SHAPE Australia Holdings Pty Limited and Controlled Entities

ABN: 93 008 656 264

Consolidated Financial Report

For the Year Ended 30 June 2020

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For the Year Ended 30 June 2020

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Directors' Report
For the Year Ended 30 June 2020

The directors present the financial report of SHAPE Australia Holdings Pty Limited (the “Company”) and its controlled entities (the “Group”) for the financial year ended 30 June 2020.

1. **General information**

Directors

The names of each person who has been a director during the year and to the date of this report are:

P Marix-Evans	Executive Director
G McMahon	Non-Executive Director
P Arnall	Non-Executive Director
M Barnes	Non-Executive Director
J Sloman	Non-Executive Director
C van der Laan	Non-Executive Director

All directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The principal activities of the Group during the financial year were the construction, fit-out and refurbishment of commercial properties.

There was no significant change in the nature of these activities during the financial year.

Significant changes in the state of affairs

No significant changes in the Group’s state of affairs occurred during the financial year.

2. **Operating results for the financial year**

Review of operations

The profit of the Group for the financial year after providing for income tax amounted to $14,784,000 (2019: $12,229,000). At the end of the financial year the Group had net assets of $20,810,000 (2019: $17,758,000).

A review of the operations of the Group during the financial year and the results of those operations found that changes in market demand have seen an increase in construction revenue of 12% (2019: 8%) to $729,334,000 (2019: $650,144,000) for the Group.

Since COVID-19 was declared a pandemic in March 2020 there have been restrictions on movements and capacity on work sites. This has led to a slight reduction in market demand for construction, fit-out and refurbishment of commercial properties in Australia.

Dividends

Fully franked dividends totalling $11,382,000 (2019: $9,351,000) were declared and paid during the financial year.

3. **Other items**

Likely developments and expected results of operations

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group's operations are regulated by Commonwealth, State and Territorial environmental regulations. The Group complies with all relevant legislation.

Options

No options over issued shares or interests in the Company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the financial year as a result of the exercise of an option over unissued shares or interests.

Indemnification and insurance of officers and auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company other than:

(a) indemnities by way of deed to officers and former officers for:

- i) liability arising as a result of being an officer of the Company; and
- ii) legal costs and expenses incurred in defending such claims in each case limited to the extent required by the *Corporations Act 2001*.

(b) a premium to insure all Directors and Officers of the Company entity against liabilities for costs and expenses incurred by them in defending and legal proceedings arising out of their conduct while acting in the capacity of Director or Officer, other than conduct involving a wilful breach of duty in relation to the Company.

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 to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of the proceedings.

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

Rounding of amounts

The Company is an entity to which ASIC Legislative Instrument 2016/191 applies and, accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars.

SHAPE Australia Holdings Pty Limited and Controlled Entities

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Directors' Report

For the Year Ended 30 June 2020

Events subsequent to the end of the reporting period

Stage 4 restrictions due to COVID-19 were enforced in Melbourne from 2 August 2020. There are certain restrictions that limit the maximum number of workers allowable on site. Although the restrictions had some impact on revenue, it was not considered to be significant.

On 28 July 2020, the board approved the payment of a dividend of $0.05 per share.

On 27 October 2020, the board approved the payment of a dividend of $0.03 per share.

No matters or circumstances other than mentioned above have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the Group in future financial years

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001*, for the year ended 30 June 2020 is set out on page 4 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: ....
P Arnall

Director: ....
P Marix-Evans

30 November 2020

Take the lead

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF SHAPE AUSTRALIA HOLDINGS PTY LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 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.

ShineWing Australia

ShineWing Australia
Chartered Accountants

R Blayney Morgan

R Blayney Morgan
Partner

Sydney, 30 November 2020

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SHAPE Australia Holdings Pty Limited and Controlled Entities

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2020

	Note	2020 $ 000's	2019 $ 000's
Revenue	2	**731,953**	652,946
Construction costs		**(664,447)**	(595,237)
Employee benefits	3(a)	**(28,458)**	(24,703)
Rent, rates and outgoings	3(b)	**(2,483)**	(5,043)
Communications		**(271)**	(609)
Depreciation and amortisation	3(c)	**(3,901)**	(1,551)
Other expenses	3(d)	**(10,875)**	(8,022)
Profit before income tax		**21,518**	17,781
Income tax expense	4	**(6,734)**	(5,552)
Net profit after income tax		**14,784**	12,229
Other comprehensive income		**-**	-
Total comprehensive income		**14,784**	12,229
Profit and total comprehensive income attributable to:			
Members of the company		**14,784**	12,229

The accompanying notes form part of these financial statements.

SHAPE Australia Holdings Pty Limited and Controlled Entities

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Consolidated Statement of Financial Position

As At 30 June 2020

	Note	2020 $ 000's	2019 $ 000's
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**133,152**	137,414
Trade and other receivables	6	**63,988**	78,479
Other assets		**2,645**	827
Finance lease receivable	10	**468**	-
TOTAL CURRENT ASSETS		**200,253**	216,720
NON-CURRENT ASSETS			
Plant and equipment	7	**8,550**	2,813
Intangible assets	8	**218**	327
Deferred tax assets	13	**4,706**	3,368
Investment in joint venture	25	**49**	49
Finance lease receivable	10	**1,143**	-
TOTAL NON-CURRENT ASSETS		**14,666**	6,557
TOTAL ASSETS		**214,919**	223,277
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	**161,050**	185,500
Current tax liability	13	**2,290**	2,304
Provisions	12	**13,025**	9,386
Lease liabilities	11	**2,753**	-
TOTAL CURRENT LIABILITIES		**179,118**	197,190
NON-CURRENT LIABILITIES			
Trade and other payables	9	**7,998**	7,021
Provisions	12	**1,561**	1,308
Lease liabilities	11	**5,432**	-
TOTAL NON-CURRENT LIABILITIES		**14,991**	8,329
TOTAL LIABILITIES		**194,109**	205,519
NET ASSETS		**20,810**	17,758
EQUITY			
Issued capital	14	**10,141**	12,859
Reserves	16	**(912)**	(3,153)
Retained earnings		**11,581**	8,052
TOTAL EQUITY		**20,810**	17,758

The accompanying notes form part of these financial statements.

SHAPE Australia Holdings Pty Limited and Controlled Entities

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Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2020

	Note			Reserves		
		Issued Capital $ 000's	Retained Earnings $ 000's	Unrealised Capital Profits Reserve $ 000's	Employee compensation Reserve $ 000's	Total $ 000's
Balance at 30 June 2018		12,409	5,174	(3,153)	-	14,430
Total comprehensive income for the year		-	12,229	-	-	12,229
Dividends paid	14(c)	-	(9,351)	-	-	(9,351)
Share issue		450	-	-	-	450
Balance at 30 June 2019		**12,859**	**8,052**	**(3,153)**	**-**	**17,758**
Opening balance adjustment on adoption of AASB 16 *Leases*	1(d)		**127**		**-**	**127**
Adjusted balance at 30 June 2019			**8,179**	**(3,153)**	**-**	**17,885**
Total comprehensive income for the year		**-**	**14,784**	**-**	**-**	**14,784**
Dividends paid	14(c)	**-**	**(11,382)**	**-**	**-**	**(11,382)**
Share-based payments		**-**	**-**	**-**	**2,241**	**2,241**
Share buy-back		**(2,718)**	**-**	**-**	**-**	**(2,718)**
Balance at 30 June 2020		**10,141**	**11,581**	**(3,153)**	**2,241**	**20,810**

The accompanying notes form part of these financial statements.

SHAPE Australia Holdings Pty Limited and Controlled Entities

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Consolidated Statement of Cash Flows

For the Year Ended 30 June 2020

	Note	2020 $ 000's	2019 $ 000's
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**825,452**	718,313
Payments to suppliers and employees		**(806,019)**	(680,073)
Interest received		**1,465**	1,844
Interest paid		**(399)**	-
Income tax paid		**(8,083)**	(6,123)
Net cash provided by operating activities	21(a)	**12,416**	33,961
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(741)**	(1,033)
Purchase of intangible assets		**(17)**	(181)
Proceeds from lease receivables		**469**	**-**
Repayment/(payment) of loans from/(to) shareholders		**253**	(16)
Net cash used by investing activities		**(36)**	(1,230)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of lease liabilities	21(b)	**(2,542)**	**-**
Dividends paid		**(11,382)**	(9,350)
Proceeds from share issue		**-**	450
Repurchase of issued capital		**(2,718)**	-
Net cash used by financing activities		**(16,642)**	(8,900)
Net (decrease)/increase in cash and cash equivalents		**(4,262)**	23,831
Cash and cash equivalents at beginning of financial year		**137,414**	113,583
Cash and cash equivalents at end of financial year	5	**133,152**	137,414
Total cash outflow for leases		**(3,045)**	-

1 Summary of Significant Accounting Policies

These consolidated financial statements and notes represent those of SHAPE Australia Holdings Pty Limited (the "Company") and controlled entities (the "Group").

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS"). Material accounting policies adopted in the preparation of the financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis, except for the statement of cash flows, and are based on historical costs. The Group is a for-profit entity for financial reporting purposes.

The outbreak of COVID-19 has caused great uncertainty in the Australian and global economy. The uncertainty has created risks and uncertainties that the Group has not encountered before. As a result, there has been a continual assessment of the impacts of COVID-19 on the financial statements.

The financial statements were authorised for issue on 30 November 2020 by the Board of Directors.

Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Company and all of its subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it 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 over the entity. A list of subsidiaries is provided in Note 25.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

(b) Income Tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense/(benefit) reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(benefit) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

1 Summary of Significant Accounting Policies (continued)

(b) Income Tax (continued)

Deferred tax assets and liabilities are based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding business combinations, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

SHAPE Australia Holdings Pty Limited and its wholly-owned subsidiaries have formed a tax consolidated group under the tax consolidation legislation. Each entity in the tax consolidated group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the modified 'stand-alone taxpayer' approach to allocation. Current tax liabilities and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

Each member of the tax consolidated group has entered into a tax funding and sharing agreement whereby each entity in the tax consolidated group contributes to the income tax payable in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised either as a payable or receivable to the Company.

(c) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured using the cost basis and are carried at cost less accumulated depreciation and any impairment losses. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount. A formal assessment of the recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

1 Summary of Significant Accounting Policies (continued)

(c) Plant and Equipment (continued)

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a straight line basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	10%-19%
Plant and equipment	20%-33%
Right-of-Use Assets	17%-46%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss.

(d) Leases

In the comparative period up to 30 June 2019

For contracts entered into before 30 June 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- The purchaser had the ability or right to control the physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- The facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

1 Summary of Significant Accounting Policies (continued)

(d) Leases (continued)

Policy applicable from 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract, is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from used of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision making rights that are most relevant to changing hoe and for what purpose the asset is used. In are cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - The Group has the right to operate the asset; or
  - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changes, on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease component as a single lease component.

(i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and

1 Summary of Significant Accounting Policies (continued)

(d) Leases (continued)

- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonable certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents its right-of-use assets in 'plant and equipment' and its lease liabilities in 'trade and other payables' in the statement of financial position.

The Group has the following leases:

(i) Property leases

The Group leases property for its office space. The lease includes an option to renew the lease for an additional period of time after the end of the contract term. The lease also requires the Group to make payments that relate to property taxes and other outgoings levied on the lessor. These are accounted for separately to the lease and expensed in the period in which it is incurred.

The Group has sub-leased a portion of its office space.

(ii) Other leases

The Group leases office equipment with a contract term of five years. These leases are of low-value and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Practical expedients applied

As allowed by the accounting standards the Group has applied the following practical expedients in applying this accounting standard for the first time..

Low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets, which includes office equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Single discount rate

The Group has elected to apply a single discount rate to a portfolio of leases which all have reasonably similar characteristics, such as similar remaining lease term.

Initial direct costs

The Group has excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application.

Lease options

The Group has used hindsight when determine the full length of the lease term if the contracts contains options to extend or terminate the lease.

1 Summary of Significant Accounting Policies (continued)

(d) Leases (continued)

Policy applicable up to 30 June 2019

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group’s statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies AASB 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other income’.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from AASB 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

1 Summary of Significant Accounting Policies (continued)

(e) Fair Value of Assets and Liabilities

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly or unforced transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the rep orting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the Company's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements

(f) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to the profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15 *Revenue from Contracts with Customers*.

1 Summary of Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

Classification and subsequent measurement

Financial assets

Financial assets are subsequently measured at amortised cost on the basis of the two primary criteria:

- The contractual cash flow characteristics of the financial asset; and

- The contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

By default, all other financial assets that do not meet the conditions of amortised cost are subsequently measured at fair value through profit or loss. There were no assets that are measured at fair value through profit or loss.

Equity Instruments

At initial recognition the Group made an irrevocable election to measure any subsequent changes in the fair value of equity instruments in other comprehensive income, while the dividend revenue received on the underlying equity instrument is still recognised in profit or loss.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest method is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount of initial recognition.

A financial liability cannot be reclassified.

1 Summary of Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- The right to receive cash flows from the asset has expired or been transferred;
- All the risks and rewards of ownership of the asset have been substantially transferred; and
- The Company no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Impairment

The Group recognises a loss allowance for expected credit losses on:

- Financial assets that are measured at amortised cost; and
- Contract assets (e.g. amount due from customers under contracts).

Loss allowances are not recognised for financial assets recognised at fair value through profit or loss.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.
The Group uses the simplified approach to impairment, as applicable under AASB 9 *Financial Instruments*.

1 Summary of Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to trade receivables or contract assets that result from transactions that are within the scope of AASB 15 *Revenue from Contracts with Customers*.

A simplified approach has been applied in measuring expected credit losses to trade and other receivables using a lifetime expected loss allowance. A practical expedient has been applied in using fixed rates to approximate the expected credit losses. These provisions are considered representative across all business and geographic segments of the Group based on historical credit loss experience and other information.

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset. For financial assets that are unrecognised, such as loan commitments yet to be drawn and financial guarantees, a provision for loss allowance is created in the statement of financial position to recognise the loss allowance associated with these unrecognised commitments when necessary.

(g) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Intangibles

Software and Licensing

Expenditure during the research phase of a project is recognised as an expense when incurred. Software development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Software development costs and licences have finite lives and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

The amortisation rates used for each class of intangible assets are as follows:

Class of Intangible Asset	**Depreciation Rate**
Computer Software	20%-33%
Licenses	20%

1 Summary of Significant Accounting Policies (continued)

(i) Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures that are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position except where the Group does not have an unconditional right to deter settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current obligations.

Equity-settled share-based payments

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period. The amount recognised as an expense is adjusted to reflect the performance conditions which are expected to be met, such that the amount ultimately recognised is based on the number of rights that meet the related performance conditions at the vesting date.

(j) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

1 Summary of Significant Accounting Policies (continued)

(l) Revenue and Other Income

Revenue is derived from medium to long-term fit out and refurbishments in Australia. Contracts entered into may be for a fit-out of one or more separate inter-linked projects. The work performed on each individual project is generally taken as one performance obligation. These projects typically take between three months and two years to complete. The transaction price includes the initial amount agreed in the contract plus any variations for contract work and claims to the extent that it is probable that they will result in revenue and can be measured reliably.

The performance obligation is fulfilled over time and as such revenue is recognised over time. As work is performed on the project, the underlying asset is controlled by the customer and has no alternative use to the Group, with the Group having the right to payment for performance to date. Generally, contracts identify various inter-linked activities required in the construction process. Revenue is recognised based on costs incurred to date to estimate the stage of completion. An expected margin based on the stage of completion is then applied.

Revenue earned is typically invoiced monthly or, in some cases, on achievement of milestones. Invoices are paid on normal commercial terms, which may include the customer withholding a retention amount until finalisation of the project and the end of the defect period. Certain projects entered into receive payment prior to the work being performed, in which case revenue is deferred on the balance sheet.

Any consideration deferred for over 12 months is treated as provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initial recognised and the amount ultimately received is recognised as interest revenue.

Variable consideration

It is common for contracts to have minor amendments to them throughout the project period without giving rise to a separate performance modification. These variations result in variable consideration for the Group. Where consideration in respect of a contract is variable, the expected value of revenue is only recognised when the uncertainty associated with the variable consideration is subsequently resolved. The Group will assess this on a periodic basis when estimating the variable consideration to be included in the transaction price. The estimate is based on all available information including historic performance. Where modifications in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification has not been confirmed, an estimate is made of the amount of revenue to recognise whilst also considering the uncertainty of the consideration.

Contract assets and liabilities

'Contract asset' and 'contract liability' are used to describe what is commonly known as 'accrued revenue' and 'deferred revenue'. Contract receivables represent receivables in respect of which the Group's right to consideration is unconditional subject only to the passage of time. Contract assets are non-derivative financial assets accounted for in accordance with the Group's accounting policy for non-derivative financial assets. Contract assets represent the Group's right to consideration for services provided to customers for which the Group's right remains conditional on something other than the passage of time. Contract liabilities arise where payment is received prior to work being performed.

1 Summary of Significant Accounting Policies (continued)

(l) Revenue and Other Income (continued)

Contract fulfilment costs

Costs incurred prior to the commencement of a contract may arise due to mobilisation, site setup costs, and preliminary design activities as these are costs incurred to fulfil a contract. Where these costs are expected to be recovered and the recognition period of the contracts is greater than 12 months, they are capitalised and amortised over the course of the contract, consistent with the transfer of service to the customer. Where the costs, or a portion of these costs, are reimbursed by the customer, the amount received is recognised as deferred revenue and allocated to the performance obligations within the contract and recognised as revenue over the course of the contract.

Loss making contracts

Loss making contracts are accounted for in accordance with the accounting policy for provisions. Refer to note 1(j).

Other Revenue

Interest revenue is recognised using the effective interest rate method.

(m) Goods and Services Tax (“GST”)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO").

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 ATO is included with other receivables or 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 ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(n) Rounding of Amounts

The Group has applied relief available under ASIC Corporations (Rounding in Financial/Directors’ reports) Instrument 2016/191. Accordingly, amounts in the financial statements have been rounded off to the nearest $1,000.

1 Summary of Significant Accounting Policies (continued)

(o) Interests in Other Entities

Joint ventures

A joint venture is structured through a separate vehicle and the parties have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method where the assets and liabilities are aggregated into one line item on the face of the statement of financial position, after adjusting for the share of profit or loss after tax, which is shown as a separate line item on the face of the profit or loss, and adjusting for amounts recognised directly in equity.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it incurred obligations or made payments on behalf of the joint venture.

(p) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates and judgements

(i) Impairment

The Group assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(ii) Recognition of construction revenue

There is significant judgement in the recognition of revenue including estimating the progress in satisfying the performance obligations within the contract which includes estimating contract costs expected to be incurred to satisfy remaining performance obligations and the probability that the amount to be recognised as variable consideration for approved variations and claims where the final price has not been agreed with the customer.

(iii) Loss making contracts

Losses on construction contracts are recognised immediately when the directors believe that the project is no longer profitable. Directors' judgement is used in making the appropriate provisions. A provision has been recognised for maintenance and warranty to cover specific or estimated claims that arise due to defects or legal disputes in relation to projects.

(iv) Investment in joint venture

The Group retains a 49% interest in DLG SHAPE Pty Limited ("DLG SHAPE") acquired during the year ended 30 June 2017. As the decisions regarding the activities of DLG SHAPE require the unanimous consent of both parties in the arrangement, the Group has joint control. It has been assessed that this should be accounted for as a joint venture through the equity method.

1 Summary of Significant Accounting Policies (continued)

(p) Critical Accounting Estimates and Judgments (continued)

(v) Equity-settled compensation

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using an independent valuation. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

(q) New and Amended Standards adopted by the Group

From 1 July 2019 the Group adopted AASB 16 Leases using the modified retrospective approach with a date of initial application of 1 July 2019. The cumulative effect of initial application is recognised in retained earnings. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

(i) Impact on the definition of a lease

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on risk and rewards in AASB 117.

(ii) Impact on lessee accounting

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. The Group decided to apply recognition exemptions to low-value leases of office equipment. For leases of other assets, which were classified as operating under AASB 117, the Group recognised right-of-use assets and lease liabilities.

Former operating leases under AASB 117

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

1 Summary of Significant Accounting Policies (continued)

(q) New and Amended Standards adopted by the Group (continued)

(iii) Impact on lessor accounting

The Group is not required to make any adjustments on transition AASB 16 for leases in which it acts as a lessor, except for sub-leases. The Group accounted for its leases in accordance with AASB 16 from the date of initial application.

Under AASB 16, the Group is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Group reassessed the classification of a number of sub-lease contracts previously classified as an operating lease under AASB 117. The Group concluded that the sub-lease is a finance lease under AASB 16.

The Group applied AASB 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract to each lease and non-lease component.

(iv) Impacts on financial statements

On transition to AASB 16, the Group recognised $8,590,765 of right-of-use assets, $10,546,943 of lease liabilities and $2,082,868 as lease receivables with the difference of $126,690 being recognised in retained earnings.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The rate applied is 5%.

	1 July 2019 $'000
Operating lease commitment at 30 June 2019 as disclosed in the Company's financial statements	**13,800**
Discounted using the incremental borrowing rate as at 1 July 2019	**10,691**
Lease liabilities recognised as at 30 June 2019	**-**
-Recognition exemption for low-value assets	**(144)**
Lease liabilities recognised at 1 July 2019	**10,547**

There have been no other interpretations or accounting standard amendments which are applicable from 1 July 2019 which have impacted the financial statements.

1 Summary of Significant Accounting Policies (continued)

(r) Accounting Standards Issued but not yet Effective

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

AASB 2018-6 *Amendments to Australian Accounting Standards* – Definition of a Business (applicable to annual reporting periods beginning on or after 1 January 2020).

The Standard amends AASB 3 *Business Combinations* to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

This standard is prospectively applicable to transactions with acquisition date occurring on or after the beginning of the first annual reporting period commencing 1 January 2020.

The directors are not aware of any material contractual arrangements that would result in asset acquisitions occurring on or after 1 July 2020 and that are expected to be impacted by this amendment.

AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* (applicable to annual reporting periods beginning on or after 1 January 2020).

This amending standard makes amendments to AASB 101 *Presentation of Financial Statements* to re-define the term ‘material’ and various editorial amendments to other AASB standards. The new definition of the term ‘material’ requires focusing on the nature and magnitude of information and particularly contains guidance about when a material information may be considered to be obscured in the financial statements

No material change will be expected to the Group’s financial statements as the new definition of material is consistent with the directors’ historic application of the concept. This standard is not expected to materially impact the financial statements of the entity (or group).

1 Summary of Significant Accounting Policies (continued)

(r) Accounting Standards Issued but not yet Effective (continued)

AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current liabilities* (applicable to annual reporting periods beginning on or after 1 January 2022)

This standard amends AASB 101 *Presentation of Financial Statements* to clarify the following:

- The classification as a non-current liability should be based on the existence of a 'right' (as opposed to a 'discretion' as it was provided before this amendment) to defer the settlement of the liability for at least twelve months after the reporting period;
- The term 'settlement' includes issue of equity instruments in exchange of extinguishment of a financial liability and such a settlement does not impact the classification of the liability as current or non-current; and
- Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period.

The application of these amendments when effective is retrospective by restatement of prior periods. Earlier application is permitted.

The AASB is proposing to defer the effective date of AASB 2020-1 by one year to annual reporting periods beginning 1 January 2023 via ED 301.

The Group has current and non-current liabilities that are classified based on the requirements of AASB 101. Adoption of this amendment is not expected to change the group's classification of its liabilities as current or non-current, however, it gives greater clarity to directors in making the assessment regarding what the appropriate classification is.

AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments* (applicable to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted)

This standard amends:

(a) AASB 1 *First-time Adoption of Australian Accounting Standards* to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;

(b) AASB 3 *Business Combinations* to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations;

(c) AASB 9 *Financial Instruments* to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

(d) AASB 116 *Property, Plant and Equipment* to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset.

(e) AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* to specify the costs that an entity includes when assessing whether a contract will be loss-making; and

(f) AASB 141 *Agriculture* to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards

This standard is not expected to materially impact the financial statements of the Group.

1 Summary of Significant Accounting Policies (continued)

(r) Accounting Standards Issued but not yet Effective (continued)

AASB 2019-1 ***Amendments to Australian Accounting Standards – References to Conceptual Framework*** **(applicable to annual reporting periods beginning on or after 1 January 2020)**

Among the many changes brought about by the revised conceptual framework issued by AASB, the following are some of the key changes:

- New definitions for the terms ‘prudence’ and ‘measurement certainty’ ;
- New description of the scope and objective of financial statements and redefining the term ‘reporting entity’. A reporting entity is an entity that chooses or is required to prepare financial statements and not necessarily a legal entity;
- Altogether new definition for the term ‘assets’, ‘liabilities’ and ‘income and expenses’; More guidance on deciding the ‘unit of account’ and regarding executory contracts;
- New definition for the terms ‘recognition’ and ‘de-recognition’;
- Introduction of two measurement basis viz. historical measurement basis and current value measurement basis such as fair value, value in use, fulfilment value and current cost; and
- Guidance on presentation and disclosure of income and expenses in statement of profit and loss and other comprehensive income (including subsequent recycling to statement of profit and loss)

The preliminary assessment of these changes is that there is not expected to be a material impact on the financial statements. More detailed assessments will be applied closer to the date of implementation will be performed.

2 Revenue

	2020 $ 000's	2019 $ 000's
Revenue from contracts with customers	**729,334**	650,144
Other revenue		
- interest received from other corporations	**1,366**	1,856
- management fees	**884**	649
- rent and rates received	**269**	297
- income from sub-leasing right-of-use assets	**99**	-
Total revenue	**731,953**	652,946

The Group has disaggregated revenue from contracts with customers into revenue by state, as this is the information regularly reviewed by the Chief Operating Decision maker. The revenue is disaggregated by state as follows:

Revenue		
Australian Capital Territory	**67,012**	65,071
New South Wales	**286,850**	239,251
Northern Territory	**7,638**	3,353
Queensland	**73,927**	88,116
South Australia	**68,154**	58,556
Victoria	**161,675**	142,605
Western Australia	**64,078**	53,192
Total	**729,334**	650,144

During the year ended 30 June 2020, $69,089,000 (2019: $47,676,000) was recognised as revenue which was included in the contract liability balance at 1 July 2019.

As there are no remaining performance obligations that have an expected duration of greater than a year, the Group applies the practical expedient to not disclose information about remaining performance obligations that have original expected durations of one year or less.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

Receivables, which are included in “Trade and other receivables”	**55,640**	71,577
Contract assets	**8,097**	6,299
Contract liabilities	**(55,465)**	(69,089)

3 Profit before Income Tax

Profit before Income Tax includes the following:		2020 $ 000's	2019 $ 000's
(a) Employee expenses			
- superannuation expenses		**6,034**	5,208
- share-based payment expense		**2,241**	-
- other employment expenses		**19,044**	18,559
- accrued employee ESAT bonus		**1,139**	936
		28,458	24,703
(b) Rent, rates and outgoings			
- minimum lease payments		**52**	5,043
- expenses relating to leases of low value		**77**	-
(c) Depreciation and amortisation expenses			
- depreciation expenses		**3,775**	1,427
- amortisation expenses		**126**	124
		3,901	1,551
(d) Other expenses			
- interest on lease liabilities		**497**	-

4 Income Tax Expense

		2020 $ 000's	2019 $ 000's
(a) The major components of tax expense/(benefit) comprise:			
Current tax		**8,122**	6,068
Deferred tax	13	**(1,388)**	(516)
		6,734	5,552

(b) The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

	2020 $ 000's	2019 $ 000's
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2019: 30%)	**6,455**	5,334
Add:		
Tax effect of:		
- other non-allowable items	**279**	218
Income tax attributable to the Group	**6,734**	5,552
The applicable weighted average effective tax rates are as follows:	**31%**	31%

Notes to the Financial Statements
For the Year Ended 30 June 2020

5 Cash and Cash Equivalents

	2020 $ 000's	2019 $000's
Cash at bank	**84,275**	91,009
Restricted cash (i), (ii)	**3,377**	1,405
Short-term bank deposits (iii)	**45,500**	45,000
Total cash and cash equivalents	**133,152**	137,414

The interest rate on cash at bank was 0.15% (2019: 1.25%). The effective interest rate on short-term bank deposits was 0.88% (2019: 2.5%).

(i) As required by the New South Wales *Building and Construction Security of Payment Amendment (Retention Money Trust Account) Regulation 2015* all retention money held by a head contractor under a construction contract with a project value over $20 million has to be held in a trust account. For the year ended 30 June 2020, the total retentions in this account was $3,237,224 (30 June 2019: $1,297,778)

(ii) SHAPE Australia Pty Limited operate a bank account for charitable purposes. As the purpose of this account is to distribute all cash to charities this is classified as restricted cash. The balance as at 30 June 2020 was $139,656 (2019: $107,034). A corresponding payable has been recognised for the same amount.

(iii) The short-term bank deposits are partly held in order to comply with financial covenants associated with bank guarantees (refer to note 15). The total security required by these bank guarantees was $253,465 (30 June 2019: $9,002,000).

6 Trade and Other Receivables

	Note		
Trade receivables	6(a)	**55,640**	71,577
Contract assets	6(b)	**8,097**	6,299
Other receivables		**62**	167
Loans at call (i)		**140**	404
Receivable from Joint Venture		**48**	32
Total trade and other receivables	6(c)	**63,988**	78,479

(i) The Company has offered loans to shareholders, on commercial terms and conditions, for the purchase price of the subscription shares issued since the year ended 30 June 2016.

(a) Provision for impairment of receivables

All trade receivables are within the initial trade terms and have been assessed as being of high credit quality. Therefore no lifetime expected credit loss provision has been recognised. No collateral is held over trade and other receivables.

6 Trade and Other Receivables (continued)

(a) Provision for impairment of receivables (continued)

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The main source of credit risk to the Group is the class of assets described as 'trade and other receivables'.

The following table details the Group's trade and other receivables exposed to credit with ageing analysis. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

	Note	2020 $ 000's	2019 $ 000's
Within initial trade terms		**49,715**	57,818
Up to 90 days (past due but not considered impaired)		**5,437**	13,164
90+ days (past due but not considered impaired)		**488**	595
		55,640	71,577

(b) Contract assets comprises:

	Note	2020	2019
Contract costs incurred		**664,447**	595,237
Recognised profits		**64,887**	54,646
Progress billings received and receivable		**(776,702)**	(712,673)
Net contract liabilities		**(47,368)**	(62,790)
Cost in excess of billings — contract assets		**8,097**	6,299
Billings in excess of costs — contract liabilities	9	**(55,465)**	(69,089)
		(47,368)	(62,790)

(c) Financial assets classified as loans and receivables

	Note	2020	2019
Trade and other receivables			
- Total current		**63,988**	78,479
Less contract assets		**(8,097)**	(6,299)
Financial assets	22	**55,891**	72,180

7 Plant and Equipment

	Leasehold Improvements $ 000's	Plant and Equipment $ 000's	Right-of-Use Assets $ 000's	Total $ 000's
COST				
As at 30 June 2019	7,998	3,259	-	11,257
Initial recognition of leased assets under AASB 16	-	-	8,341	8,341
Additions	34	707	186	927
Disposals	-	(145)	-	(145)
As at 30 June 2020	**8,032**	**3,821**	**8,527**	**20,380**
ACCUMULATED DEPRECIATION				
As at 30 June 2019	6,462	1,982	-	8,444
Charge for the year	587	808	2,131	3,526
Disposals	-	(140)	-	(140)
As at 30 June 2020	**7,049**	**2,650**	**2,131**	**11,830**
NET BOOK VALUE				
As at 30 June 2019	1,536	1,277	-	2,813
As at 30 June 2020	**983**	**1,171**	**6,396**	**8,550**

8 Intangibles

	Computer Software $ 000's	Licenses $ 000's	Total $ 000's
COST			
As at 30 June 2019	576	153	729
Additions	17	-	17
Disposals	(104)	-	(104)
As at 30 June 2020	**489**	**153**	**642**
ACCUMULATED AMORTISATION			
As at 30 June 2019	381	18	399
Charge for the year	95	34	129
Disposals	(104)	-	(104)
As at 30 June 2020	**372**	**52**	**424**
NET BOOK VALUE			
As at 30 June 2019	192	135	327
As at 30 June 2020	**117**	**101**	**218**

Notes to the Financial Statements

For the Year Ended 30 June 2020

9 Trade and Other Payables

	Note	2020 $ 000's	2019 $ 000's
Current			
Trade creditors		**72,709**	80,808
Accrued expenses and other payables		**20,086**	22,949
Contract liabilities	6(b)	**55,465**	69,089
Retentions		**11,344**	10,467
GST payable		**1,446**	2,187
		161,050	185,500
Non-current			
Retentions		**7,998**	7,021
		7,998	7,021

(a) Financial liabilities classified as trade and other payables

	Note	2020	2019
Trade and other payables:			
- Total current		**161,050**	185,500
- Total non-current		**7,998**	7,021
		169,048	192,521
Less:			
Accrued expenses		**(20,086)**	(22,949)
Contract liabilities		**(55,465)**	(69,089)
GST payable		**(1,446)**	(2,187)
Financial liabilities as trade and other payables	22	**92,051**	98,296

10 Finance Lease Receivable

	2020 $ 000's	2019 $ 000's
Current		
Finance lease receivable	**468**	-
Non-current		
Finance lease receivable	**1,143**	-

The Group recognised $99,000 and $87,000 respectively as finance income from lease contracts in which the Group acts as a lessor.

The following table sets out the maturity analysis of these lease receivables, showing the undiscounted lease payments to be received after the reporting period:

	2020 $ 000's
Less than one year	**538**
Between one year and five years	**1,163**
Later than five years	**74**
Total undiscounted lease payments receivable	**1,775**
Unearned finance income	**(164)**
Net investment in the lease	**1,611**

11 Lease Liability

	2020 $ 000's	2019 $ 000's
Current		
Lease liability	**2,753**	-
Non-current		
Lease liability	**5,432**	-

The following table sets out the maturity analysis of these lease liabilities, showing the undiscounted payments to be made after the reporting date:

	2020 $ 000's
Maturity analysis - contractual undiscounted cash flows	
Less than one year	**2,912**
One to five years	**5,587**
More than five years	**297**
Total undiscounted lease liabilities as at 30 June 2020	**8,796**

12 Provisions

	Note	2020 $ 000's	2019 $ 000's
Current			
Maintenance and warranty	12(a)	**2,165**	1,400
Employee benefits	12(b)	**9,377**	7,986
Onerous contracts	12(c)	**1,483**	-
		13,025	9,386
Non-current			
Employee benefits	12(d)	**1,561**	1,308
Total provisions		**14,586**	10,694

Current

(a) Maintenance and warranty

	2020	2019
Balance at beginning of year	**1,400**	800
Net amounts raised during the year	**765**	600
Balance at end of the year	**2,165**	1,400

A provision has been recognised for maintenance and warranty to cover specific or estimated claims that may arise due to defects or legal disputes in relation to projects.

(b) Employee benefits

	2020	2019
Balance at beginning of year	**7,986**	6,644
Net amounts raised during the year	**1,391**	1,342
Balance at end of the year	**9,377**	7,986

(c) Onerous contracts

	2020	2019
Balance at beginning of year	**-**	-
Net amounts raised during the year	**1,483**	-
Balance at end of the year	**1,483**	-

The provision for onerous contracts relates to the difference between the unavoidable costs and contract value for loss-making projects.

Non-current

(d) Long-term employee benefits

	2020	2019
Balance at beginning of year	**1,308**	1,022
Net amounts raised/(used) during the year	**253**	286
Balance at end of the year	**1,561**	1,308

The provision for employee benefits represents long service leave and annual leave entitlements accrued to employees.

13 Current and Deferred Tax Assets

	2020 $ 000's	2019 $ 000's
Current		
Income tax payable	**2,290**	2,304

	Opening Balance $ 000's	Charged to Income $ 000's	Closing Balance $ 000's
Non-current			
Deferred Tax Assets			
Provisions	2,540	668	3,208
Other	311	(151)	160
Balance at 30 June 2019	**2,851**	**517**	**3,368**
Provisions	3,208	723	3,931
Other	160	615	775
Balance at 30 June 2020	**3,368**	**1,338**	**4,706**

Deferred tax assets that have not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:

- Capital tax losses $426,035 (2019: $426,035)

14 Issued Capital

	Note	2020 $ 000's	2019 $ 000's
81,644,344 (2019: 83,333,015) fully paid ordinary shares	12(a)	**10,141**	12,859

(a) Ordinary shares

	2020 No.	2019 No.	2020 $ 000's	2019 $ 000's
Outstanding at the beginning of the year	**83,333,015**	82,507,937	**12,859**	12,409
Shares issued during the year	**-**	825,078	**-**	450
Treasury shares purchased during the year	**(1,688,671)**	-	**(2,718)**	-
Outstanding at the end of the year	**81,644,344**	83,333,015	**10,141**	12,859

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The Company does not have authorised capital or par value in respect of its shares.

14 Issued Capital (continued)

(b) Capital management

The directors manage the capital of the Group in order to maintain a sufficient debt to equity ratio, provide the shareholders with adequate returns and to ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

The Group is required to comply with external financial covenants associated with its borrowings and guarantees. These have been met for the years ended 30 June 2019 and 30 June 2020.

The directors manage the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders, share issues and share buybacks.

There have been no changes in the strategy adopted by the directors to control the capital of the Group since the prior year.

Lease liabilities are included for the first time as at 30 June 2020, due to initial adoption of AASB 16 *Leases*. The gearing for the year ended 30 June 2019 and 30 June 2020 are as follows:

	2020 $ 000's	2019 $ 000's
Total borrowings	**8,185**	-
Total equity	**20,810**	17,758
Gearing ratio	**39%**	-

(c) Dividends

	2020 $ 000's	2019 $ 000's
Distributions paid		
Interim fully franked ordinary dividend of 3.3 (2019: 3) cents per share franked at the tax rate of 30% (2019: 30%) on 30 July 2019	**2,749**	2,475
Interim fully franked ordinary dividend of 3.5 (2019: 2.5) cents per share franked at the tax rate of 30% (2019: 30%) on 29 October 2019	**2,917**	2,083
Interim fully franked ordinary dividend of 3.5 (2019: 3.00) cents per share franked at the tax rate of 30% (2019: 30%) on 4 February 2020	**2,917**	2,501
Interim fully franked ordinary dividend of 3.5 (2019: 2.75) cents per share franked at the tax rate of 30% (2019: 30%) on 5 May 2020	**2,917**	2,292
	11,500	9,351
Balance of franking account at year end adjusted for franking credits arising from:		
Payment of provision for income tax, dividends recognised as receivables, and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years.	**9,595**	8,741

15 Share-Based Payments

During the year ended 30 June 2020 the Group established a Senior Executive Long Term Incentive Plan ("SELTI") whereby share-based payments were granted to Key Management Personnel ("KMP") and senior executives. As at 30 June 2020, there were 2,944,057 performance rights outstanding to acquire shares (2019: nil).

The performance rights are exercisable as follows:

Details	Date of grant	Number of rights	Date of expiry	Conversion price ($)
FY20 SELTI- tranche 1	2 June 2020	805,034	1 July 2020	nil
FY20 SELTI- tranche 2	2 June 2020	903,359	1 July 2021	nil
FY20 SELTI- tranche 3	2 June 2020	1,235,664	1 July 2022	nil
		2,944,057		

No performance rights were exercised or cancelled during the period.

The SELTI has been valued using an independent valuation and performance rights will vest on satisfaction of reaching certain and defined profit targets.

16 Reserves

Unrealised capital profits reserve

During the 2016 financial year a share buyback took place involving a return of capital of $1,454,000 and the payment of an associated dividend of $8,543,047. The associated dividend was paid out of retained earnings ($5,390,384) and an unrealised capital profits reserve ($3,152,663).

Employee compensation reserve

The fair value of the SELTI scheme is recognised in the employee compensation reserve over the vesting period. The reserve will be reversed against treasury shares when the underlying shares vest and transfer to the employee at fair value. The difference between the fair value at grant date and the amount received against treasury shares is recognised in retained earnings.

17 Contingent Liabilities

	2020	2019
	$	$
Guarantees provided by the Group as part of the group bank guarantee and surety bond facilities	**34,906,260**	32,983,911

The Group has obligations under the group bank guarantee facility and surety bond facilities with its financiers. The overall limit across the Group is $88,000,000 (30 June 2019: $63,000,000)

Apart from the items outlined above, the company did not have any contingencies at 30 June 2020 (30 June 2019: None).

18 Related Party Transactions

(a) Related parties

The related parties of the Group are DLG SHAPE Pty Limited, the subsidiary of DLG SHAPE Pty Limited, DLG SHAPE (Qld) Pty Limited, and the directors of the Group.

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the year ended 30 June 2020, management fee income of $493,462 (2019: $536,617) was received from DLG SHAPE Pty Limited, a joint venture in which SHAPE Australia Pty Limited has a 49% holding. As at 30 June 2020, $48,027 (2019: $32,388) of the management fee was outstanding and had been recognised as a receivable.

During the year ended 30 June 2020, management fee income of $21,291 (2019: $112,831) was transacted with DLG SHAPE (Qld) Pty Limited. As at 30 June 2020, $nil (2019: $nil) of the management fee was outstanding.

Other amounts received or due to other related parties are eliminated upon consolidation.

19 Auditors' Remuneration

	2020 $ 000's	2019 $ 000's
Remuneration of the auditor of the Group for:		
- auditing or reviewing the financial report	**117**	115
- taxation services provided by related practice of the auditor	**29**	27
- other services provided by related practice of the auditor	**33**	24
	179	166

During the year ended 30 June 2020, the auditors provided services relating to the audit and review of DLG SHAPE Pty Limited's financial statements, with SHAPE Australia Holdings 50% share being $11,000 (2019: $9,750).

20 Key Management Personnel Remuneration

KMP remuneration for the Group is as follows:

	2020 $	2019 Restated $
Short-term employment benefits	**2,652,558**	2,444,929
Share-based payments	**790,167**	-
Post-employment benefits	**89,005**	89,005
	3,531,730	2,533,934

For the year ended 30 June 2019, KMP remuneration was restated to include all employees considered to be KMP for that period

Remuneration disclosed is in respect of total key management personnel remuneration incurred by this Group in relation to management of all subsidiaries within the Group

Notes to the Financial Statements

For the Year Ended 30 June 2020

21 Cash Flow Information

(a) Reconciliation of cash flow from operations

	2020 $ 000's	2019 $ 000's
Profit after income tax	**14,784**	12,229
Non-cash flows in profit:		
- Depreciation and amortisation	**3,901**	1,551
- Employee share-based payments	**2,241**	-
Changes in assets and liabilities:		
- Decrease/(increase) in trade and other receivables	**12,423**	(20,344)
- (Decrease)/increase in trade and other payables	**(25,039)**	38,872
- Decrease in income taxes payable	**(14)**	(55)
- Increase in deferred tax assets	**(1,338)**	(516)
- Increase in provisions	**5,458**	2,224
Net cash provided by operating activities	**12,416**	33,961

(b) Reconciliation of cash flow from financing activities

	At 1 July 2019 $'000's	Repayments $'000's	Non-cash changes Lease modification $'000's	At 30 June 2020 $'000's
Lease liabilities	**10,547**	**(2,542)**	**180**	**8,185**

There were no other non-cash movements for the year ended 30 June 2020.

22 Financial Risk Management

The Group's financial instruments consist of deposits with banks, accounts receivable and payable, and borrowings.

The totals for each category of financial instruments, measured in accordance with accounting standards as detailed in the accounting policies to these financial statements, are as follows:

Financial assets at amortised cost

	Note	2020 $ 000's	2019 $ 000's
Cash and cash equivalents	5	**133,152**	137,414
Trade and other receivables	6(c)	**55,891**	72,180
		189,133	209,594

Financial liabilities at amortised cost

	Note	2020 $ 000's	2019 $ 000's
Trade and other payables	9(a)	**92,051**	98,296
		92,051	98,296

Financial risk management policies

The Group's risk management strategy is to meet its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the directors on a regular basis. These include the credit risk policies and future cash flow requirements. Refer to Note 6(a) for details on impairment of receivables.

Analysis of financial risk exposure in the context of the most recent economic conditions and forecasts is performed regularly.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk. It is not exposed to material commodity price risk on foreign currencies.

(a) Interest rate risk

Exposure to interest rate risk arises on financial assets at reporting date whereby a future change in interest rates will affect future cash flows.

22 Financial Risk Management (continued)

(a) Interest rate risk (continued)

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit before tax reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $ 000's
Year ended 30 June 2020	
+1% in interest rates	**1,332**
-0.5% in interest rates	**(666)**
Year ended 30 June 2019	
+1% in interest rates	1,374
-0.5% in interest rates	(687)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

(b) Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analyses in relation to its operational, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions;
- maintaining adequate surplus cash balances; and
- analysing the maturity profile of financial liabilities.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

22 Financial Risk Management (continued)

(b) Liquidity risk (continued)

The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates.

Financial liability maturity analysis

		Within 1 Year		1 to 5 Years		Total	
		2020	**2019**	**2020**	**2019**	**2020**	**2019**
	Note	**$ 000's**	**$ 000's**	**$ 000's**	**$ 000's**	**$ 000's**	**$ 000's**
Financial liabilities due for payment							
Trade and other payables	9(a)	**(84,053)**	(91,275)	**(7,998)**	(7,021)	**(92,051)**	(98,296)
		(84,053)	(91,275)	**(7,998)**	(7,021)	**(92,051)**	(98,296)

(c) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed on a Group basis and reviewed regularly by the finance department by maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Significant customers and counterparties are regularly monitored for financial stability. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 days from the date of invoice. Customers that do not meet the Group's credit policies may only transact with appropriate levels of security in place by way of prepayments or bank guarantees.

Risk is minimised through investing surplus funds in financial institutions that maintain a high credit rating.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

Trade and other receivables that are neither past due or impaired and are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 6.

22 Financial Risk Management (continued)

(c) Credit Risk (continued)

Credit risk related to balances with banks and other financial institutions is managed by the finance department in accordance with approved Board policy. This policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on S&P counterparty credit ratings.

	Note	2020 $ 000's	2019 $ 000's
Cash and cash equivalents			
AA- Rated (2018: AA- Rated)	5	**133,152**	137,414

23 Fair Value

Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

AASB 13 *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

- Level 1 - Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 - Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3 - Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Fair values derived may be used on information that is subject to judgement, where changes in assumptions may have a material impact on the amount estimated.

There are no financial assets or liabilities recognised at fair value on a recurring basis at the reporting date. Cash and cash equivalents, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value approximates fair value.

24 Parent Information

The following information has been extracted from the books and records of the Company and has been prepared in accordance with Australian Accounting Standards.

	2020 $ 000's	2019 $ 000's
Statement of Financial Position		
Assets		
Current assets	**4,722**	4,185
Non-current assets	**164,666**	139,681
Total Assets	**169,388**	143,866
Liabilities		
Current liabilities	**1,880**	2,104
Total Liabilities	**1,880**	2,104
Equity		
Issued capital	**12,859**	12,859
Reserves	**152,382**	127,381
Retained earnings	**2,267**	1,522
Total Equity	**167,508**	141,762
Statement of Profit or Loss and Other Comprehensive Income		
Total profit or loss after income tax	**12,245**	10,778
Total comprehensive income	**37,246**	124,938

Guarantees/Contingent Liabilities

Refer to note 17 for details of contingent liabilities.

Notes to the Financial Statements
For the Year Ended 30 June 2020

25 Subsidiaries and Joint Ventures

Controlled entities consolidated	Principal activity	Country of Incorporation	Percentage Owned (%) 2020	Percentage Owned (%) 2019
Subsidiaries of SHAPE Australia Holdings Pty Limited:				
SHAPE Australia Pty Limited (i)	Commercial fit-out and refurbishment	Australia	**100**	100
SHAPE Australia (Qld) Pty Limited (i)	Commercial fit-out and refurbishment	Australia	**100**	100
Experience Better Pty Limited (i)	Dormant	Australia	**100**	100
Senior Executive Long Term Incentive Trust (SELTI) (ii)	Employee share trust	Australia	**100**	-
Joint ventures				
DLG SHAPE Pty Limited (iii)	Commercial fit-out and refurbishment	Australia	**49**	49

(i) These companies are members of the tax consolidated group.

(ii) The SELTI Trust deed was entered into on 29 November 2019.

(iii) SHAPE Australia Pty Limited, holds a 49% interest in DLG SHAPE Pty Limited ("DLG SHAPE"), a joint venture with David Liddiard Group Pty Limited ("DLG") which was incorporated on 15 August 2016. The primary purpose of the joint arrangement is the construction, fitout and refurbishment of commercial properties with particular focus on both government and private sector Indigenous procurement projects while creating employment opportunities for Indigenous Australians.

SHAPE Australia Holdings Pty Limited and Controlled Entities

ABN: 93 008 656 264

Notes to the Financial Statements
For the Year Ended 30 June 2020

25 Subsidiaries and Joint Ventures (continued)

The following table provides summaries financial information of DLG SHAPE:

	2020 $'000	2019 $'000
Cash and cash equivalents	**2,049**	2,664
Trade debtors	**1,500**	2,277
Contract assets	**-**	-
Total current assets	**3,549**	4,941
Total non-current assets	**-**	-
Total assets	**3,549**	4,941
Trade and other payables	**3,353**	4,723
Total current liabilities	**3,353**	4,723
Retentions	**96**	118
Total non-current liabilities	**96**	118
Total liabilities	**3,449**	4,841
Net assets	**100**	100
Share of joint venture net assets	**49**	49
Construction revenue	**11,304**	15,788
Other income	**7**	19
Construction costs	**(10,576)**	(14,879)
Management fees	**(735)**	(928)
Net profit before tax	**-**	-
Tax expense	**-**	-
Net profit after tax	**-**	-
Share of joint ventures net profit	**-**	-

26 Events Occurring After the Reporting Period

Stage 4 restrictions due to COVID-19 were enforced in Melbourne from 2 August 2020. There are certain restrictions that limit the maximum number of workers allowable on site. Although the restrictions had some impact on revenue, it was not considered to be significant.

On 28 July 2020, the board approved the payment of a dividend of $0.05 per share.

On 27 October 2020, the board approved the payment of a dividend of $0.03 per share.

No matters or circumstances other than mentioned above have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the Group in future financial years.

27 Company Details

The registered office and principal place of business of the company is:

Level 4
29-57 Christie Street
St Leonards NSW 2065

SHAPE Australia Holdings Pty Limited and Controlled Entities

ABN: 93 008 656 264

Directors' Declaration

The directors of the company declare that:

1. The consolidated financial statements and notes, as set out on pages 5 to 48 are in accordance with the *Corporations Act 2001* and:

   (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (“IFRS”); and

   (b) give a true and fair view of the Group’s financial position as at 30 June 2020 and of its performance for the year ended on that date of the company and consolidated group.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director	Director ....
P Arnall	P Marix-Evans

30 November 2020

Take the lead

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHAPE AUSTRALIA HOLDINGS PTY LTD AND ITS CONTROLLED ENTITIES

Opinion

We have audited the financial statements of SHAPE Australia Holdings Pty Ltd ("the Company") and its controlled entities ("the Group") which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the directors' report for the year ended 30 June 2020, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them, all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

ShineWing Australia

ShineWing Australia
Chartered Accountants

R Blayney Morgan

R Blayney Morgan
Partner
Sydney, 30 November 2020