)	(34,043)	-	-
Fixed interest rate instruments	23,866	(25,657)	(314)	(12,375)	(12,968)	-	-
Lease liabilities	20,593	(22,796)	(1,524)	(7,628)	(6,662)	(5,326)	(1,656)
Trade payables and accruals	30,006	(30,006)	(21,367)	(8,639)	-	-	-
Payable to related party	67	(67)	-	(67)	-	-	-
	128,816	(136,756)	(24,511)	(51,590)	(53,673)	(5,326)	(1,656)

30 June 2022	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Variable interest rate instruments	61,762	(70,434)	(1,378)	(6,891)	(27,517)	(34,648)	-
Fixed interest rate instruments	22,138	(24,645)	(204)	(1,021)	(11,197)	(12,223)	-
Lease liabilities	23,552	(25,600)	(1,607)	(8,037)	(5,832)	(7,816)	(2,308)
Trade payables and accruals	34,021	(34,021)	(20,006)	(14,015)	-	-	-
Payable to related party	208	(208)	-	(208)	-	-	-
	141,681	(154,908)	(23,195)	(30,172)	(44,546)	(54,687)	(2,308)

Note 31. Financial instruments – Fair values and risk management (continued)

iii. Liquidity risk (continued)

The Group has secured bank loans that contains loan covenants. A future breach of a covenant may require the Group to repay the loan earlier than indicated in the above table. Under the agreement, the covenants are monitored on a regular basis by the Board of Directors to ensure compliance with the agreement.

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

iv. Market risk

Market risk is the risk that changes in market prices, will affect the Group's income or the value of its holdings of financial instruments. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Where required, the Group can enter into a range of derivative financial instruments to manage exposure to these risks.

At a Group level, these market risks are managed through sensitivity analysis, within the guidelines set by the Board of Directors. There is no change in the manner in which these risks are managed and measured in the current year.

Foreign currency risk management

Foreign currency risk is the risk that exchange rate fluctuations arise, primarily to the Group's operating activities, when revenue or expense is denominated in a foreign currency. Exchange rate exposures are managed within the approved policy parameters utilising forward foreign exchange contracts, when it is considered appropriate.

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows.

	2023 USD $'000	2022 USD $'000
Trade receivables	203	156
Cash at bank and on hand	2	344
Trade payables	(7)	(292)
Net statement of financial position exposure	198	208

Note 31. Financial instruments – Fair values and risk management (continued)

iv. Market risk (continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to US dollar exchange rate fluctuations.

The following table details the Group's sensitivity to a 10% strengthening (weakening) in the Australian Dollar against the US dollar. The 10% sensitivity represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive value below indicates an increase in profit or equity, with a negative value being the opposite impact. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
	$'000	$'000	$'000	$'000
30 June 2023				
USD (10% movement)	(27)	27	-	-
30 June 2022				
USD (10% movement)	(31)	31	-	-

Interest rate risk management

Interest rate risk is the risk that interest rate fluctuations arise, the Group is exposed to interest rate risk because it borrows funds primarily at floating interest rates. The risk is managed by the Group's Board of Directors, through the use of interest rate swap contracts when considered appropriate. Hedging activities are evaluated regularly to align with interest rate views ensuring the most cost-effective hedging strategies are applied, if required. At this point in the interest rate cycle the Group is unhedged.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the reporting date, if interest rates had been 100-basis points higher / lower and all other variables remain constant, the impact on the net profit of the Group would be a decrease/increase in net profit of: $543k (2022: decrease/increase by $618k).

Note 30. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

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1. In the opinion of the directors of Bhagwan Marine Pty Ltd (the 'Company'):

(a) the consolidated financial statements and notes that are set out on pages 11 to 47 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

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

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

(c) the directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Anthony Wooles
Chairman

30 October 2023
Perth, WA

Independent Auditor's Report

To the shareholders of Bhagwan Marine Pty Ltd

Opinion

We have audited the ***Financial Report*** of Bhagwan Marine Pty Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2023;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in Bhagwan Marine Pty Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Matthew Hingeley

Partner

Perth

30 October 2023