# SHAPE Australia Holdings Pty Limited and Controlled Entities

ABN: 93 008 656 264

## Consolidated Financial Report

## For the Year Ended 30 June 2019

SHAPE

# SHAPE Australia Holdings Pty Limited and Controlled Entities

**ABN: 93 008 656 264**

## Contents

### For the Year Ended 30 June 2019

# SHAPE Australia Holdings Pty Limited and Controlled Entities

**ABN: 93 008 656 264**

## Directors' Report
### For the Year Ended 30 June 2019

The directors present the financial report of SHAPE Australia Holdings Pty Limited (the “Company”) and its controlled entities (the “Group”) for the financial year ended 30 June 2019.

1. **General information**

**Directors**

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

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

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

**Principal activities**

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

There were 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 period**

**Review of operations**

The profit of the Group for the financial year after providing for income tax amounted to $12,229,000. (2018: $9,142,000). At the end of the financial year the Group had net assets of $17,758,000.

A review of the operations of the Group during the financial year and the results of those operations found that changes in market demand have seen an increase in construction revenue of 8% (2018: 21%) to $650,144,000 (2018: $604,199,000) for the Group.

**Dividends**

Fully franked dividends totalling $9,351,000 (2018: $6,793,000) 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 Group 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 Group; 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 Group 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 Group.

**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

**ABN: 93 008 656 264**

## Directors' Report

**For the Year Ended 30 June 2019**

**Events subsequent to the end of the reporting period**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, 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 2019 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

3 September 2019

ShineWing Australia
Accountants and Advisors
Level 8, 167 Macquarie Street
Sydney NSW 2000
T +61 2 8059 6800
F +61 2 8059 6899
shinewing.com.au

# Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* to the directors of SHAPE Australia Holdings Pty Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been:

(i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

ShineWing Australia

**ShineWing Australia**
Chartered Accountants

R Blayney Morgan

R Blayney Morgan
Partner

Sydney, 3 September 2019

# SHAPE Australia Holdings Pty Limited and Controlled Entities

**ABN: 93 008 656 264**

## Consolidated Statement of Profit or Loss and Other Comprehensive Income
**For the Year Ended 30 June 2019**

| | Note | 2019<br>$ 000's | 2018<br>$ 000's |
|---|---|---|---|
| Revenue | 2 | **652,946** | 606,411 |
| Construction costs | | **(595,237)** | (554,561) |
| Employee benefits | 3(b) | **(24,703)** | (22,728) |
| Tenancy | 3(a) | **(5,043)** | (4,886) |
| Communications | | **(609)** | (530) |
| Depreciation and amortisation | 3(c) | **(1,551)** | (1,717) |
| Other expenses | 3(d) | **(8,022)** | (8,646) |
| **Profit before income tax** | | **17,781** | 13,343 |
| Income tax expense | 4 | **(5,552)** | (4,201) |
| **Net profit after income tax** | | **12,229** | 9,142 |
| Other comprehensive income | | **-** | - |
| **Total comprehensive income** | | **12,229** | 9,142 |
| Profit and total comprehensive income attributable to: | | | |
| Members of the company | | **12,229** | 9,142 |

The accompanying notes form part of these financial statements.

# SHAPE Australia Holdings Pty Limited and Controlled Entities

**ABN: 93 008 656 264**

## Consolidated Statement of Financial Position
### As At 30 June 2019

| | Note | 2019<br>$ 000's | 2018<br>$ 000's |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 5 | **137,414** | 113,583 |
| Trade and other receivables | 6 | **78,479** | 58,788 |
| Other assets | | **827** | 158 |
| **TOTAL CURRENT ASSETS** | | **216,720** | 172,529 |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 7 | **2,813** | 3,206 |
| Intangible assets | 8 | **327** | 271 |
| Deferred tax assets | 11 | **3,368** | 2,851 |
| Investment in joint venture | 24 | **49** | 49 |
| **TOTAL NON-CURRENT ASSETS** | | **6,557** | 6,377 |
| **TOTAL ASSETS** | | **223,277** | 178,906 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 9 | **185,500** | 146,995 |
| Current tax liability | 11 | **2,304** | 2,359 |
| Provisions | 10 | **9,386** | 7,444 |
| **TOTAL CURRENT LIABILITIES** | | **197,190** | 156,798 |
| **NON-CURRENT LIABILITIES** | | | |
| Trade and other payables | 9 | **7,021** | 6,656 |
| Provisions | 10 | **1,308** | 1,022 |
| **TOTAL NON-CURRENT LIABILITIES** | | **8,329** | 7,678 |
| **TOTAL LIABILITIES** | | **205,519** | 164,476 |
| **NET ASSETS** | | **17,758** | 14,430 |
| **EQUITY** | | | |
| Issued capital | 12 | **12,859** | 12,409 |
| Reserves | 13 | **(3,153)** | (3,153) |
| Retained earnings | | **8,052** | 5,174 |
| **TOTAL EQUITY** | | **17,758** | 14,430 |

The accompanying notes form part of these financial statements.

# SHAPE Australia Holdings Pty Limited and Controlled Entities

**ABN: 93 008 656 264**

## Consolidated Statement of Changes in Equity
### For the Year Ended 30 June 2019

| | Note | Issued Capital<br>$ 000's | Retained Earnings<br>$ 000's | Unrealised Capital Profits Reserve<br>$ 000's | Total<br>$ 000's |
|---|---|---|---|---|---|
| **Balance at 30 June 2017** | | 12,071 | 2,825 | (3,153) | 11,743 |
| Total comprehensive income for the year | | - | 9,142 | - | 9,142 |
| Dividends paid | 12(c) | - | (6,793) | - | (6,793) |
| Share issue | | 338 | - | - | 338 |
| **Balance at 30 June 2018** | | 12,409 | 5,174 | (3,153) | 14,430 |
| Total comprehensive income for the year | | **-** | **12,229** | **-** | **12,229** |
| Dividends paid | 12(c) | **-** | **(9,351)** | **-** | **(9,351)** |
| Share issue | | **450** | **-** | **-** | **450** |
| **Balance at 30 June 2019** | | **12,859** | **8,052** | **(3,153)** | **17,758** |

The accompanying notes form part of these financial statements.

# SHAPE Australia Holdings Pty Limited and Controlled Entities

**ABN: 93 008 656 264**

## Consolidated Statement of Cash Flows
### For the Year Ended 30 June 2019

| | Note | 2019 $ 000's | 2018 $ 000's |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts from customers | | **718,313** | 616,025 |
| Payments to suppliers and employees | | **(680,073)** | (565,036) |
| Interest received | | **1,844** | 1,352 |
| Interest paid | | **-** | (104) |
| Income tax paid | | **(6,123)** | (3,018) |
| Net cash provided by operating activities | 20(a) | **33,961** | 49,219 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Purchase of property, plant and equipment | | **(1,033)** | (660) |
| Purchase of intangible assets | | **(181)** | (49) |
| (Payment)/repayment of loans to shareholders | | **(16)** | 539 |
| Net cash used by investing activities | | **(1,230)** | (170) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Repayment of borrowings | 20(b) | **-** | (2,376) |
| Dividends paid | | **(9,350)** | (6,793) |
| Proceeds from share issue | | **450** | 338 |
| Net cash used by financing activities | | **(8,900)** | (8,831) |
| Net increase in cash and cash equivalents | | **23,831** | 40,218 |
| Cash and cash equivalents at beginning of financial year | | **113,583** | 73,365 |
| Cash and cash equivalents at end of financial year | 5 | **137,414** | 113,583 |

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 financial statements were authorised for issue on 3 September 2019 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 24.

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 a business combination, 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 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.

**1 Summary of Significant Accounting Policies (continued)**

**(c) Plant and Equipment (continued)**

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(h) for details of impairment).

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs 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 the statement of 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% |

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

**1 Summary of Significant Accounting Policies (continued)**

**(d) Leases**

Leases of fixed assets where substantially all the risks and rewards incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and rewards remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**(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 (ie 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.

**1 Summary of Significant Accounting Policies (continued)**

**(f) Financial Instruments**

**Initial recognition and measurement**

*Policies applied from 1 July 2018*

**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 contract with customers*.

**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.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- It eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases; and

- It is in accordance with the documented risk management or investment strategy and information about the groupings were documented appropriately, so as the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

**1 Summary of Significant Accounting Policies (continued)**

**(f) Financial Instruments (continued)**

*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.

**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.

**1 Summary of Significant Accounting Policies (continued)**

**(f) Financial Instruments (continued)**

**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.

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.

**1 Summary of Significant Accounting Policies (continued)**

**(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% |

**(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.

**1 Summary of Significant Accounting Policies (continued)**

**(j) Provisions**

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

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

**(k) Cash and Cash Equivalents**

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

**(l) Revenue and Other Income**

*In the comparative period up to 30 June 2018*

Revenue was measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred was treated as the provision of finance 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 was interest revenue.

Interest income was recognised using the effective interest rate method, which, for floating rate financial assets was the rate inherent in the instrument. Dividend income was recognised when the right to receive a dividend has been established.

Revenue recognition relating to the provision of services was determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract could be estimated reliably. Stage of completion was determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome could not be estimated reliably, revenue was recognised only to the extent that related expenditure is recoverable. Where it was determined by the directors that for specific contracts this method was either misleading or not a true reflection of percentage stage completion, revenue for the specific contract was recognised at the stage of completion of a physical proportion of the contract work.

**1 Summary of Significant Accounting Policies (continued)**

**(l) Revenue and Other Income (continued)**

*Policies applied from 1 July 2018*

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

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

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

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

*Variable consideration*

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

*Contract assets and liabilities*

AASB 15 uses the terms ‘contract asset’ and ‘contract liability’ 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. Contract assets and contract liabilities are recognised and measured in accordance with this accounting policy.

**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*

Rental income is recognised on a straight line basis over the term of the operating lease.

Interest revenue is recognised using the effective interest method

**(m) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred**.**

**(n) 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.

**1 Summary of Significant Accounting Policies (continued)**

**(o) Rounding of Amounts**

The parent entity 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.

**(p) Interests in Other Entities**

*Joint ventures*

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

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

**(q) 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.

**1 Summary of Significant Accounting Policies (continued)**

**(q) Critical Accounting Estimates and Judgments (continued)**

*(iv) Investment in joint venture*

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

**(r) New and Amended Standards adopted by the Group**

**AASB 15 *Revenue from contract with customers***

From 1 July 2018 the Group adopted AASB 15 *Revenue from Contracts with Customers* and consequential amendments. AASB 15 provides a new model for recognising revenue earned from contracts with customers and is based on the principle that revenue is recognised when control of a good or service is transferred to the customer. The Group has applied AASB 15 using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118 and AASB 111. The details of accounting policies under AASB 118 and AASB 111 are disclosed separately since they differ from those under AASB 15 in Note 1(l). Updated disclosures as required by this standard have been included in Note 2. See this note for detailed disclosures on reportable segments.

**AASB 9 *Financial Instruments***

The Group has adopted AASB 9 *Financial Instruments* with a date of initial application of 1 July 2018. As a result, the Group has changed its financial instruments accounting policies as detailed in Note 1(f).

There were no financial assets or liabilities which the Group had previously designated as fair value through profit or loss under AASB 139 *Financial Instruments: Recognition and Measurement* that were subject to reclassification or elected reclassification upon the application of AASB 9. There were no financial assets or liabilities which the Group has elected to designate as at fair value through profit or loss at the date of initial application of AASB 9.

For AASB 9, new requirements were introduced for the classification and measurement of financial assets and financial liabilities, as well as for impairment.

Financial assets in terms of AASB 9 need to be measured subsequently at either amortised cost or fair value on the basis of the Group's business model and the cash flow characteristics of the financial assets, as follows:

- Debt investments that are held within a business model whose goal is to collect the contractual cash flows, and that have contractual cash flows that are purely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;

- Debt investments that are held within a business model whose goal is both to collect contractual cash flows and to sell it, and that have contractual cash flows that are purely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income; and

- All other debt investments and equity investments are measured at fair value through profit or loss.

The Group only has debt investments which are measured at amortised cost.

**1 Summary of Significant Accounting Policies (continued)**

**(r) New and Amended Standards adopted by the Group (continued)**

**AASB 9 *Financial Instruments* (continued)**

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

The directors of the Group determined the existing financial assets as at 1 July 2018 based on the facts and circumstances that were present and determined that the initial application of AASB 9 had the following effect:

- Financial assets as loans and receivables that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

All financial assets that were held as loans and receivables are now classified as financial assets and amortised cost. There has been no change in the valuation of these assets.

All financial liabilities have remained at amortised cost.

*Impairment*

As specified by AASB 9, an expected credit loss model is applied, not an incurred credit loss model as per the previous standard applicable, AASB 139. To reflect changes in credit risk, this expected credit loss model requires the Group to account for expected credit losses since initial recognition.

AASB 9 also determines that a loss allowance for expected credit losses be recognised on debt investments subsequently measured at amortised cost, lease receivables and contract assets as the impairment provision would apply to them.

A simplified approach is followed in relation to trade receivables as the loss allowance is measured at lifetime expected credit loss.

The Group has reviewed and assessed the existing financial assets on 1 July 2018. The assessment was done to test the impairment of these financial assets using reasonable and supportable information that is available to determine the credit risk of the respective items at the date they were initially recognised. The assessment compared that to the credit risk as at 1 July 2017 and 1 July 2018. The assessment was done without undue cost or effort in accordance with AASB 9. No material impact was identified.

*Classification and measurement of financial liabilities*

The application of AASB 9 has had no impact on the classification and measurement of the Group's financial liabilities.

There is no impact on the cash flows of the Group from the application of AASB 9.

**1 Summary of Significant Accounting Policies (continued)**

**(s) 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 Company. The Company has decided not to early adopt any of the new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

**AASB 16 *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019)**

A core change under AASB 16 *Leases* is that most leases will be recognised on the balance sheet by lessees, as the new Standard does not differentiate between operating and finance leases.

An asset and a financial liability are recognised in accordance with this new Standard. There are, however, two exceptions allowed. These are short-term and low-value leases.

The accounting for the Group operating leases will be primarily affected by this new Standard.

AASB 16 will be applied by the Group from its mandatory adoption date of 1 July 2019. The comparative amounts for the year prior to first adoption will not be restated as the Group has chosen to apply AASB 16 retrospectively with cumulative effect. The simplified transition approach will be the Group's chosen approach; thus, the comparative amounts for the year prior to first adoption will not be restated. Right-of-use assets will be measured at the amount of the lease liability on adoption (after adjustments for any prepaid or accrued lease expenses) as permitted by the standard.

The Group's non-cancellable operating lease commitments amount to $13,800,000 as at the reporting date.

The Group has performed a preliminary impact assessment and has estimated that, based on the information currently available, on 1 July 2019 the Group expects to recognise right-of-use assets and lease liabilities of approximately $11,081,000 (after adjusting for prepayments and accrued lease payments recognised as at 30 June 2019).

The Group will reassess the classification of sub-leases in which the Group is the lessor. Based on the information currently available, the Group expects that it will reclassify sub-leases as finance leases, resulting in recognition of a finance lease receivable of $1,969,000 as at 1 July 2019. An impact to retained earnings on transition is expected to be immaterial.

**1 Summary of Significant Accounting Policies (continued)**

**(s) Accounting Standards Issued but not yet Effective (continued)**

**AASB Interpretation 23 *Uncertainty over Income Tax Treatments* (applicable to annual reporting periods beginning on or after 1 January 2019).**

AASB Interpretation 23 provides clarification on AASB 112 *Income Taxes*. The interpretation requires that an entity uses judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. If it is concluded that it is probable that a particular tax treatment is accepted, the Company would have to determine taxable profit/(loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in the Company's income tax submissions. If it is concluded that it is unlikely a particular tax treatment is accepted, the Company would have to use the expected value of the tax treatment when determining taxable profit/(loss), tax bases, unused tax losses, unused tax credits and tax rates. As such, the Company will have to reassess the judgements and estimates applied and consider whether the facts or circumstances have changed.

The directors expect that the adoption of AASB Interpretation 23 will not result in a material change to the tax calculations.

**Conceptual Framework for Financial Reporting**

The International Accounting Standards Board ("IASB") issued the revised Conceptual Framework on 20 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for prepares developing consistent accounting policies. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. The revised Conceptual Framework is effective for annual periods beginning on or after 1 January 2020. The Company has assessed the impact of the changes to the Conceptual Framework. It is not expected to have a significant impact on the amounts recognised in these financial statements

## 2 Revenue

| | 2019<br>$ 000's | 2018<br>$ 000's |
|---|---|---|
| Revenue from contracts with customers | **650,144** | 604,199 |
| Other revenue | | |
| - interest received from other corporations | **1,856** | 1,302 |
| - rent received | **297** | 594 |
| - other revenue | **-** | 5 |
| - management fees | **649** | 311 |
| Total revenue | **652,946** | 606,411 |

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 | **65,071** | 47,466 |
| New South Wales | **239,251** | 270,633 |
| Northern Territory | **3,353** | 6,815 |
| Queensland | **88,116** | 47,792 |
| South Australia | **58,556** | 39,354 |
| Victoria | **142,605** | 130,316 |
| Western Australia | **53,192** | 61,823 |
| **Total** | **650,144** | 604,199 |

During the year ended 30 June 2019, $47,676,000 was recognised as revenue which was included in the contract liability balance at 1 July 2018.

The Group applies the practical expedient in AASB 15 *Revenue from Contracts with Customers*, p.121 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. No remaining performance obligations have an expected duration of greater than a year.

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” | **71,577** | 50,427 |
| Contract assets | **6,299** | 7,696 |
| Contract liabilities | **(69,089)** | (47,676) |

# SHAPE Australia Holdings Pty Limited and Controlled Entities

**ABN: 93 008 656 264**

## Notes to the Financial Statements
**For the Year Ended 30 June 2019**

### 3 Profit before Income Tax

| | | 2019<br>$ 000's | 2018<br>$ 000's |
|---|---|---|---|
| **(a)** | **Rental expenses** | | |
| | Rental expenses on operating leases | | |
| | - minimum lease payments | **5,043** | 4,886 |
| **(b)** | **Employee expenses** | | |
| | - superannuation expenses | **5,208** | 4,579 |
| | - other employment expenses | **18,559** | 17,447 |
| | - accrued employee ESAT bonus | **936** | 702 |
| | | **24,703** | 22,728 |
| **(c)** | **Depreciation and amortisation expenses** | | |
| | - depreciation expenses | **1,427** | 1,602 |
| | - amortisation expenses | **124** | 115 |
| | | **1,551** | 1,717 |
| **(d)** | **Other expenses** | | |
| | - Loss on disposal of fixed assets | **-** | 462 |
| | - Interest expense | **349** | 367 |

**4 Income Tax Expense**

**(a) The major components of tax expense comprise:**

| | | 2019<br>$ 000's | 2018<br>$ 000's |
|---|---|---|---|
| Current tax | | **6,068** | 4,803 |
| Deferred tax | 11 | **(516)** | (602) |
| | | **5,552** | 4,201 |

**(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:**

| | 2019<br>$ 000's | 2018<br>$ 000's |
|---|---|---|
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2018: 30%) | **5,334** | 4,003 |
| Add: | | |
| Tax effect of: | | |
| - other non-allowable items | **218** | 198 |
| Income tax attributable to the Group | **5,552** | 4,201 |
| The applicable weighted average effective tax rates are as follows: | **31%** | 31% |

**5 Cash and Cash Equivalents**

| | 2019 | 2018 |
|---|---|---|
| Cash at bank | **91,009** | 91,798 |
| Restricted cash (i), (ii) | **1,405** | 1,785 |
| Short-term bank deposits (iii) | **45,000** | 20,000 |
| Total cash and cash equivalents | **137,414** | 113,583 |

The interest rate on cash at bank was 1.25% (2018: 1.7%). The effective interest rate on short-term bank deposits was 2.5% (2018: 2.6%).

(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 2019, the total retentions in this account was $1,297,778 (30 June 2018: $1,446,498)

(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 2019 was $107,034 (2018: $338,555). A corresponding payable has been recognised for the same amount.

(iii) The short-term bank deposits are partly held in order to comply with financial covenants associated with bank guarantees (refer to note 15). The total security required by these bank guarantees was $9,002,000 (30 June 2018: $8,677,000).

**6 Trade and Other Receivables**

| | Note | 2019 $ 000's | 2018 $ 000's |
|---|---|---|---|
| Trade receivables | 6(a) | **71,577** | 50,427 |
| Contract assets | 6(b) | **6,299** | 7,696 |
| Other receivables | | **167** | 194 |
| Loans at call (i) | | **404** | 388 |
| Receivable from Joint Venture | | **32** | 83 |
| Total trade and other receivables | 6(c) | **78,479** | 58,788 |

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

**(a) Provision for impairment of receivables**

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. All trade receivables have been assessed as to being of high credit quality and therefore no provision has been recognised.

There was no impairment provision required for receivables. No collateral is held over trade and other receivables.

**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 risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. 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.

The balances of receivables are considered to be of high credit quality.

| | | |
|---|---|---|
| Within initial trade terms | **57,818** | 42,954 |
| Up to 90 days (past due but not considered impaired) | **13,164** | 5,999 |
| 90+ days (past due but not considered impaired) | **595** | 1,474 |
| | **71,577** | 50,427 |

## 6 Trade and Other Receivables (continued)

### (b) Contract assets comprises:

| | Note | 2019 $ 000's | 2018 $ 000's |
|---|---|---|---|
| Contract costs incurred | | **595,237** | 554,561 |
| Recognised profits | | **54,646** | 49,460 |
| Progress billings received and receivable | | **(712,673)** | (644,001) |
| Net contract assets | | **(62,790)** | (39,980) |
| Cost in excess of billings — contract assets | | **6,299** | 7,696 |
| Billings in excess of costs — contract liabilities | 9 | **(69,089)** | (47,676) |
| | | **(62,790)** | (39,980) |

### (c) Financial assets classified as loans and receivables

| | Note | 2019 $ 000's | 2018 $ 000's |
|---|---|---|---|
| Trade and other receivables | | | |
| - Total current | | **78,479** | 58,788 |
| Less contract assets | | **(6,299)** | (7,696) |
| Financial assets | 21 | **72,180** | 51,092 |

## 7 Plant and Equipment

| | Leasehold Improvements $ 000's | Plant and Equipment $ 000's | Total $ 000's |
|---|---|---|---|
| **COST** | | | |
| As at 30 June 2018 | 7,815 | 2,408 | 10,223 |
| Additions | 183 | 851 | 1,034 |
| Disposals | - | - | - |
| **As at 30 June 2019** | **7,998** | **3,259** | **11,257** |
| **ACCUMULATED DEPRECIATION** | | | |
| As at 30 June 2018 | 5,643 | 1,374 | 7,017 |
| Charge for the year | 819 | 608 | 1,427 |
| Disposals | - | - | - |
| **As at 30 June 2019** | **6,462** | **1,982** | **8,444** |
| **NET BOOK VALUE** | | | |
| As at 30 June 2018 | 2,172 | 1,034 | 3,206 |
| **As at 30 June 2019** | **1,536** | **1,277** | **2,813** |

**8 Intangibles**

| | Computer Software $ 000's | Licenses $ 000's | Total $ 000's |
|---|---|---|---|
| **COST** | | | |
| As at 30 June 2018 | 539 | 9 | 548 |
| Additions | 36 | 144 | 180 |
| Disposals | - | - | - |
| **As at 30 June 2019** | **575** | **153** | **728** |
| **ACCUMULATED AMORTISATION** | | | |
| As at 30 June 2018 | 274 | 3 | 277 |
| Charge for the year | 109 | 15 | 124 |
| Disposals | - | - | - |
| **As at 30 June 2019** | **383** | **18** | **401** |
| **NET BOOK VALUE** | | | |
| As at 30 June 2018 | 265 | 6 | 271 |
| **As at 30 June 2019** | **192** | **135** | **327** |

**9 Trade and Other Payables**

| | Note | 2019 $ 000's | 2018 $ 000's |
|---|---|---|---|
| **Current** | | | |
| Trade creditors | | **80,808** | 69,930 |
| Accrued expenses and other payables | | **22,949** | 19,306 |
| Contract liabilities | 6(b) | **69,089** | 47,676 |
| Retentions | | **10,467** | 9,511 |
| GST payable | | **2,187** | 572 |
| | | **185,500** | 146,995 |
| **Non-current** | | | |
| Retentions | | **7,021** | 6,656 |
| | | **7,021** | 6,656 |

**9 Trade and Other Payables (continued)**

**(a) Financial liabilities classified as trade and other payables**

| | Note | 2019 $ 000's | 2018 $ 000's |
|---|---|---|---|
| Trade and other payables: | | | |
| - Total current | | **185,500** | 146,995 |
| - Total non-current | | **7,021** | 6,656 |
| | | **192,521** | 153,651 |
| Less: | | | |
| Accrued expenses | | **(22,949)** | (19,306) |
| Contract liabilities | | **(69,089)** | (47,676) |
| GST payable | | **(2,187)** | (572) |
| Financial liabilities as trade and other payables | 21 | **98,296** | 86,097 |

**10 Provisions**

| | Note | 2019 $ 000's | 2018 $ 000's |
|---|---|---|---|
| **Current** | | | |
| Maintenance and warranty | 10(a) | **1,400** | 800 |
| Employee benefits | 10(b) | **7,986** | 6,644 |
| | | **9,386** | 7,444 |
| **Non-current** | | | |
| Employee benefits | 10(c) | **1,308** | 1,022 |
| **Total provisions** | | **10,694** | 8,466 |

**10 Provisions (continued)**

| | 2019 | 2018 |
|---|---|---|
| **Current** | **$ 000's** | **$ 000's** |
| **(a) Maintenance and warranty** | | |
| Balance at beginning of year | **800** | 350 |
| Amounts raised during the year | **600** | 450 |
| **Balance at end of the year** | **1,400** | 800 |

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.

| | 2019 | 2018 |
|---|---|---|
| **(b) Employee benefits** | | |
| Balance at beginning of year | **6,644** | 5,666 |
| Amounts raised during the year | **1,342** | 978 |
| **Balance at end of the year** | **7,986** | 6,644 |

| | 2019 | 2018 |
|---|---|---|
| **Non-current** | | |
| **(c) Long-term employee benefits** | | |
| Balance at beginning of year | **1,022** | 1,026 |
| Amounts raised/(used) during the year | **286** | (4) |
| Balance at end of the year | **1,308** | 1,022 |

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

**11 Current and Deferred Tax Assets**

| | 2019 $ 000's | 2018 $ 000's |
|---|---|---|
| **Current** | | |
| Income tax payable | **2,304** | 2,359 |

| | Opening Balance $ 000's | Charged to Income $ 000's | Closing Balance $ 000's |
|---|---|---|---|
| **Non-current** | | | |
| **Deferred Tax Assets** | | | |
| Provisions | 2,113 | 427 | 2,540 |
| Other | 136 | 175 | 311 |
| **Balance at 30 June 2018** | **2,249** | **602** | **2,851** |
| Provisions | 2,540 | 668 | 3,208 |
| Other | 311 | (151) | 160 |
| **Balance at 30 June 2019** | **2,851** | **517** | **3,368** |

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 (2018: $426,035)

**12 Issued Capital**

| | | 2019 $ 000's | 2018 $ 000's |
|---|---|---|---|
| 83,333,015 (2018: 82,507,937) fully paid ordinary shares | 12(a) | **12,859** | 12,409 |

**(a) Ordinary shares**

| | 2019 No. | 2018 No. | 2019 $ 000's | 2018 $ 000's |
|---|---|---|---|---|
| At the beginning of the year | 82,507,937 | 81,691,029 | **12,409** | 12,071 |
| Shares issued during the year | 825,078 | 816,908 | **450** | 338 |
| At the end of the year | 83,333,015 | 82,507,937 | **12,859** | 12,409 |

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.

**12 Issued Capital (continued)**

**(b) Capital management**

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

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

The Group is required to comply with external financial covenants associated with its borrowings and guarantees. These have been met for the years ended 30 June 2018 and 30 June 2019.

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. The gearing for the year ended 30 June 2018 and 30 June 2019 are as follows:

| | 2019<br>$ 000's | 2018<br>$ 000's |
|---|---|---|
| Total borrowings | **-** | **-** |
| Total equity | **17,758** | **14,430** |
| | | **%** |
| Gearing ratio | **-** | - |

**(c) Dividends**

| | | |
|---|---|---|
| Distributions paid | | |
| Interim fully franked ordinary dividend of 3.00 (2018: 1.75) cents per share franked at the tax rate of 30% (2018: 30%) on 3 August 2018 | **2,475** | 1,430 |
| Interim fully franked ordinary dividend of 2.50 (2018: 2.00) cents per share franked at the tax rate of 30% (2018: 30%) on 14 November 2018 | **2,083** | 1,650 |
| Interim fully franked ordinary dividend of 3.00 (2018: 2.00) cents per share franked at the tax rate of 30% (2018: 30%) on 8 February 2019 | **2,501** | 1,650 |
| Interim fully franked ordinary dividend of 2.75 (2018: 2.50) cents per share franked at the tax rate of 30% (2018: 30%) on 10 May 2019 | **2,292** | 2,063 |
| | **9,351** | 6,793 |
| 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. | **8,741** | 6,680 |

## 13 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).

## 14 Capital and Leasing Commitments

### Operating lease commitments

| | 2019 | 2018 |
|---|---|---|
| | **$ 000's** | **$ 000's** |
| Non-cancellable operating leases contracted for but not recognised in the financial statements: | | |
| Payable - minimum lease payments | | |
| - not later than one year | **3,752** | 3,633 |
| - between one year and five years | **8,478** | 11,387 |
| - later than five years | **1,570** | 2,320 |
| | **13,800** | 17,340 |

Property leases are non-cancellable leases and are located in various locations across Australia. They have varying terms but expiring no later than 30 April 2022.

As at 30 June 2019, the Group had minimum lease receipts from subtenants of $2,311,566 until 2027 (2018: $1,456,200).

## 15 Contingent Liabilities

| | 2019 | 2018 |
|---|---|---|
| | **$** | **$** |
| Guarantees provided by the Group: | **32,983,911** | 30,942,481 |

The Group has obligations under the group bank guarantee facility and surety bond facilities with its financiers. The overall limit across the Group is $63,000,000 (30 June 2018: $63,000,000)

Litigation is in process against the Group and a number of other non-related entities relating to a dispute over monies paid by a supplier which is now in liquidation proceedings. The information usually required by AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation. The directors are of the opinion that the claim has no basis.

Apart from the items outlined above, the company did not have any contingencies at 30 June 2019 (30 June 2018: None).

#### 16 Segment Reporting

The Group operates predominately in the construction, fit-out and refurbishment of commercial properties throughout Australia.

#### 17 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.

**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 2019, management fee income of $536,617 (2018: $311,119) was received from DLG SHAPE Pty Limited, a joint venture in which SHAPE Australia Pty Limited has a 49% holding. As at 30 June 2019, $32,388 (2018: $82,604) of the management fee was outstanding and had been recognised as a receivable.

During the year ended 30 June 2019, management fee income of $112,831 (2018: $nil) was transacted with DLG SHAPE (Qld) Pty Limited. As at 30 June 2019, $nil (2018: $nil) of the management fee was outstanding.

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

#### 18 Auditors' Remuneration

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Remuneration of the auditor of the Group for: | | |
| - auditing or reviewing the financial report | **115** | 120 |
| - taxation services provided by related practice of the auditor | **27** | 22 |
| - other services provided by related practice of the auditor | **24** | 66 |
| | **166** | 208 |

During the year ended 30 June 2019, the auditors provided services relating to the audit and review of DLG SHAPE Pty Limited's financial statements, with SHAPE Australia Holdings 50% share being $9,750 2018: $1,470).

#### 19 Key management Personnel Remuneration

Key Management Personnel remuneration for the Group is as follows:

| | | |
|---|---|---|
| Short-term employment benefits | **1,889,265** | 2,256,725 |
| Post-employment benefits | **64,055** | 70,786 |
| | **1,953,320** | 2,327,511 |

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.

**20 Cash Flow Information**

| | | 2019<br>$ 000's | 2018<br>$ 000's |
|---|---|---|---|
| **(a)** | **Reconciliation of cash flow from operations** | | |
| | Profit after income tax | **12,229** | 9,142 |
| | Non-cash flows in profit: | | |
| | - Depreciation and amortisation | **1,551** | 1,717 |
| | - Loss on disposal of fixed assets | **-** | 463 |
| | Changes in assets and liabilities: | | |
| | - Increase in trade and other receivables | **(20,344)** | (7,269) |
| | - Increase in trade and other payables | **38,872** | 42,097 |
| | - (Decrease)/ increase in income taxes payable | **(55)** | 1,785 |
| | - Increase in deferred tax assets | **(516)** | (603) |
| | - Increase in provisions | **2,224** | 1,887 |
| | Net cash provided by operating activities | **33,961** | 49,219 |

**(b) Changes in liabilities from financing activities**

| | At 1 July 2018<br>$'000's | Repayments<br>$'000's | Reclassification<br>$'000's | At 30 June 2019<br>$'000's |
|---|---|---|---|---|
| Short term borrowings | - | - | - | - |
| Long term borrowings | **-** | - | **-** | - |

There were no other non-cash movements for the year ended 30 June 2019.

**21 Financial Risk Management**

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

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

**Financial assets at amortised cost**

| | Note | 2019<br>$ 000's | 2018<br>$ 000's |
|---|---|---|---|
| Cash and cash equivalents | 5 | **137,414** | 113,583 |
| Trade and other receivables | 6(c) | **72,180** | 51,092 |
| | | **209,594** | 164,675 |

**Financial liabilities at amortised cost**

| | Note | 2019<br>$ 000's | 2018<br>$ 000's |
|---|---|---|---|
| **At amortised cost** | | | |
| Trade and other payables | 9(a) | **98,296** | 86,097 |
| | | **98,296** | 86,097 |

**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.

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.

**21 Financial Risk Management (continued)**

**(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.

*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 2019** | |
| +1% in interest rates | **1,374** |
| -0.5% in interest rates | **(687)** |
| **Year ended 30 June 2018** | |
| +1% in interest rates | 1,136 |
| -0.5% in interest rates | (568) |

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 analysis 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.

**21 Financial Risk Management (continued)**

**(b) Liquidity risk (continued)**

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

**Financial liability maturity analysis**

| | | Within 1 Year | | 1 to 5 Years | | Total | |
|---|---|---|---|---|---|---|---|
| | | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| | **Note** | **$ 000's** | **$ 000's** | **$ 000's** | **$ 000's** | **$ 000's** | **$ 000's** |
| **Financial liabilities due for payment** | | | | | | | |
| Trade and other payables | 9(a) | **(91,275)** | (79,441) | **(7,021)** | (6,656) | **(98,296)** | (86,097) |
| | | **(91,275)** | (79,441) | **(7,021)** | (6,656) | **(98,296)** | (86,097) |

**(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.

**21 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 | 2019<br>$ 000's | 2018<br>$ 000's |
|---|---|---|---|
| Cash and cash equivalents | | | |
| AA- Rated (2018: AA- Rated) | 5 | **137,414** | 113,583 |

**22 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.

## 23 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.

| | 2019<br>$ 000's | 2018<br>$ 000's |
|---|---|---|
| **Statement of Financial Position** | | |
| **Assets** | | |
| Current assets | **4,185** | 2,299 |
| Non-current assets | **139,681** | 25,803 |
| **Total Assets** | **143,866** | 28,102 |
| **Liabilities** | | |
| Current liabilities | **2,104** | 2,377 |
| **Total Liabilities** | **2,104** | 2,377 |
| **Equity** | | |
| Issued capital | **12,859** | 12,409 |
| Reserves | **127,381** | 13,222 |
| Retained earnings | **1,522** | 94 |
| **Total Equity** | **141,762** | 25,725 |
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| Total profit or loss after income tax | **10,778** | 5,849 |
| Total comprehensive income | **124,938** | 5,849 |

**Guarantees/Contingent Liabilities**

Refer to note 15 for details of contingent liabilities.

## 24 Subsidiaries and Joint Ventures

| Controlled entities consolidated | Principal activity | Country of Incorporation | Percentage Owned (%) 2019 | Percentage Owned (%) 2018 |
|---|---|---|---|---|
| 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 |
| **Joint ventures** | | | | |
| DLG SHAPE Pty Limited (ii) | Commercial fit-out and refurbishment | Australia | **49** | 49 |

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

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

The following table provides summaries financial information of DLG SHAPE:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Cash and cash equivalents | **2,664** | 2,963 |
| Trade debtors | **2,277** | 959 |
| Contract assets | **-** | 1 |
| **Total current assets** | **4,941** | **3,923** |
| **Total non-current assets** | **-** | - |
| **Total assets** | **4,941** | **3,923** |
| Trade and other payables | **4,723** | 3,674 |
| **Total current liabilities** | **4,723** | **3,674** |
| Retentions | **118** | 149 |
| **Total non-current liabilities** | **118** | **149** |
| **Total liabilities** | **4,841** | **3,823** |
| **Net assets** | **100** | **100** |
| **Share of joint venture net assets** | **49** | **49** |
| Construction revenue | **15,788** | 8,005 |
| Other income | **19** | 4 |
| Construction costs | **(14,879)** | (7,565) |
| Management fees | **(928)** | (444) |
| **Net profit before tax** | **-** | - |
| Tax expense | **-** | - |
| **Net profit after tax** | **-** | - |
| **Share of joint ventures net profit** | **-** | **-** |

### 25 Subsequent Events

No matters or circumstances 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.

### 26 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 44 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 2019 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 ...................................................................
P Arnall

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

3 September 2019

ShineWing Australia
Accountants and Advisors
Level 8, 167 Macquarie Street
Sydney NSW 2000
T +61 2 8059 6800
F +61 2 8059 6899
shinewing.com.au

**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 2019, 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 2019 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards.

*Basis for Opinion*

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

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

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

The directors are responsible for the other information. The other information comprises the information included in the Group's directors' report for the year ended 30 June 2019, but does not include the financial statements and our auditor's report thereon.

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

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

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

*Responsibilities of the Directors for the Financial Statements*

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

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

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

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

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

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

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

ShineWing Australia

**ShineWing Australia**
Chartered Accountants

R Blayney Morgan

R Blayney Morgan
Partner

Sydney, 3 September 2019