SHAPE Australia Holdings Pty Limited and Controlled Entities

ABN: 93 008 656 264

Consolidated Financial Report

For the Year Ended 30 June 2021

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Directors' Report

For the Year Ended 30 June 2021

The directors present the directors' report of SHAPE Australia Holdings Pty Limited (the "Company") and its controlled entities (the "Group") for the financial year ended 30 June 2021.

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 Arnall	Chairman
P Marix-Evans	Chief Executive Officer
G McMahon	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 $12,366,000 (2020: $14,784,000). At the end of the financial year the Group had net assets of $18,445,000 (2020: $20,810,000).

A review of the operations of the Group during the financial year and the results of those operations found that delays in converting orders on hand to revenue due to COVID-19 has seen a decrease in construction revenue of 24% (2020: increase of 12%) to $569,917,000 (2020 $746,656,000) for the Group.

When COVID-19 was declared a pandemic in March 2020 operating restrictions were variously introduced across the markets in which the Group operates, leading to a reduction in activities for construction, fit-out and refurbishment of commercial properties in Australia. This led to a reduction in revenue particularly in the first quarter of the 2021 financial year. Ongoing restrictions on movements and capacity on work sites has also had an adverse impact on revenue and costs to complete the work in some cases.

Government initiatives announced in the Federal Budget 2021/22 are expected to boost activity in the industry as the economy reopens in 2022.

Dividends

Fully franked dividends totalling $12,458,000 (2020: $11,382,000) 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 2021

Events subsequent to the end of the reporting period

There have been various State restrictions across the country due to COVID-19. These restrictions either placed a complete stop or limited the maximum number of workers allowable on site. It is expected that there will be some impact to revenue although not likely to be significant. Management will continue to monitor the situation. To date these events have not resulted in any cancellation of contracts and it is expected these will resume unencumbered as restrictions ease.

On 23 July 2021, the board approved the payment of a dividend of 4.0 cents per share with a record date of 23 July 2021.

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 2021 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

27 September 2021

Accountants & Advisors

Take the lead

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

As lead auditor, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 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

Melbourne, 27 September 2021

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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 2021

	Note	2021	2020
		$ 000's	**$ 000's**
Revenue	1(r), 2	**571,972**	749,275
Construction costs	1(r)	**(515,789)**	(681,769)
Employee benefits	3(a)	**(24,078)**	(28,458)
Rent, rates and outgoings	3(b)	**(2,006)**	(2,483)
Communications		**(314)**	(271)
Depreciation and amortisation	3(c)	**(3,630)**	(3,901)
Other expenses	3(d)	**(8,241)**	(10,875)
Profit before income tax		**17,914**	21,518
Income tax expense	4	**(5,548)**	(6,734)
Net profit after income tax		**12,366**	14,784
Other comprehensive income		**-**	-
Total comprehensive income		**12,366**	14,784
Profit and total comprehensive income attributable to:			
Members of the company		**12,366**	14,784

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 2021

	Note	2021 $ 000's	2020 $ 000's
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**115,147**	133,152
Trade and other receivables	6	**53,968**	63,988
Other assets		**3,253**	2,645
Finance lease receivable	10	**497**	468
TOTAL CURRENT ASSETS		**172,865**	200,253
NON-CURRENT ASSETS			
Plant and equipment	7	**6,237**	8,550
Intangible assets	8	**130**	218
Deferred tax assets	13	**4,897**	4,706
Investment in associate	25	**98**	49
Finance lease receivable	10	**647**	1,143
TOTAL NON-CURRENT ASSETS		**12,009**	14,666
TOTAL ASSETS		**184,874**	214,919
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	1(r), 9	**131,290**	144,855
Current tax liability	13	**541**	2,290
Provisions	1(r),12	**19,512**	29,200
Lease liabilities	11	**2,255**	2,753
TOTAL CURRENT LIABILITIES		**153,598**	179,118
NON-CURRENT LIABILITIES			
Trade and other payables	9	**7,417**	7,998
Provisions	12	**2,237**	1,561
Lease liabilities	11	**3,177**	5,432
TOTAL NON-CURRENT LIABILITIES		**12,831**	14,991
TOTAL LIABILITIES		**166,429**	194,109
NET ASSETS		**18,445**	20,810
EQUITY			
Issued capital	14	**9,477**	10,141
Reserves	16	**(2,409)**	(912)
Retained earnings		**11,377**	11,581
TOTAL EQUITY		**18,445**	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 Changes in Equity
For the Year Ended 30 June 2021

	Note	Issued Capital	Retained Earnings	Unrealised Capital Profits Reserve	Employee compensation Reserve	Total
		$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
Balance at 1 July 2019		12,859	8,052	(3,153)	-	17,758
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**
Total comprehensive income for the year		**-**	**12,366**	**-**	**-**	**12,366**
Dividends paid	14(c)	**-**	**(12,458)**	**-**	**-**	**(12,458)**
Share-based payments		**-**	**-**	**-**	**(313)**	**(313)**
Exercise of performance rights		**1,296**	**(112)**	**-**	**1,184**	**-**
Share buy-back		**(1,960)**	**-**	**-**	**-**	**(1,960)**
Balance at 30 June 2021		**9,477**	**11,377**	**(3,153)**	**744**	**18,445**

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 2021

	Note	2021 $ 000's	2020 $ 000's
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**656,782**	825,452
Payments to suppliers and employees		**(649,161)**	(806,019)
Interest received		**466**	1,465
Interest paid		**(622)**	(399)
Income tax paid		**(7,488)**	(8,083)
Net cash (used in)/provided by operating activities	21(a)	**(23)**	12,416
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(1,209)**	(741)
Purchase of intangible assets		**(22)**	(17)
Proceeds from lease receivables		**469**	469
Payment to acquire shares in associate		**(49)**	-
Repayment of loans from shareholders		**-**	253
Net cash used in investing activities		**(811)**	(36)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of lease liabilities	21(b)	**(2,752)**	(2,542)
Dividends paid		**(12,459)**	(11,382)
Repurchase of issued capital		**(1,960)**	(2,718)
Net cash used in financing activities		**(17,171)**	(16,642)
Net decrease in cash and cash equivalents		**(18,005)**	(4,262)
Cash and cash equivalents at beginning of financial year		**133,152**	137,414
Cash and cash equivalents at end of financial year	5	**115,147**	133,152
Total cash outflow for leases		**(3,103)**	(3,045)

The accompanying notes form part of these financial statements.

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 some temporary destabilising 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 27 September 2021 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

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.

1 Summary of Significant Accounting Policies (continued)

(d) Leases

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.

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
- 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 reasonably 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.

1 Summary of Significant Accounting Policies (continued)

(d) Leases (continued)

(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 determining the full length of the lease term if the contracts contains options to extend or terminate the lease.

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 reporting 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 cost or benefit 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 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 initially 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.

Management fees are recognised when the contractual terms of the agreement are met.

(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

Associates

Associates are entities which the Group has significant influence but not control or joint control. Significant influence is presumed to exist where the Group:

- has over 20% but less than 50% of the voting rights of an entity, unless it can be clearly demonstrated that this is not the case; or
- holds less than 20% of the voting rights of an entity; however, has the power to participate in the financial and operating policy decisions of the entity.

After initial recognition at cost, associates are accounted for using the equity method. When the Group's share of losses in an associate exceeds its interest in the associate, the Group does not recognise further losses, unless it incurred obligations or made payments on behalf of the associate.

(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) *Warranty provision*

A provision is recognised for any future rectification work to be performed on projects. There is significant judgement in estimating the expected costs of rectifying any defects identified on projects. A provision has been recognised to cover estimated claims that arise due to defects.

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.

(vi) *Make good provision*

The Group assesses the need for a make good provision on leased properties based on the terms and conditions stipulated in each lease agreement. A reliable estimate is made on the required costs needed to restore leased properties to a suitable condition required by the lessor upon the termination of each lease.

(vii) *Accounting for interest in DLG SHAPE Pty Limited (“DLG SHAPE”)*

The Group holds a 49% interest in DLG SHAPE but has 50% of the voting rights. In case of deadlock, the other party holds the deciding vote. Judgement is required in order to assess whether the Group has significant influence or joint control of DLG SHAPE. For the year ended 30 June 2021, the Group reassessed the accounting requirements and determined that they had significant influence rather than joint control as had previously been disclosed.

(q) 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 2017-5: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods beginning on or after 1 January 2022)

This Standard defers the mandatory effective date (application date) of amendments to AASB 10 and AASB 128 that were originally made in *AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2022 instead of 1 January 2018.

This Standard amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require:

- a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and
- a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The directors do not expect a material impact when this Standard is adopted.

1 Summary of Significant Accounting Policies (continued)

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

AASB 2020-6: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current (applicable to annual reporting periods beginning on or after 1 January 2023)

This Standard defers the mandatory effective date of amendments to AASB 101 that were originally made in AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current to be applied for annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022.

This Standard amends AASB 101 Presentation to 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 Group has current and non-current liabilities that are classified based on the requirements of AASB101. 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:

- *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;
- *AASB 3 Business Combinations* to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations;
- *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;
- *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; and
- *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.

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

1 Summary of Significant Accounting Policies (continued)

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

AASB 2020-8: *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* (applicable to annual reporting periods beginning on or after 1 January 2021 with earlier application permitted)

This Standard addresses issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of an interest rate benchmark with an alternative benchmark rate.

This Standard is not expected to have a material impact on the financial statements of the Group as the existing accounting policies of the in relation to its hedged financial instruments are not expected to change due to these amendments.

***AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (applicable to annual reporting periods beginning on or after 1 January 2023 with earlier application permitted)**

This Standard amends:

- AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and
- AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures

The directors have yet to make an assessment on the impact on accounting policies disclosures on key decision areas and material accounting policies.

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.

1 Summary of Significant Accounting Policies (continued)

(r) Reclassifications

(i) Reclassification of revenue and construction costs

For the year ended 30 June 2020, amounts relating to the defect liability provision were netted off against revenue. In accordance with AASB 15 *Revenue from Contracts with Customers* the provision should have been accounted as per AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. This has resulted in a $17,322,000 increase in construction revenue, $17,322,000 increase in construction costs, $17,322,000 decrease in contract liabilities and $17,322,000 increase in provisions for the year ended 30 June 2020. There has been no impact upon net profit, net assets, or cash flows.

(ii) Reclassification of onerous contracts

For the year ended 30 June 2020, it was identified that the onerous contract provision was overstated. This has resulted in a $1,127,000 decrease in the onerous contract provision and $1,127,000 increase in the contract liability for the year ended 30 June 2020. There has been no impact upon net profit, net assets, or cash flows.

(s) Change in accounting estimate

The accounting estimate in relation to the defect liability period provision has changed during the year ended 30 June 2021 based on new information identified and analysed. The impact of this for the year ended 30 June 2021 is a decrease in construction costs of $2,926,156 and a decrease in the provision of $2,926,156. This is offset by a corresponding decrease in revenue and increase in the contract liability. As such, there is no impact on net profit. The impact on future periods is impracticable to estimate due to it being dependent upon the contracts which are in progress at that time.

2 Revenue

	2021	2020
	$ 000's	**$ 000's**
Revenue from contracts with customers	**569,971**	746,656
Other revenue		
- interest received from other corporations	**397**	1,366
- management fees	**1,235**	884
- rent and rates received	**300**	269
- income from sub-leasing right-of-use assets	**69**	99
Total revenue	**571,972**	749,275

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	**74,192**	67,872
New South Wales	**169,236**	294,785
Northern Territory	**5,474**	7,754
Queensland	**77,250**	74,251
South Australia	**75,270**	68,267
Victoria	**129,366**	167,161
Western Australia	**39,184**	66,566
Total	**569,971**	746,656

During the year ended 30 June 2021, $39,270,000 (2020: $69,089,000) was recognised as revenue which was included in the contract liability balance at 1 July 2020.

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”	**47,524**	55,640
Contract assets	**6,058**	8,097
Contract liabilities	**(33,130)**	(39,270)

SHAPE Australia Holdings Pty Limited and Controlled Entities

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Notes to the Financial Statements
For the Year Ended 30 June 2021

3 Profit before Income Tax

Profit before Income Tax includes the following:	Note	2021 $ 000's	2020 $ 000's
(a) Employee expenses			
- superannuation expenses		**1,902**	2,123
- share-based payment (reversal)/expense		**(313)**	2,241
- other employment expenses		**21,547**	22,955
- accrued employee ESAT bonus		**942**	1,139
		24,078	28,458
(b) Rent, rates and outgoings			
- minimum lease payments		**-**	52
- expenses relating to leases of low value		**61**	77
(c) Depreciation and amortisation expenses			
- depreciation expenses		**3,526**	3,775
- amortisation expenses		**104**	126
		3,630	3,901
(d) Other expenses			
- interest on lease liabilities		**340**	497

4 Income Tax Expense

(a) The major components of tax expense/(benefit) comprise:	Note	2021	2020
Current tax		5,739	8,122
Deferred tax	13	(191)	(1,388)
		5,548	6,734

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

	2021	2020
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2020: 30%)	**5,374**	6,455
Add:		
Tax effect of:		
- other non-allowable items	**174**	279
Income tax attributable to the Group	**5,548**	6,734
The applicable weighted average effective tax rates are as follows:	**31%**	31%

5 Cash and Cash Equivalents

	Note	2021	2020
		$ 000's	**$ 000's**
Cash at bank		**66,270**	84,275
Restricted cash (i), (ii)		**3,377**	3,377
Short-term bank deposits (iii)		**45,500**	45,500
Total cash and cash equivalents		**115,147**	133,152

The interest rate on cash at bank was 0.10% (2020: 0.15%). The effective interest rate on short-term bank deposits was 0.35% (2020: 0.88%).

(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 2021, the total retentions in this account was $2,114,727 (30 June 2020: $3,237,224).

(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 2021 was $111,812 (2020: $139,656). 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 17). The total security required by these bank guarantees was $164,277 (30 June 2020: $253,465).

6 Trade and Other Receivables

	Note	2021	2020
Trade receivables	6(a)	**47,371**	55,640
Contract assets	6(b)	**6,058**	8,097
Other receivables		**304**	62
Loans at call (i)		**82**	140
Receivable from Joint Venture		**153**	48
Total trade and other receivables	6(c)	**53,968**	63,988

(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	2021 $ 000's	2020 $ 000's
	Within initial trade terms		**46,221**	49,715
	Up to 90 days (past due but not considered impaired)		**140**	5,437
	90+ days (past due but not considered impaired)		**10**	488
			47,371	55,640
(b)	**Contract assets comprises:**			
	Contract costs incurred		**515,789**	681,769
	Recognised profits		**54,182**	64,887
	Progress billings received and receivable		**(597,043)**	(777,829)
	Net contract liabilities		**(27,072)**	(31,173)
	Cost in excess of billings — contract assets		**6,058**	8,097
	Billings in excess of costs — contract liabilities	9	**(33,130)**	(39,270)
			(27,072)	(31,173)
(c)	**Financial assets classified as loans and receivables**			
	Trade and other receivables			
	- Total current		**53,968**	63,988
	Less contract assets		**(6,058)**	(8,097)
	Financial assets	22	**47,910**	55,891

SHAPE Australia Holdings Pty Limited and Controlled Entities

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Notes to the Financial Statements
For the Year Ended 30 June 2021

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 2020	8,032	3,821	8,527	20,380
Additions	256	953	196	1,405
Disposals	-	(1,440)	(445)	(1,885)
As at 30 June 2021	**8,288**	**3,334**	**8,278**	**19,900**
ACCUMULATED DEPRECIATION				
As at 30 June 2020	7,049	2,650	2,131	11,830
Charge for the year	256	856	2,455	3,567
Disposals	-	(1,434)	(300)	(1,734)
As at 30 June 2021	**7,305**	**2,072**	**4,286**	**13,663**
NET BOOK VALUE				
As at 30 June 2020	983	1,171	6,396	8,550
As at 30 June 2021	**983**	**1,262**	**3,992**	**6,237**

8 Intangibles

	Computer Software $ 000's	Licenses $ 000's	Total $ 000's
COST			
As at 30 June 2020	489	153	642
Additions	17	-	17
Disposals	(2)	-	(2)
As at 30 June 2020	**504**	**153**	**657**
ACCUMULATED AMORTISATION			
As at 30 June 2020	372	52	424
Charge for the year	72	33	105
Disposals	(2)	-	(2)
As at 30 June 2021	**442**	**85**	**527**
NET BOOK VALUE			
As at 30 June 2020	117	101	218
As at 30 June 2021	**62**	**68**	**130**

9 Trade and Other Payables

	Note	2021 $ 000's	2020 $ 000's (reclassified)
Current			
Trade creditors		**64,830**	72,709
Accrued expenses and other payables		**19,103**	20,086
Contract liabilities	6(b)	**33,130**	39,270
Retentions		**12,411**	11,344
GST payable		**1,816**	1,446
		131,290	144,855
Non-current			
Retentions		**7,417**	7,998
		7,417	7,998

(a) Financial liabilities classified as trade and other payables

	Note	2021 $ 000's	2020 $ 000's
Trade and other payables:			
- Total current		**131,290**	144,855
- Total non-current		**7,417**	7,998
		138,707	152,853
Less:			
Accrued expenses		**(19,103)**	(20,086)
Contract liabilities		**(33,130)**	(39,270)
GST payable		**(1,816)**	(1,446)
Financial liabilities as trade and other payables	22	**84,658**	92,051

10 Finance Lease Receivable

	2021 $ 000's	2020 $ 000's
Current		
Finance lease receivable	**497**	468
Non-current		
Finance lease receivable	**647**	1,143

The Group recognised $69,000 (30 June 2020: $99,000) 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:

	2021 $ 000's
Less than one year	**539**
Between one year and five years	**699**
Later than five years	**-**
Total undiscounted lease payments receivable	**1,237**
Unearned finance income	**(94)**
Net investment in the lease	**1,144**

11 Lease Liability

	2021 $ 000's	2020 $ 000's
Current		
Lease liability	**2,255**	2,753
Non-current		
Lease liability	**3,177**	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:

	2021 $ 000's
Maturity analysis - contractual undiscounted cash flows	
Less than one year	**2,558**
One to five years	**3,193**
More than five years	**297**
Total undiscounted lease liabilities as at 30 June 2021	**6,048**

12 Provisions

	Note	2021 $ 000's	2020 $ 000's (reclassified)
Current			
Maintenance and warranty	12(a)	**9,132**	19,487
Employee benefits	12(b)	**9,670**	9,377
Onerous contracts	12(c)	**366**	356
Make good provision	12(d)	**344**	-
		19,512	29,220
Non-current			
Employee benefits	12(e)	**1,679**	1,561
Make good provision	12(f)	**558**	-
		2,237	1,561
Total provisions		**21,749**	30,781

Current

(a) Maintenance and warranty

	2021 $ 000's	2020 $ 000's
Balance at beginning of year	**19,487**	18,722
Net amounts (used)/raised during the year	**(10,355)**	765
Balance at end of the year	**9,132**	19,487

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

	2021 $ 000's	2020 $ 000's
Balance at beginning of year	**9,377**	7,986
Net amounts raised during the year	**293**	1,391
Balance at end of the year	**9,670**	9,377

(c) Onerous contracts

	2021 $ 000's	2020 $ 000's
Balance at beginning of year	**356**	-
Net amounts raised during the year	**10**	356
Balance at end of the year	**366**	356

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

(d) Make good provision

	2021 $ 000's	2020 $ 000's
Balance at beginning of year	**-**	-
Net amounts raised/(used) during the year	**344**	-
Balance at end of the year	**344**	-

12 Provisions (continued)

Non-current

(e) Long-term employee benefits

	2021 $ 000's	2020 $ 000's
Balance at beginning of year	**1,561**	1,308
Net amounts raised during the year	**118**	253
Balance at end of the year	**1,679**	1,561

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

(f) Make good provision

	2021 $ 000's	2020 $ 000's
Balance at beginning of year	**-**	-
Net amounts raised during the year	**558**	-
Balance at end of the year	**558**	-

The provision for make good represents the expected costs of restoring leased assets to the condition they were in at the start of the lease term.

13 Current and Deferred Tax Assets

Current

	2021 $ 000's	2020 $ 000's
Income tax payable	**541**	2,290

	Opening Balance $ 000's	Charged to Income $ 000's	Closing Balance $ 000's
Non-current			
Deferred Tax Assets			
Provisions	3,208	723	3,931
Other	160	615	775
Balance at 30 June 2020	**3,368**	**1,338**	**4,706**
Provisions	3,931	449	4,380
Other	775	(258)	517
Balance at 30 June 2021	**4,706**	**191**	**4,897**

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 (2020: $426,035)

14 Issued Capital

	Note	2021 $ 000's	2020 $ 000's
81,423,203 (2020: 81,644,344) fully paid ordinary shares	14(a)	**9,477**	**10,141**

(a) Ordinary shares

	2021 No.	2020 No.	2021 $ 000's	2020 $ 000's
Outstanding at the beginning of the year	**81,644,344**	83,333,015	**10,141**	12,859
Shares issued during the year	**-**	-	**-**	-
Treasury shares purchased during the year	**(1,026,178)**	(1,688,671)	**(1,960)**	(2,718)
Performance rights exercised and settled in previously held treasury shares during the year	**805,037**	-	**1,296**	-
Outstanding at the end of the year	**81,423,203**	81,644,344	**9,477**	10,141

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.

(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 2020 and 30 June 2021.

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.

A subsidiary of the Group, SHAPE Australia (Qld) Pty Limited, is required to retain $3,868,000 in net tangible assets in order to meet the requirements of its Queensland Building Construction Commission (QBCC) license.

14 Issued Capital (continued)

(b) Capital management (continued)

The gearing for the year ended 30 June 2020 and 30 June 2021 are as follows:

	2021 $ 000's	2020 $ 000's
Total borrowings	**5,432**	8,185
Total equity	**18,445**	20,810
Gearing ratio	**29%**	39%

(c) Dividends

	2021 $ 000's	2020 $ 000's
Distributions paid		
Interim fully franked ordinary dividend of 5 (2020: 3.3) cents per share franked at the tax rate of 30% (2020: 30%) on 30 July 2020	**4,167**	2,749
Interim fully franked ordinary dividend of 3 (2020: 3.5) cents per share franked at the tax rate of 30% (2020: 30%) on 29 October 2020	**2,500**	2,917
Interim fully franked ordinary dividend of 4 (2020: 3.5) cents per share franked at the tax rate of 30% (2020: 30%) on 4 February 2021	**3,333**	2,917
Interim fully franked ordinary dividend of 3.25 (2020: 3.5) cents per share franked at the tax rate of 30% (2020: 30%) on 5 May 2021	**2,708**	2,917
	12,708	11,500
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.	**12,718**	9,595

15 Share-Based Payments

The Group has an established 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 2021, there were 3,207,764 performance rights outstanding to acquire shares (2020: 2,944,057). 805,034 rights were exercised during the year and transferred.

The performance rights are exercisable as follows:

Details	Date of grant	Number of rights	Date of expiry	Conversion price ($)
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
FY21 SELTI	1 July 2021	1,068,741	1 July 2023	nil
		3,207,764		

No performance rights were 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

	2021 $	2020 $
Guarantees provided by the Group as part of the group bank guarantee and surety bond facilities	**42,012,172**	34,906,260

The Group has obligations under the group bank guarantee facility and surety bond facilities with its financiers. The overall limit across the Group is $86,000,000 (30 June 2020: $88,000,000)

Apart from the items outlined above, the company did not have any contingencies at 30 June 2021 (30 June 2020: 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 2021, management fee income of $1,067,974 (2020: $493,462) was received from DLG SHAPE Pty Limited, an associate in which SHAPE Australia Pty Limited has a 49% holding. As at 30 June 2021, $136,319 (2020: $48,027) of the management fee was outstanding and had been recognised as a receivable.

During the year ended 30 June 2021, management fee income of $167,452 (2020: $21,291 was transacted with DLG SHAPE (Qld) Pty Limited. As at 30 June 2021, $16,150 (2020: $nil) of the management fee was outstanding.

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

19 Auditors' Remuneration

	2021 $ 000's	2020 $ 000's
Remuneration of the auditor of the Group for:		
- auditing or reviewing the financial statements	**140**	117
- taxation services provided by related practice of the auditor	**23**	29
- other services provided by related practice of the auditor	**18**	33
	181	179

During the year ended 30 June 2021, the auditors provided services relating to the audit and review of DLG SHAPE Pty Limited's financial statements, with SHAPE Australia Holding's 49% share being $20,825 (2020: $10,780).

20 Key Management Personnel Remuneration

KMP remuneration for the Group is as follows:

	2021 $	2020 $
Short-term employment benefits	**2,734,123**	2,652,558
Share-based payments	**(184,408)**	790,167
Post-employment benefits	**89,055**	89,005
	2,638,770	3,531,730

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.

21 Cash Flow Information

	2021	**2020**
(a) Reconciliation of cash flow from operations	**$ 000's**	**$ 000's**
Profit after income tax	**12,366**	14,784
Non-cash flows in profit:		
- Depreciation and amortisation	**3,630**	3,901
- Employee share-based payments	**(313)**	2,241
Changes in assets and liabilities:		
- Decrease in trade and other receivables	**9,412**	12,423
- Decrease in trade and other payables	**(25,087)**	(25,039)
- Decrease in income taxes payable	**(1,749)**	(14)
- Increase in deferred tax assets	**(191)**	(1,338)
- Increase in provisions	**1,909**	5,458
Net cash (used in)/provided by operating activities	**(23)**	12,416

(b) Reconciliation of cash flow from financing activities

	At 1 July 2020	**Repayments**	**Non-cash movements**	**At 30 June 2021**
	$'000's	**$'000's**		**$'000's**
Lease liabilities	**8,185**	**(3,103)**	**350**	**5,432**

There were no other non-cash movements for the year ended 30 June 2021.

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:

	Note	2021	2020
Financial assets at amortised cost			
		$ 000's	**$ 000's**
Cash and cash equivalents	5	**115,147**	133,152
Trade and other receivables	6(c)	**47,910**	55,891
		163,057	189,043
Financial liabilities at amortised cost			
Trade and other payables	9(a)	**84,658**	92,051
		84,658	92,051

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 2021	
+1% in interest rates	**1,152**
-0.5% in interest rates	**(576)**
Year ended 30 June 2020	
+1% in interest rates	1,332
-0.5% in interest rates	(666)

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

	Note	Within 1 Year		1 to 5 Years		Total	
		2021	2020	2021	2020	2021	2020
		$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
Financial liabilities due for payment							
Trade and other payables	9(a)	**(77,241)**	(84,053)	**(7,417)**	(7,998)	**(84,658)**	(92,051)
		(77,241)	(84,053)	**(7,417)**	(7,998)	**(84,658)**	(92,051)

(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	2021 $ 000's	2020 $ 000's
Cash and cash equivalents			
AA- Rated (2020: AA- Rated)	5	**115,147**	133,152

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.

	2021 $ 000's	2020 $ 000's
Statement of Financial Position		
Assets		
Current assets	**3,074**	4,722
Non-current assets	**168,833**	164,666
Total Assets	**171,907**	169,388
Liabilities		
Current liabilities	**45**	1,880
Total Liabilities	**45**	1,880
Equity		
Issued capital	**12,859**	12,859
Reserves	**156,549**	152,382
Retained earnings	**2,455**	2,267
Total Equity	**171,863**	167,508
Statement of Profit or Loss and Other Comprehensive Income		
Total profit or loss after income tax	**12,896**	12,245
Total comprehensive income	**17,063**	37,246

Guarantees/Contingent Liabilities

Refer to note 17 for details of contingent liabilities.

25 Subsidiaries and Associates

	Principal activity	Country of Incorporation	Percentage Owned (%) 2021	Percentage Owned (%) 2020
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**	100
Associates				
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 which was incorporated on 15 August 2016. The Group has 50% of the voting power, however the deciding vote in case of deadlock is held by the other party. The Group participates in the financial and operating policy decisions of DLG SHAPE but does not have control or joint control. The investment in DLG SHAPE is measured using the equity method.

The principal activities of DLG SHAPE are the construction, fitout and refurbishment of commercial properties with particular focus on both government and private sector Indigenous procurement projects whilst creating employment opportunities for Indigenous Australians.

The DLG SHAPE Pty Limited ("DLG SHAPE") shareholders' agreement was reassessed during the year ended 30 June 2021 and it was identified that the Group has, and previously held, significant influence of DLG SHAPE and not joint control as had previously been assessed. In accordance with accounting standards, the Group is required to account for DLG SHAPE as an associate and be equity accounted. There is no impact on the balance sheet or net profit after tax as the Group has previously equity accounted for DLG SHAPE as a joint venture.

25 Subsidiaries and Associates (continued)

The following table provides summaries financial information of DLG SHAPE:

	2021 $'000	2020 $'000
Cash and cash equivalents	**5,055**	2,049
Trade debtors	**2,672**	1,500
Contract assets	**339**	-
Total current assets	**8,066**	3,549
Total non-current assets	**-**	-
Total assets	**8,066**	3,549
Trade and other payables	**7,207**	3,353
Contract liabilities	**406**	-
Total current liabilities	**7,613**	3,353
Retentions	**253**	96
Total non-current liabilities	**253**	96
Total liabilities	**7,866**	3,449
Net assets	**200**	100
Share of net assets	**98**	49
Construction revenue	**26,505**	11,304
Other income	**1**	7
Construction costs	**(24,742)**	(10,576)
Management fees	**(1,765)**	(735)
Net profit before tax	**-**	-
Tax expense	**-**	-
Net profit after tax	**-**	-
Share of net profit	**-**	-

26 Events Occurring After the Reporting Period

There have been various State restrictions across the country due to COVID-19. These restrictions either placed a complete stop or limited the maximum number of workers allowable on site. It is expected that there will be some impact to revenue although not likely to be significant. Management will continue to monitor the situation. To date these events have not resulted in any cancellation of contracts and it is expected these will resume unencumbered as restrictions ease.

On 23 July 2021, the board approved the payment of a dividend of 4.0 cents per share with a record date of 23 July 2021.

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 47 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 2021 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

27 September 2021

Accountants & Advisors

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 statement of financial position as at 30 June 2021, 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 2021 and of its financial performance for the year then ended, and

b. complying with Australian Accounting Standards and the Corporations Regulations 2001.

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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial 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 Group's annual report for the year ended 30 June 2021 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.

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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 the financial statements that gives 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 has 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 also:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

ShineWing Australia

ShineWing Australia
Chartered Accountants

R Blayney Morgan

R Blayney Morgan
Partner

Melbourne, 27 September 2021