



2022 PRELIMINARY FINANCIAL REPORT

AERISON GROUP LIMITED
ABN 77 614 735 474



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ASX APPENDIX 4E RESULTS FOR ANNOUNCEMENT TO THE MARKET

Aerison Group Limited (the Company) and its controlled entities (the Group) present their results for announcement to the market for the year ended 31 December 2022 as follows:

				AUD \$000
Revenue from ordinary activities	up	54.9%	to	208,921
(Loss)/profit after income taxes	down	299.9%	to	(10,708)
(Loss)/profit after income taxes attributable to members	down	299.9%	to	(10,708)
Basic (loss)/earnings per share (cents)	down	277.5%	to	(3.48)
Diluted (loss)/earnings per share (cents)	down	298.8%	to	(3.48)
Net tangible assets ¹ per share (cps) on 31 December 2022				4.5
Net tangible assets ¹ per share (cps) on 31 December 2021				9.8
Dividends ²				Nil

¹The calculation of net tangible assets per ordinary share excludes right-of-use assets and deferred tax balances.

²No interim or final dividends were proposed on ordinary shares for the year ended 31 December 2022.

COMMENTARY ON RESULTS FOR THE PERIOD

The Preliminary Financial Report has been prepared in accordance with ASX Listing Rule 4.3A and was derived from the unaudited 2022 Annual Report.

The audit of the 2022 Annual Report is in process and is not expected to contain a modified audit opinion. The audit opinion may include an emphasis of matter on going concern.

The Group is agreeing contract modifications with a customer arising from variations to the scope of a contract for which the corresponding change in price has not yet been finalised. The finalisation of the contract modifications may have a material impact on the financial performance of the Group. Refer to Note A.4 for further details.

CHANGE IN CONTROL

The Group did not gain or lose control over any entities during the year ended 31 December 2022.

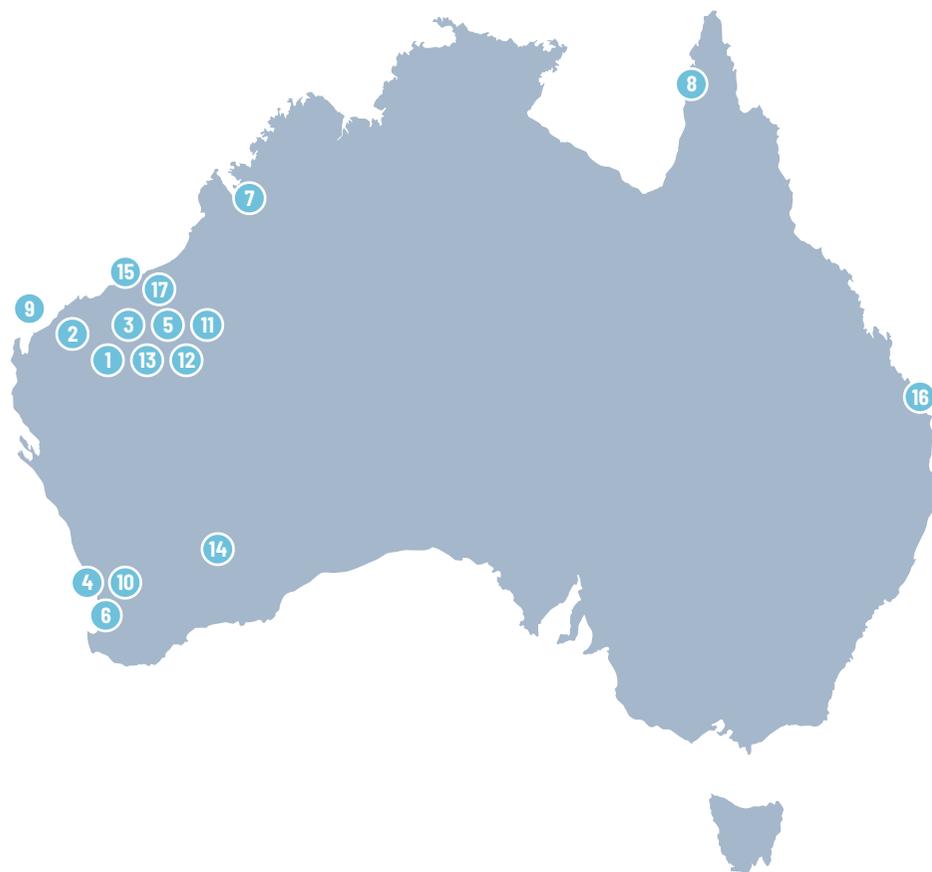
ASSOCIATES AND JOINT VENTURE

None.

OTHER SIGNIFICANT INFORMATION

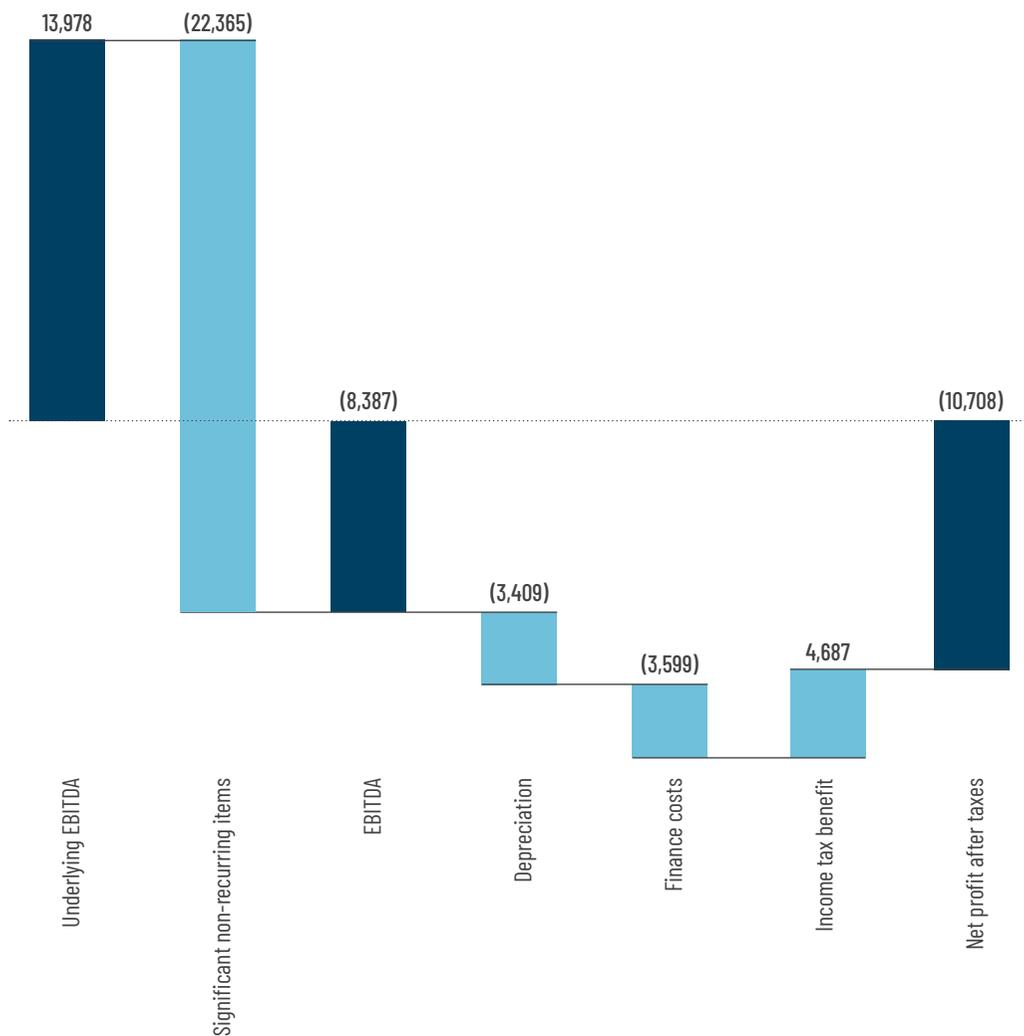
Other significant information, including significant events and transactions, are explained generally in the unaudited Preliminary Financial Report.

OPERATING AND FINANCIAL REVIEW



1	Rio Tinto	Provision of structural, mechanical, piping, electrical, instrumentation and commissioning support at the Western Turner Syncline iron ore mine.	Iron ore
2	Rio Tinto	Provision of structural, mechanical, piping, electrical, instrumentation and commissioning support at the Mesa J iron ore mine.	Iron ore
3	Roy Hill	The design, procurement and construction of a saline water reverse osmosis plant at the Roy Hill iron ore mine.	Iron ore
4	Covalent Lithium	The design, fabrication and installation of steel pipe rack modules at their Kwinana Lithium Refinery.	Lithium
4	CSBP	The manufacture and supply of the Kwinana Raw Materials Receivals Conveyors No 2 and No 3.	Fertilizer
5	Roy Hill	The design, fabrication and installation of pipework and structural supports as part of the Wet High Intensity Magnetic Separator plant expansion at the Roy Hill iron ore mine.	Iron ore
6	Alcoa	The design, fabrication and supply of switchrooms at their Wagerup Alumina Refinery.	Aluminium
7	Horizon Power	Design, fabrication and installation of a battery energy storage systems connected to the West Kimberley Power Station.	Infrastructure
8	Rio Tinto	Design, fabrication and installation of battery energy storage systems connected to the Weipa Solar Farm.	Infrastructure
9	Chevron	The design, fabrication and supply of switchrooms at the Jansz-lo Compression project.	Oil and gas
10	Alstom S.A.	The design, fabrication and supply of battery boxes entering into the construction of railcars for the Perth METRONET project.	Infrastructure
11	Roy Hill	General maintenance shutdown services at the Roy Hill iron ore mine.	Iron ore
12	Rio Tinto	General maintenance shutdown services at the West Angelas iron ore mine.	Iron ore
13	Rio Tinto	General maintenance shutdown services at the Paraburdoo iron ore mine.	Iron ore
13	Rio Tinto	The design, supply, installation and commissioning of the crusher building dust mitigation system for the Paraburdoo iron ore mine.	Iron ore
14	Northern Star Resources	The design, fabrication and installation of a fume extraction system at the Fimiston gold mine.	Gold
15	Pilbara Port Authority	The design, fabrication and installation of an electrical substation kiosk at the Pilbara Port.	Infrastructure
16	Transurban	The supply and installation of air dampers and actuators for the Clem Jones Tunnel.	Infrastructure
17	Rio Tinto	The design, supply and manufacture of a dust collection system for the Western Range project.	Iron ore

OPERATING AND FINANCIAL REVIEW



PROFIT OR LOSS

SIGNIFICANT NON-RECURRING ITEMS

Refer to Note A.3 for further details.

DEPRECIATION

The depreciation expense increased primarily due to new hire-purchased leased equipment, such as portable offices, to support the increase scale of operations at remote locations.

FINANCE COSTS

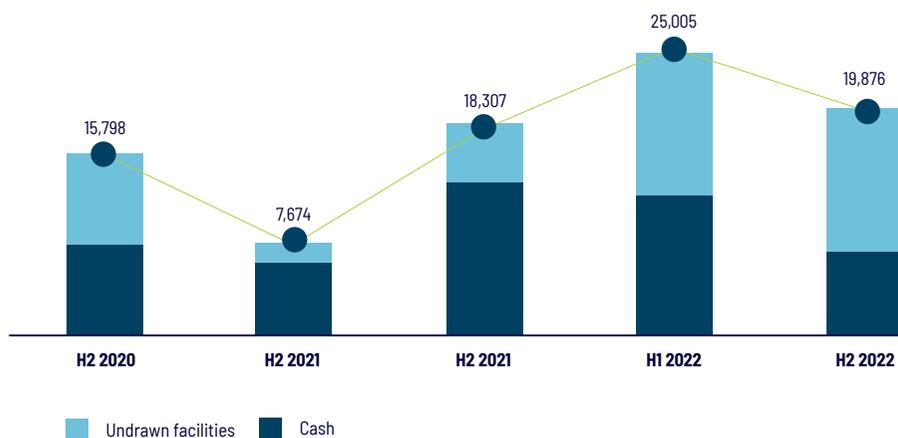
Finance costs increased primarily due to utilisation of supply chain finance facilities to extend vendor payment terms and better manage liquidity.

TAXES

The income tax benefit is the consequence of a statutory net loss after taxes.

OPERATING AND FINANCIAL REVIEW

AVAILABLE LIQUIDITY



NET DEBT



BALANCE SHEET

WORKING CAPITAL

The increase in working capital is primarily due to the increase in contract assets (unbilled revenue) arising from contract variations. Refer to Note A.4 for further details.

NET DEBT

During 2022, the Group generated \$16.125 million of cash flows from operating activities. The Group ended 2022 with net debt of \$19.391 million and available liquidity of \$19.876 million.

The increase in net debt is due to the utilisation of banking and supply chain finance facilities to support operating activities, and extended banking facilities of \$28.000 million (2021: \$20.000 million).

PROPERTY, PLANT AND EQUIPMENT

Additions to plant and equipment and right-of-use assets comprised portable cribs rooms, leased industrial property and mobile equipment to support new contracted works. Additions were offset by depreciation of \$3.409 million across 2022.

DIVIDENDS

No interim or final dividends were declared or payable in 2022.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	2022 \$'000	2021 \$'000
Revenue	B.2	208,921	134,886
Other income	B.2	657	-
Expenses			
Construction and material costs		(112,979)	(52,657)
Employee benefits expense		(93,469)	(63,827)
Depreciation and amortisation		(3,409)	(2,656)
Other expenses	B.3	(11,517)	(6,760)
Operating (loss)/profit		(11,796)	8,986
Finance costs	B.3	(3,599)	(2,336)
(Loss)/profit before income taxes		(15,395)	6,650
Income tax benefit/(expense)	B.4	4,687	(1,292)
(Loss)/profit after income taxes		(10,708)	5,358
Other comprehensive income		-	-
Total comprehensive (loss)/income		(10,708)	5,358
(Loss)/earnings per share attributable to equity holders of AE1			
Basic (loss)/earnings per share	B.5	(3.48) cents	1.96 cents
Diluted (loss)/earnings per share	B.5	(3.48) cents	1.75 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	NOTE	2022 \$'000	2021 \$'000		NOTE	2022 \$'000	2021 \$'000
ASSETS				EQUITY			
Current assets				Issued capital			
Cash and cash equivalents	C.1	7,027	13,219		C.3	13,496	13,496
Trade and other receivables	D.1	71,451	64,718	Reserves		981	608
Inventories		869	54	Accumulated surplus		9,093	19,677
Total current assets		79,347	77,991	TOTAL EQUITY		23,570	33,781
Non-current assets							
Trade and other receivables	D.1	94	174				
Deferred tax assets		4,292	-				
Property, plant and equipment		2,978	2,591				
Right-of-use assets		4,610	4,672				
Total non-current assets		11,974	7,437				
TOTAL ASSETS		91,321	85,428				
LIABILITIES							
Current liabilities							
Lease liabilities		1,632	1,315				
Trade and other payables	D.2	33,033	28,464				
Employee benefits		2,918	2,503				
Borrowings	C.2	26,418	14,536				
Total current liabilities		64,001	46,818				
Non-current liabilities							
Lease liabilities		3,537	3,862				
Employee benefits		213	129				
Deferred tax liability		-	838				
Total non-current liabilities		3,750	4,829				
TOTAL LIABILITIES		67,751	51,647				
NET ASSETS		23,570	33,781				

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	2022 \$'000	2021 \$'000
Receipts from customers		192,392	109,206
Payments to suppliers and contractors		(82,748)	(44,476)
Payments to employees		(90,394)	(62,221)
Finance costs paid		(3,402)	(3,140)
Income taxes refunded / (paid)		277	(1,016)
Cash flows from / (used in) operating activities	C.1	16,125	(1,647)
Payments for plant and equipment		(2,146)	(1,852)
Proceeds from sale of plant and equipment		29	310
Cash flows used in investing activities		(2,117)	(1,542)
Net (repayments) / proceeds from revolving banking facilities		(22,822)	5,695
Payment of lease liabilities		(1,609)	(1,096)
Purchase of treasury shares		(120)	(120)
Proceeds from issue of ordinary shares		-	7,500
Share issue costs paid		-	(1,761)
Dividends paid		-	(287)
Cash flows from / (used in) financing activities		(24,551)	9,931
Movement in cash and cash equivalents		(10,543)	6,742
Opening cash and cash equivalents		13,219	6,477
Closing cash and cash equivalents	C.1	2,676	13,219

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	ISSUED CAPITAL \$'000	SHARE BASED PAYMENT RESERVE \$'000	TREASURY RESERVE \$'000	ACCUMULATED SURPLUS \$'000	TOTAL EQUITY \$'000
Balance at 1 January 2022	13,496	728	(120)	19,677	33,781
Net loss after taxes for the period	-	-	-	(10,708)	(10,708)
Other comprehensive income, net of taxes	-	-	-	-	-
Total other comprehensive loss for the period	-	-	-	(10,708)	(10,708)
Issue of treasury shares for vested employee share rights	-	(216)	216	-	-
Treasury shares purchased for employee incentive plans	-	-	(120)	-	(120)
Transfer of vested employee share rights to accumulated surplus	-	(124)	-	124	-
Share-based payment expense	-	617	-	-	617
Balance at 31 December 2022	13,496	1,005	(24)	9,093	23,570
Balance at 1 January 2021	3,329	100	-	14,606	18,035
Net profit after taxes	-	-	-	5,358	5,358
Other comprehensive income, net of taxes	-	-	-	-	-
Total comprehensive income for the period	-	-	-	5,358	5,358
Conversion of convertible notes to equity	3,900	-	-	-	3,900
Issue of fully paid ordinary shares	7,500	-	-	-	7,500
Transaction costs arising on share issue	(1,233)	-	-	-	(1,233)
Treasury shares purchased for incentive plans	-	-	(120)	-	(120)
Dividends	-	-	-	(287)	(287)
Share-based payment expense	-	628	-	-	628
Balance at 31 December 2021	13,496	728	(120)	19,677	33,781

A. ABOUT THESE STATEMENTS

A.1 ABOUT THIS REPORT

Aerison Group Limited (the Company or the Parent) is a for-profit company incorporated and domiciled in Australia. The Company is registered under the *Corporations Act 2001* and is publicly listed on the Australian Securities Exchange (ASX).

The principal activities of the Company and its subsidiaries (the Group) comprise construction services for the supply and construct, or engineer, procure and construct of complex infrastructure and routine, preventative, mechanical and electrical maintenance services.

The financial report is a Preliminary Financial Report which:

- ▶ has been prepared in accordance with ASX Listing Rule 4.3A.
- ▶ has been derived from the unaudited consolidated Annual Report for the year ended 31 December 2022. The unaudited consolidated Annual Report has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.
- ▶ has been prepared on a historical cost basis, unless otherwise stated.
- ▶ is presented with values rounded to the nearest thousand dollars (\$'000) in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise stated.
- ▶ is presented in Australian dollars, which is the functional currency of the Group. The Group does not have any foreign operations.
- ▶ adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods starting on or before 1 January 2022.
- ▶ does not early adopt any new Accounting Standards and Interpretations that have been issued or amended but are not yet effective, unless otherwise stated.

The Preliminary Financial Report does not include all the disclosures of the type normally included in an Annual Report. Accordingly, the unaudited Preliminary Financial Report should be read in combination with the Annual Report for the year ended 31 December 2021

and any public announcements issued by the Company in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Group's accounting policies, reporting segments, significant estimates and judgements used in this unaudited Preliminary Financial Report are the same as those used in the 2021 Annual Report.

A.2 GOING CONCERN

The unaudited Preliminary Financial Report was prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the ordinary course of business.

In forming this view, the Directors took into consideration the following factors:

- ▶ to undertake debt raisings to support its working capital requirements as required. Presently, the Group is consulting with sophisticated investors. The Directors are confident in successfully raising the necessary working capital, having regard for a demonstrated history of successful debt raisings.
- ▶ continued support from the Commonwealth Bank of Australia with respect to its primary banking facilities.
- ▶ the finalisation of the contract modifications referenced in Note A.4 of this Preliminary Financial Report.

On this basis, the Directors prepared a cash flow forecast which indicates that the Group will have sufficient cash flows to satisfy its commitments and working capital requirements for the twelve months from the date of releasing the unaudited Preliminary Financial Report.

Should the Group not achieve any of the matters set out above, there is a material uncertainty as to whether the Group will continue as a going concern. The unaudited Preliminary Financial Report does not include any adjustment relating to the recoverability or classification of asset carrying amounts or to the amount or classification of liabilities that may be necessary should the Group not be able to continue as a going concern and meet its debt as and when they fall due.

A. ABOUT THESE STATEMENTS

A.3 SIGNIFICANT EVENTS AND TRANSACTIONS

SIGNIFICANT, NON-RECURRING ITEMS

Subsequent to 31 December 2022, the Group reached agreements with customers for variations and claims associated with scope changes, extension of time and delay and disruption. In order to expedite an improvement in working capital, the Group accepted lower settlement amounts than what would otherwise have been accepted. The impact is reflected as reversals to revenue in profit or loss for the year ended 31 December 2022.

In addition, significant, non-recurring items includes external legal fees and independent time and cost expert costs of \$4.062 million. These costs are included in other expenses in profit or loss for the year ended 31 December 2022.

A.4 SIGNIFICANT JUDGEMENTS AND ESTIMATES

CONTRACT MODIFICATIONS

In a prior period, the Group entered into a tender period for early contractor involvement (ECI) for the preliminary design a plant. On completion of the ECI, the Group was awarded an EPC contract for the design and construction of the plant.

In consultation with the customer, hazard and operability studies, operational and engineering improvements were identified post ECI. Engineering changes from the initial ECI process to the actual plant design were approved by the customer. Items of significant change include, but are not limited to:

- ▶ additional earth works to cater for a 100-year flood event
- ▶ elimination of all underground piping services
- ▶ upgrade valve specifications to accommodate water quality
- ▶ additional storage facilities
- ▶ modifications to existing facilities to achieve water quantity for commissioning
- ▶ increased sizing of pumps
- ▶ additional switchrooms and associated infrastructure, such as concrete works

These changes significantly increased the complexity and sequencing of construction activities. Materials and labour required to execute works under construction also increased. The Group is in the process of agreeing contract modifications with the customer arising from these variations. The corresponding change in price has not yet been finalised but is expected prior to practical completion.

The finalisation of the contract modifications may materially impact the financial performance of the Group.

B. EARNINGS FOR THE PERIOD

B.1 SEGMENT REVENUE AND EXPENSES

	CONSTRUCTION SERVICES		ASSET SERVICES		ELIMINATIONS AND OTHER		TOTAL	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Segment Revenue	199,059	126,124	9,862	8,762	-	-	208,921	134,886
Segment EBITDA	4,860	24,014	1,041	291	(14,288)	(11,677)	(8,387)	12,628
Initial public offering costs							-	(986)
Depreciation and amortisation							(3,409)	(2,656)
Net finance costs							(3,599)	(2,336)
(Loss)/profit before income taxes							(15,395)	6,650
Capital expenditure	1,807	1,532	27	-	302	341	2,136	1,873

B.2 REVENUE AND OTHER INCOME

	2022 \$'000	2021 \$'000
Disaggregation of revenue by service		
Construction revenue	199,059	126,124
Maintenance revenue	9,862	8,762
Revenue	208,921	134,886
Disaggregation of revenue by contract		
Lump sum	127,674	80,524
Schedule of rates	81,247	54,362
Revenue	208,921	134,886
Research and development tax incentives	657	-
Other income	657	-

B.3 EXPENSES

	2022 \$'000	2021 \$'000
Insurance	2,201	1,583
External consultants and legal services	5,455	1,120
Initial Public Offering costs	-	986
Information technology	1,305	799
Occupancy outgoings and utilities	990	854
Fringe benefit taxes	494	-
(Gain)/loss on disposal of plant and equipment	(13)	214
Other	1,085	1,204
Other expenses	11,517	6,760
Interest expense on interest-bearing borrowings	2,252	1,862
Interest expense on bank guarantees	446	126
Interest expense on lease liabilities	262	271
Amortisation of prepaid borrowing costs	639	77
Finance costs	3,599	2,336

B. EARNINGS FOR THE PERIOD (CONTINUED)

B.4 INCOME TAX EXPENSE

	2022 \$'000	2021 \$'000
Current period	528	(667)
Adjustment for the prior period	(86)	-
Current tax expense / (benefit)	442	(667)
Origination and reversal of temporary differences	(2,818)	1,995
Recognition of tax losses	(2,311)	(299)
Adjustments for the prior period	-	263
Deferred tax (benefit)/expense	(5,129)	1,959
Income tax (benefit)/expense	(4,687)	1,292
Reconciliation of effective tax rate		
(Loss)/profit before taxes	(15,395)	6,650
Income tax rate at 30 per cent	(4,618)	1,995
Non-deductible expenses	(9)	(3)
Blackhole expenditure	-	(296)
Adjustments for prior period	(60)	(404)
Income tax (benefit)/expense	(4,687)	1,292

B.5 EARNINGS PER SHARE

	2022	2021
(Loss)/profit attributable to the Company's equity holders (\$'000)	(10,708)	5,358
Basic EPS (cps)	(3.48)	1.96
Weighted average number of ordinary shares	307,832,180	273,474,312
Diluted EPS (cps)¹	(3.48)	1.75
Weighted average number of ordinary shares	307,832,180	273,474,312
Plus:		
Contingently issuable shares	15,600,000	32,950,000

¹ Contingently issuable shares are anti-dilutive and are not included in the 2022 dilutive EPS calculation.

There were no transactions involving ordinary shares between the reporting date and the date of completion of this Preliminary Financial Report other than the normal conversion of employee share rights into ordinary shares.

The calculation of basic and diluted earnings per share may be explained as follows:

► BASIC EARNINGS PER SHARE

Basic earnings per share is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares.

► DILUTED EARNINGS PER SHARE

Diluted earnings per share is calculated as per basic earnings per share with an adjustment for the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares.

Dilution arises as the result of employee share rights and performance rights issued to the Board of Directors and external consultants as part of long-term incentive arrangements.

C. DEBT AND CAPITAL

C.1 CASH AND CASH EQUIVALENTS

	DEC 2022 \$'000	DEC 2021 \$'000
Cash at bank	2,327	8,806
Short-term deposits	4,700	4,413
Cash and cash equivalents	7,027	13,219
Bank overdraft	(4,351)	-
Cash and cash equivalents for the purposes of the statement of cash flows	2,676	13,219

A reconciliation of net (loss)/profit after taxes to net cash flows from operating activities is set out below:

	2022 \$'000	2021 \$'000
Net (loss)/profit after taxes	(10,708)	5,358
Non-cash items		
Supply chain finance settled vendor invoices	30,152	-
Depreciation and amortisation	3,409	2,656
Loss on disposal of property, plant and equipment	(13)	214
Share issue costs	-	986
Share-based payment expense	617	171
Change in assets and liabilities		
Decrease in trade and other receivables	(7,980)	(26,812)
(Increase)/decrease in inventories	(816)	454
Increase in trade and other payables	4,923	14,515
Increase in employee entitlements	953	536
(Increase)/decrease in current and deferred tax balances	(4,412)	275
Net cash flows from/(used in) operating activities	16,125	(1,647)

C.2 BORROWINGS

	DEC 2022 \$'000	DEC 2021 \$'000
Secured borrowings ¹	12,704	14,912
Unsecured borrowings ²	14,436	548
Prepaid borrowing costs	(722)	(924)
Borrowings	26,418	14,536

¹ Secured borrowings are secured by a floating charge over the assets of the Group and personal guarantees from the Chief Executive Officer and Chief Operating Officer.

² Unsecured borrowings include a supply chain finance arrangement, in which suppliers transferred their rights to amounts owed by the Group to a third party. The amounts financed represent financing activities to the Group. In making this determination, the supply chain finance arrangement enabled the extension of vendor payment terms by a further 90 days.

The total limit of debt facilities and undrawn amounts are set out below:

	DEC 2022 \$'000	DEC 2021 \$'000
Facility limits	39,750	20,000
Drawn	(26,901)	(14,912)
Undrawn	12,849	5,088
Cash and cash equivalents	7,027	13,219
Available liquidity	19,876	18,307

C. DEBT AND CAPITAL

C.3 ISSUED CAPITAL

	NUMBER OF SHARES	\$'000
Shares on issue on 1 January 2021	241,359,382	3,329
Conversion of convertible notes to issued capital	27,078,106	3,900
Issue of fully paid ordinary shares	37,500,000	7,500
Less: Transaction costs arising on share issue	-	(1,233)
Shares on issue on 31 December 2021	305,937,488	13,496
Conversion of Guarantor Performance Rights ¹	17,500,000	-
Shares on issue on 31 December 2022	323,437,488	13,496

¹ In a prior period, 17,500,000 Guarantor Performance Rights were issued to the spouses of the Chief Executive Officer and Chief Operating Officer in return for providing unlimited personal guarantees in favour of Export Finance Australia. On 12 July 2021, the Guarantor Performance Rights vested on admission of the Company onto the ASX. On 4 November 2022, the Guarantor Performance Rights were exercised into fully paid ordinary shares for no consideration.

All ordinary shares are single class with equal rights to dividends, capital distributions and voting. The Company does not have authorised capital nor par value in respect of its issued shares.

D. WORKING CAPITAL

D.1 TRADE AND OTHER RECEIVABLES

	DEC 2022 \$'000	DEC 2021 \$'000
Trade receivables	6,982	16,061
Contract assets ¹	61,912	45,871
Income tax receivable	298	1,017
Prepayments	1,142	1,138
Research and development tax incentives	657	-
Other receivables	554	805
	71,545	64,892
Current	71,451	64,718
Non-current	94	174

¹ Contracts with customers may include contract modifications arising from variations or claims. Revenue from contract modifications are recognised to the extent that the variations or claims are approved or enforceable rights and obligations under the contract exist, and it is highly probable that a significant reversal of revenue will not occur in a subsequent period.

D.2 TRADE AND OTHER PAYABLES

	DEC 2022 \$'000	DEC 2021 \$'000
Trade payables	16,405	15,871
Accrued expenses	10,820	7,105
Accrued salaries and wages	3,077	2,387
Contract liabilities	515	1,326
Other payables	2,216	1,775
	33,033	28,464

E. OTHER ITEMS

E.1 CONTINGENT LIABILITIES

	DEC 2022 \$'000	DEC 2021 \$'000
Bank guarantees and surety bonds	28,523	28,965

The Group holds guarantees and surety bonds with its banking partners. Guarantees are provided to customers in the ordinary course of business as security against non-performance by the Group of its contracted obligations. The Group treats bank guarantees and surety bonds as contingent liabilities until such time it is probable that the Group will be required to make payments under the guarantees. It is not expected that these guarantees will be called upon. The Group has pledged its short-term deposits as collateral against its bank guarantees.

The Group is also managing claims arising from construction and maintenance contracts in the ordinary course of business. These claims may involve adjudication, arbitration, or litigation. Due to the uncertainty in relation to the quantum or timing of the resolution of these claims, no amounts were recognised in the financial statements in respect of these matters.

E.2 SUBSEQUENT EVENTS

No matters or circumstances have arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

E.3 FAIR VALUE MEASUREMENT

The Group categorises fair value measurements and disclosures as follows:

- ▶ **LEVEL 1** - Fair value is calculated using quoted prices on active markets.
- ▶ **LEVEL 2** - Fair value is estimated using inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- ▶ **LEVEL 3** - Fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Group's financial instruments carried at fair value were valued using market observable inputs (Level 2).

There were no transfers of financial instruments between Level 1 and Level 2 during the year ended 31 December 2022. Similarly, there were no Level 3 fair value movements.

The methods and assumptions used to determine fair value of financial instruments are as follows:

- ▶ **CASH AND CASH EQUIVALENTS** - The carrying amount is fair value due to asset's liquid nature.
- ▶ **TRADE RECEIVABLES** - Due to the short-term nature of these financial rights and obligations, carrying amounts are estimated to represent fair value.
- ▶ **TRADE PAYABLES AND BORROWINGS** - Due to the short-term nature of these financial rights and obligations, carrying amounts are estimated to represent fair value.
- ▶ **DERIVATIVES** - The fair value of forward exchange contracts are calculated by reference to forward exchange market rates at reporting date for contracts with similar maturity profiles. As market rates are observable, derivatives are classified as Level 2 under the fair value hierarchy. All forward exchange contracts were settled as of 31 December 2022.

AERISON 