

Brierty Limited ABN 65 095 459 448

# Half-year financial report

## 31 December 2016

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016, and any public announcements made by Brierty Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Brierty Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Brierty Limited  
72 Melville Parade  
South Perth, Western Australia 6151

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# Corporate Directory

## **Directors**

Dalton L Gooding  
*Non-Executive Chairman*

Kenneth J Hellsten  
*Non-Executive Director*

Richard J O'Shannassy  
*Non-Executive Director*

## **Secretary**

Mark J Davies

## **Australian business number Principal registered office in Australia**

65 095 459 448  
72 Melville Parade  
South Perth, Western Australia 6151

## **Location of corporate governance statement**

<http://www.brierty.com.au/investors-and-media/corporate-governance.html>

## **Share register**

Computershare

## **Auditor**

Ernst & Young  
11 Mounts Bay Road  
Perth, Western Australia 6000

## **Bankers**

Bankwest  
108 St Georges Terrace  
Perth, Western Australia 6000

## **Stock exchange listings**

Brierty Limited shares are listed on the  
Australian Securities Exchange  
ASX Code – BYL

## **Website**

[www.brierty.com.au](http://www.brierty.com.au)

# Directors' Report

Your directors present their report of Brierty Limited for the half-year ended 31 December 2016.

## Directors

The following persons held office as directors of Brierty Limited during the whole financial period and up until the release of this report:

Dalton L Gooding (Chairman)  
Kenneth J Hellsten  
Richard J O'Shannassy

## Review and Results of Operations

The Group (Brierty Limited, its subsidiary and interest in Joint Operations) had revenue for the half-year to 31 December 2016 of **\$76,433,803** (2015: \$125,207,347). This reduction in revenue from the preceding year reflected tightening market opportunities in the Western Australian market for civil and mining services which was compounded by a softer property market in the Northern Territory, impacting on land sales revenue from the Mitchell Creek Green land development.

Net profit after tax was **\$3,765,091** (2015: \$4,159,449). This was largely driven by a significant improvement in the gross margins achieved on the delivery of services and land sales of **\$12,647,027** (2015: \$10,169,392).

Cash flow from operations for the half-year was **\$2,573,849** (2015: \$1,048,445) and the Group finished the half-year with an overdraft of **\$23,367,102** (June 2016: \$21,502,750). Hire purchase debt at the end of December was **\$23,255,508** (June 2016: \$27,233,645).

## CIVIL

During the half-year, the Civil division finalised work on the North West Coastal Highway and Kwinana Freeway for Main Roads WA. The division also delivered ongoing works at the New Perth Stadium for Brookfield Multiplex and at Lakelands for Peet and commenced work for the Northern Territory Government on a sewer main upgrade at the Palmerston hospital. Whilst the outlook for civil works remains competitive, the Group is actively pursuing a number of opportunities around Perth across regional Western Australia and in the Northern Territory.

## MINING

The Mining division continued work at Western Turner Syncline Stage 2 for Rio Tinto. In addition, the division also provided services for Rio Tinto at Marandoo and commenced work for Newmont Mining at its Boddington gold mining operation. While the resources industry overall is challenging, the outlook for contract mining, particularly in the gold mining sector, is encouraging with a number of opportunities being pursued in Western Australia, South Australia and Queensland.

## LAND DEVELOPMENT

During the half-year, construction continued at Mitchell Creek Green in Palmerston, and 54 lots were settled during the period. Construction will continue over the coming years and although having receded from previous peaks, sales activity remains robust.

## JOINT OPERATIONS

During the half-year Brierty worked on the Marandoo project for Rio Tinto in conjunction with its partner Eastern Guruma, and the North West Coastal Highway project for Main Roads WA with its partner Bocol.

### **Auditor's Independence Declaration**

The auditor's independence declaration for the half-year ended 31 December 2016 has been received and is included on page 4 and forms part of the directors' report.

Signed in accordance with a resolution of the board of directors.

A handwritten signature in black ink, consisting of a large, stylized 'D' followed by a horizontal line that tapers to a point.

Dalton L Gooding (Chairman)  
Director

South Perth  
27 February 2017

## Auditor's Independence Declaration to the Directors of Brierty Limited

## Auditor's Independence Declaration to the Directors of Brierty Limited

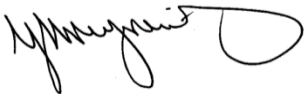
As lead auditor for the review of Brierty Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Brierty Limited and the entities it controlled during the financial period.



Ernst & Young



G H Meyerowitz  
Partner  
27 February 2017

## Half-year financial statements

### Consolidated statement of comprehensive income

For the half-year ended 31 December 2016

|                                                                                                  | Notes | Half-year ended 31 December |               |
|--------------------------------------------------------------------------------------------------|-------|-----------------------------|---------------|
|                                                                                                  |       | 2016                        | 2015          |
|                                                                                                  |       | \$                          | \$            |
| Revenue from services and land sales                                                             | 4     | <b>76,433,803</b>           | 125,207,347   |
| Cost of services and sales                                                                       | 6     | <b>(63,786,776)</b>         | (115,037,955) |
| Gross margin on services and land sales                                                          |       | <b>12,647,027</b>           | 10,169,392    |
| Other income                                                                                     | 5     | <b>896,974</b>              | 184,023       |
| Finance costs                                                                                    | 6     | <b>(2,495,896)</b>          | (2,485,210)   |
| Administration expenses                                                                          |       | <b>(5,669,404)</b>          | (5,128,381)   |
| Impairment of plant, equipment and inventory                                                     | 6     | -                           | (2,159,914)   |
| <b>Profit from continuing operations before income tax</b>                                       |       | <b>5,378,701</b>            | 579,910       |
| Income tax (expense)/benefit                                                                     | 7     | <b>(1,613,610)</b>          | 3,579,539     |
| Profit from continuing operations after tax                                                      |       | <b>3,765,091</b>            | 4,159,449     |
| Other comprehensive income                                                                       |       | -                           | -             |
| <b>Total comprehensive income for the period</b>                                                 |       | <b>3,765,091</b>            | 4,159,449     |
| <b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b> |       | <b>Cents</b>                | <b>Cents</b>  |
| Basic earnings per share                                                                         |       | <b>3.0</b>                  | 3.3           |
| Diluted earnings per share                                                                       |       | <b>3.0</b>                  | 3.3           |

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*



# Consolidated statement of financial position

As at 31 December 2016

|                                       | Notes | 31 December<br>2016<br>\$ | 30 June 2016<br>\$ |
|---------------------------------------|-------|---------------------------|--------------------|
| <b>ASSETS</b>                         |       |                           |                    |
| <b>Current assets</b>                 |       |                           |                    |
| Cash and cash equivalents             | 8     | 90,047                    | 802,199            |
| Trade and other receivables           | 9     | 20,761,141                | 31,519,857         |
| Contracts in progress and inventories | 10    | 5,181,499                 | 7,047,604          |
| Prepayments                           |       | 523,582                   | 1,400,264          |
| Current tax receivable                | 11    | -                         | 362,221            |
| Land held for development             | 12    | 12,965,942                | 15,435,997         |
| <b>Total current assets</b>           |       | <b>39,522,211</b>         | <b>56,568,142</b>  |
| <b>Non-current assets</b>             |       |                           |                    |
| Property, plant and equipment         | 13    | 32,273,754                | 34,787,593         |
| Deferred tax assets                   |       | 8,388,342                 | 10,001,952         |
| Contracts in progress and inventories | 10    | 14,728,709                | 16,615,860         |
| Trade and other receivables           |       | 155,990                   | -                  |
| <b>Total non-current assets</b>       |       | <b>55,546,795</b>         | <b>61,405,405</b>  |
| <b>Total assets</b>                   |       | <b>95,069,006</b>         | <b>117,973,547</b> |
| <b>LIABILITIES</b>                    |       |                           |                    |
| <b>Current liabilities</b>            |       |                           |                    |
| Trade and other payables              | 14    | 36,206,287                | 49,056,009         |
| Bank overdraft                        | 8     | 23,367,102                | 21,502,750         |
| Borrowings                            | 15    | 10,909,467                | 12,588,344         |
| Provisions                            |       | 2,648,500                 | 13,530,684         |
| Contract income in advance            | 10    | 1,120,083                 | 1,953,837          |
| <b>Total current liabilities</b>      |       | <b>74,251,439</b>         | <b>98,631,624</b>  |
| <b>Non-current liabilities</b>        |       |                           |                    |
| Borrowings                            | 16    | 12,346,041                | 14,645,301         |
| Provisions                            |       | 281,687                   | 271,874            |
| <b>Total non-current liabilities</b>  |       | <b>12,627,728</b>         | <b>14,917,175</b>  |
| <b>Total liabilities</b>              |       | <b>86,879,167</b>         | <b>113,548,799</b> |
| <b>Net assets</b>                     |       | <b>8,189,839</b>          | <b>4,424,748</b>   |
| <b>EQUITY</b>                         |       |                           |                    |
| Contributed equity                    |       | 37,194,172                | 37,194,172         |
| Reserves                              |       | 500,191                   | 500,191            |
| Accumulated losses                    |       | (29,504,524)              | (33,269,615)       |
| <b>Total equity</b>                   |       | <b>8,189,839</b>          | <b>4,424,748</b>   |

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

## Consolidated statement of change in equity

For the half-year ended 31 December 2016

|                                                  | Attributable to owners of Brierty Limited |                |                                         |                  |
|--------------------------------------------------|-------------------------------------------|----------------|-----------------------------------------|------------------|
|                                                  | Contributed equity                        | Option reserve | Retained earnings/ (accumulated losses) | Total equity     |
|                                                  | \$                                        | \$             | \$                                      | \$               |
| <b>Balance at 1 July 2015</b>                    | 37,148,672                                | 500,191        | 19,107,481                              | 56,756,344       |
| Profit for the period                            | -                                         | -              | 4,159,449                               | 4,159,449        |
| Total comprehensive income for the period        | -                                         | -              | 4,159,449                               | 4,159,449        |
| Balance at 31 December 2015                      | 37,148,672                                | 500,191        | 23,266,930                              | 60,915,793       |
| <b>Balance at 1 July 2016</b>                    | <b>37,194,172</b>                         | <b>500,191</b> | <b>(33,269,615)</b>                     | <b>4,424,748</b> |
| Profit for the period                            | -                                         | -              | 3,765,091                               | 3,765,091        |
| <b>Total comprehensive income for the period</b> |                                           |                | <b>3,765,091</b>                        | <b>3,765,091</b> |
| <b>Balance at 31 December 2016</b>               | <b>37,194,172</b>                         | <b>500,191</b> | <b>(29,504,524)</b>                     | <b>8,189,839</b> |

*The above consolidated statement of change in equity should be read in conjunction with the accompanying notes.*

## Consolidated statement of cash flow

For the half-year ended 31 December 2016

|                                                                                | Notes | Half-year ended<br>2016<br>\$ | 2015<br>\$         |
|--------------------------------------------------------------------------------|-------|-------------------------------|--------------------|
| <b>Cash flows from operating activities</b>                                    |       |                               |                    |
| Receipts from customers (inclusive of GST)                                     |       | 97,522,386                    | 142,733,144        |
| Payments to suppliers and employees<br>(inclusive of GST)                      |       | (93,778,175)                  | (141,317,695)      |
| Other revenue                                                                  |       | 959,042                       | 88,473             |
| Interest received                                                              |       | 4,271                         | 5,350              |
| Finance costs                                                                  |       | (2,495,896)                   | (2,485,210)        |
| Income taxes received                                                          |       | 362,221                       | 2,024,383          |
| <b>Net cash inflow from operating activities</b>                               |       | <b>2,573,849</b>              | <b>1,048,445</b>   |
| <b>Cash flows from investing activities</b>                                    |       |                               |                    |
| Payments for property, plant and equipment                                     |       | (296,924)                     | (870,854)          |
| Proceeds from sale of property, plant and<br>equipment                         |       | 752,223                       | 524,720            |
| <b>Net cash inflow/(outflow) from investing<br/>activities</b>                 |       | <b>455,299</b>                | <b>(346,134)</b>   |
| <b>Cash flows from financing activities</b>                                    |       |                               |                    |
| Repayment of borrowings                                                        |       | (5,605,652)                   | (8,257,068)        |
| <b>Net cash outflow from financing activities</b>                              |       | <b>(5,605,652)</b>            | <b>(8,257,068)</b> |
| <b>Net change in cash and cash equivalents</b>                                 |       | <b>(2,576,504)</b>            | <b>(7,554,757)</b> |
| Cash, cash equivalents and overdraft at the<br>beginning of the financial year |       | (20,700,551)                  | 2,760,756          |
| <b>Cash, cash equivalents and overdraft at end<br/>of period</b>               | 8     | <b>(23,277,055)</b>           | <b>(4,794,001)</b> |

*The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.*

# Notes to the financial statements

## 1. Corporate information

The consolidated financial statements of Brierty Limited and its subsidiaries (the Group) for the half-year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 27 February 2017.

Brierty Limited (the Company or the Parent) is a for profit company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

## 2. Basis of preparation of half-year financial report

This general purpose condensed financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing an investing activities of the consolidated entity as the annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and considered with any public announcements made by the Group during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The half-year financial report is presented in Australian dollars.

### **New or amended Accounting Standards and Interpretations adopted**

The Company has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to their operations and effective for the current half-year. The adoption of these standards or interpretations have had no material impact on the half-year financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### **Going Concern**

For the half-year ended 31 December 2016 the Group has recorded a net profit after tax of \$3,765,091 (31 December 2015: \$4,159,449) and net operating cash inflows of \$2,573,849 (31 December 2015: \$1,048,445 inflow). As at 31 December 2016, the Group had a net current asset deficiency of \$34,729,228 (30 June 2016 deficiency: \$42,063,482) including a bank overdraft of \$23,367,102 (30 June 2016: \$21,502,750). The financial covenants attached to the overdraft facility were in breach at period end and continue to be in breach at the date of this report.

The Group prepares rolling 12 month cash flow forecasts. The 12 month cash flow forecast to 28 February 2018 indicates that the Group will require additional funding during the period. As the Group is in breach of its bank debt financial covenants in relation to the working capital facility, the Group will also require the ongoing financial support of its bank debt financier.

Notwithstanding the above, the directors have prepared the financial statements on a going concern basis based on the following matters:

- The Group's bank debt financier continues with its current level of support;
- If the ongoing support is not forthcoming, the Directors believe that they will be able to source alternative debt or additional capital to meet this requirement;
- The Group has a number of tenders currently in the pipeline which may result in additional revenue being generated; and
- The Group is in negotiations with clients to recover additional claims in respect of civil works undertaken.

At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Group will be able to achieve the matters set out above, to enable it to meet its obligations as and when they fall due.

Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. The half-year financial statements do not include any adjustment relating to the recoverability or classification of the recorded asset amounts (including the recoverability of the Group's recognised deferred tax assets) or to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

### 3. Segment information

#### **Description of segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the services provided. Discrete financial information about each of these operating business segments is reported to the executive management team on a monthly basis.

## **Business segments**

The Group is organised into the following divisions by service type.

### *Civil*

Civil infrastructure works for mines, energy, utilities and pipelines and residential lot developments, urban and regional roads, highways, rail, port and airport infrastructure.

### *Mining*

Contract mining and mine maintenance.

### *Land Development*

Residential lot development in the Northern Territory.

Due to the nature of the Group's internal reporting system, some income and expenses are not allocated to reportable segments and as such are included as unallocated net income/ (expenses). These include:

- Finance costs;
- Corporate overheads;
- Over/under recovery of plant and workshop expenses; and
- Other income.

The Group allocates land held for development and accounts receivable to segments. However, the Group does not allocate other assets (including plant and equipment), liabilities and cash flows as they cannot be considered directly attributable to a segment based on the use of a centralised pool of employees, plant and equipment and centralised management processes for liabilities and cash flows.

All revenue is from customers located in Australia.

### *Accounting policies*

Segment information is prepared in conformity with the accounting policies of the Group.

Certain costs including plant and workshop expenses are allocated to contracts within divisions and are included in cost of sales based on a budgeting basis. The assets and liabilities to which these costs relate are not allocated to segments. Over/under recovery of plant and workshop expenses (actual compared to budget) is not allocated to segments.

Intersegment sales are made at cost.

## Operating Segments

| <b>Half-year 2016</b>               | Civil             | Mining            | Land<br>Development | <b>Total<br/>Operations</b> |
|-------------------------------------|-------------------|-------------------|---------------------|-----------------------------|
|                                     | \$                | \$                | \$                  | \$                          |
| Segment revenue                     | 37,977,803        | 25,787,000        | 12,669,000          | <b>76,433,803</b>           |
| Intersegment transactions           | 4,374,260         | -                 | -                   | <b>4,374,260</b>            |
| Intersegment elimination            | -                 | -                 | -                   | <b>(4,374,260)</b>          |
| Total segment revenue               | <u>42,352,063</u> | <u>25,787,000</u> | <u>12,669,000</u>   | <u><b>76,433,803</b></u>    |
| Segment profit before tax           | 3,288,455         | 4,850,054         | 2,057,379           | <b>10,195,888</b>           |
| Administration overheads            | -                 | -                 | -                   | <b>(3,218,265)</b>          |
| Other income                        | -                 | -                 | -                   | <b>896,974</b>              |
| Unallocated expenses (net)          | -                 | -                 | -                   | <b>(2,495,896)</b>          |
| Profit before income tax            | -                 | -                 | -                   | <u><b>5,378,701</b></u>     |
| Segment assets                      | 8,423,081         | 21,973,523        | 17,648,390          | <b>48,044,994</b>           |
| Property plant and equipment        | -                 | -                 | -                   | <b>32,273,754</b>           |
| Inventories of materials and spares | -                 | -                 | -                   | <b>5,592,297</b>            |
| Deferred tax asset                  | -                 | -                 | -                   | <b>8,388,342</b>            |
| Other unallocated assets            | -                 | -                 | -                   | <b>769,619</b>              |
| Total assets                        | -                 | -                 | -                   | <u><b>95,069,006</b></u>    |
| <b>Half-year 2015</b>               | Civil             | Mining            | Land<br>Development | <b>Total<br/>Operations</b> |
|                                     | \$                | \$                | \$                  | \$                          |
| Segment revenue                     | 69,878,723        | 37,515,627        | 17,812,997          | <b>125,207,347</b>          |
| Intersegment transactions           | 9,630,144         | -                 | -                   | <b>9,630,144</b>            |
| Intersegment elimination            | -                 | -                 | -                   | <b>(9,630,144)</b>          |
| Total segment revenue               | <u>79,508,867</u> | <u>37,515,627</u> | <u>17,812,997</u>   | <u><b>125,207,347</b></u>   |
| Segment profit before tax           | 2,986,911         | 1,872,455         | 5,310,026           | <b>10,169,392</b>           |
| Administration overheads            | -                 | -                 | -                   | <b>(5,128,381)</b>          |
| Other income                        | -                 | -                 | -                   | <b>184,023</b>              |
| Unallocated expenses (net)          | -                 | -                 | -                   | <b>(4,645,124)</b>          |
| Profit before income tax            | -                 | -                 | -                   | <u><b>579,910</b></u>       |
| <b>30 June 2016</b>                 |                   |                   |                     |                             |
| Segment assets                      | 17,575,769        | 30,298,953        | 15,697,015          | <b>63,571,737</b>           |
| Property plant and equipment        | -                 | -                 | -                   | <b>34,787,593</b>           |
| Inventories of materials and spares | -                 | -                 | -                   | <b>7,047,585</b>            |
| Deferred tax asset                  | -                 | -                 | -                   | <b>10,001,952</b>           |
| Other unallocated assets            | -                 | -                 | -                   | <b>2,564,680</b>            |
| Total assets                        | -                 | -                 | -                   | <u><b>117,973,547</b></u>   |

## 4. Revenue

|                            | <b>Consolidated Entity</b> |             |
|----------------------------|----------------------------|-------------|
|                            | <b>Half-year ended</b>     |             |
|                            | <b>2016</b>                | <b>2015</b> |
|                            | <b>\$</b>                  | <b>\$</b>   |
| Contract revenue           | <b>63,759,815</b>          | 107,394,351 |
| Sale of land               | <b>12,669,000</b>          | 17,812,996  |
| Hire of equipment – income | <b>4,988</b>               | -           |
|                            | <b>76,433,803</b>          | 125,207,347 |

## 5. Other income

|                                                              |                 |         |
|--------------------------------------------------------------|-----------------|---------|
| Net gain/(loss) on disposal of property, plant and equipment | <b>(66,339)</b> | 90,200  |
| Interest revenue                                             | <b>4,271</b>    | 5,349   |
| Insurance claims                                             | <b>731,518</b>  | -       |
| Other income                                                 | <b>227,524</b>  | 88,474  |
|                                                              | <b>896,974</b>  | 184,023 |

## 6. Expenses

### **Cost of services and sales**

|                            |                   |             |
|----------------------------|-------------------|-------------|
| Cost of providing services | <b>53,175,155</b> | 102,534,985 |
| Costs of land sales        | <b>10,611,621</b> | 12,502,970  |
|                            | <b>63,786,776</b> | 115,037,955 |

### **Profit before income tax includes the following specific expenses:**

#### *Depreciation*

|                                    |                  |           |
|------------------------------------|------------------|-----------|
| Administration plant and equipment | <b>233,511</b>   | 253,545   |
| Operational plant and equipment    | <b>2,761,205</b> | 5,930,715 |
| Total depreciation                 | <b>2,994,716</b> | 6,184,260 |

#### *Employee benefits expenses*

|                    |                   |            |
|--------------------|-------------------|------------|
| Salaries and wages | <b>21,037,629</b> | 31,977,659 |
| Superannuation     | <b>1,494,213</b>  | 2,100,790  |
|                    | <b>22,531,842</b> | 34,078,449 |

#### *Finance costs*

|                                                                    |                  |           |
|--------------------------------------------------------------------|------------------|-----------|
| Interest and finance charges payable under hire purchase contracts | <b>698,355</b>   | 1,362,854 |
| Bank overdraft interest                                            | <b>1,161,898</b> | 788,584   |
| Bank facility fees                                                 | <b>473,089</b>   | 333,772   |
| Other interest and fees                                            | <b>162,554</b>   | -         |
|                                                                    | <b>2,495,896</b> | 2,485,210 |

#### *Impairment*

|                     |   |           |
|---------------------|---|-----------|
| Plant and equipment | - | 2,159,914 |
|---------------------|---|-----------|

## 7. Income tax expense

The Group recorded income tax expense for the half-year ended 31 December 2016 of \$1,613,610 (2015: benefit of \$3,579,539).



## 8. Cash and cash equivalents

|                          | <b>Consolidated Entity</b> |                     |
|--------------------------|----------------------------|---------------------|
|                          | <b>31 December 2016</b>    | <b>30 June 2016</b> |
|                          | <b>\$</b>                  | <b>\$</b>           |
| Cash at bank and in hand | <b>90,047</b>              | 802,199             |

### *a) Reconciliation to cash at the end of the year*

The above figures are reconciled to cash at the end of the financial period as shown in the statement of cash flows as follows:

|                                                   |                     |              |
|---------------------------------------------------|---------------------|--------------|
| Cash and cash equivalents                         | <b>90,047</b>       | 802,199      |
| Bank overdraft                                    | <b>(23,367,102)</b> | (21,502,750) |
| Cash shown in consolidated statement of cash flow | <b>(23,277,055)</b> | (20,700,551) |

## 9. Trade and other receivables

|                                 |                   |            |
|---------------------------------|-------------------|------------|
| Trade receivables               | <b>20,458,833</b> | 31,609,218 |
| Retentions receivable/(payable) | <b>70,787</b>     | (116,177)  |
| Provision for doubtful debts    | -                 | (429,459)  |
| Sundry debtors                  | <b>231,521</b>    | 456,275    |
|                                 | <b>20,761,141</b> | 31,519,857 |

Trade and other receivables are expected to be recovered when due (other than the amount provided for) as there are no credit quality or impairment issues as at 31 December 2016.

Retention amounts arise as part of the usual operating activities of the Group. There are no amounts impaired at half-year.

Due to the short-term nature of these receivables, their carrying value amount is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

## 10. Contracts in progress and inventories

|                                     | Consolidated Entity |                   |
|-------------------------------------|---------------------|-------------------|
|                                     | 31 December 2016    | 30 June 2016      |
|                                     | \$                  | \$                |
| <b>Current assets</b>               |                     |                   |
| Inventories of materials and spares | 5,181,499           | 7,047,604         |
| <b>Non-current assets</b>           |                     |                   |
| Construction work in progress       | 14,317,911          | 16,615,860        |
| Inventories of materials and spares | 410,798             | -                 |
|                                     | <b>14,728,709</b>   | <b>16,615,860</b> |

Inventories of materials and spares are measured at the lower of cost and net realisable value.

### b) Construction work in progress

|                                        |                   |                   |
|----------------------------------------|-------------------|-------------------|
| Contract costs incurred and recognised | 195,336,604       | 208,861,355       |
| profits less recognised losses         |                   |                   |
| Less progress billing                  | (182,138,776)     | (194,199,313)     |
|                                        | <b>13,197,828</b> | <b>14,662,042</b> |
| <b>Represented by:</b>                 |                   |                   |
| Amounts due from customers             | 14,317,911        | 16,615,879        |
| Amounts due to customers               | (1,120,083)       | (1,953,837)       |
|                                        | <b>13,197,828</b> | <b>14,662,042</b> |

## 11. Current tax receivable

|                        |   |         |
|------------------------|---|---------|
| Current tax receivable | - | 362,221 |
|------------------------|---|---------|

## 12. Land held for development

|                                |                   |                   |
|--------------------------------|-------------------|-------------------|
| At the beginning of the period | 15,435,997        | 14,272,924        |
| Additions                      | 8,141,566         | 23,433,109        |
| Less sales                     | (10,611,621)      | (22,270,036)      |
| At end of the period           | <b>12,965,942</b> | <b>15,435,997</b> |
| Disclosed as current           | <b>12,965,942</b> | <b>15,435,997</b> |

### 13. Property, plant and equipment

|                                                          | Consolidated Entity    |                                    |                   |               |
|----------------------------------------------------------|------------------------|------------------------------------|-------------------|---------------|
|                                                          | Plant and<br>equipment | Office<br>furniture &<br>equipment | Motor<br>vehicles | Total         |
|                                                          | \$                     | \$                                 | \$                | \$            |
| <b>At 1 July 2015</b>                                    |                        |                                    |                   |               |
| Cost or fair value                                       | 135,072,530            | 4,524,763                          | 1,545,328         | 141,142,621   |
| Accumulated depreciation                                 | (60,238,277)           | (2,760,702)                        | (977,480)         | (63,976,459)  |
| Net book value                                           | 74,834,253             | 1,764,061                          | 567,848           | 77,166,162    |
| <b>Movement for the year ended 30 June 2016</b>          |                        |                                    |                   |               |
| Opening net book amount                                  | 74,834,253             | 1,764,061                          | 567,848           | 77,166,162    |
| Additions                                                | 2,041,843              | 214,838                            | -                 | 2,256,681     |
| Disposals                                                | (890,311)              | -                                  | -                 | (890,311)     |
| Depreciation expense                                     | (10,176,439)           | (565,863)                          | (123,241)         | (10,865,543)  |
| Impairment                                               | (32,879,396)           | -                                  | -                 | (32,879,396)  |
| Closing net book value                                   | 32,929,950             | 1,413,036                          | 444,607           | 34,787,593    |
| <b>At 30 June 2016</b>                                   |                        |                                    |                   |               |
| Cost or fair value                                       | 132,418,430            | 4,739,600                          | 1,545,328         | 138,703,358   |
| Accumulated depreciation                                 | (99,488,480)           | (3,326,564)                        | (1,100,721)       | (103,915,766) |
| Net book value                                           | 32,929,950             | 1,413,036                          | 444,607           | 34,787,593    |
| <b>Movement for the half-year ended 31 December 2016</b> |                        |                                    |                   |               |
| Opening net book amount                                  | 32,929,950             | 1,413,036                          | 444,607           | 34,787,593    |
| Additions                                                | 1,209,502              | 89,937                             | -                 | 1,299,439     |
| Disposals                                                | (779,988)              | -                                  | (38,574)          | (818,562)     |
| Depreciation expense                                     | (2,707,184)            | (245,403)                          | (42,129)          | (2,994,716)   |
| Closing net book value                                   | 30,652,280             | 1,257,570                          | 363,904           | 32,273,754    |
| <b>At 31 December 2016</b>                               |                        |                                    |                   |               |
| Cost or fair value                                       | 130,258,695            | 4,829,537                          | 1,276,942         | 136,365,174   |
| Accumulated depreciation                                 | (99,606,415)           | (3,571,967)                        | (913,038)         | (104,091,420) |
| Net book value                                           | 30,652,280             | 1,257,570                          | 363,904           | 32,273,754    |

## 14. Trade and other payables

|                           | <b>Consolidated Entity</b> |                     |
|---------------------------|----------------------------|---------------------|
|                           | <b>31 December 2016</b>    | <b>30 June 2016</b> |
|                           | <b>\$</b>                  | <b>\$</b>           |
| Trade payables            | <b>31,775,507</b>          | 35,639,082          |
| Accrued expenses          | <b>2,886,132</b>           | 12,076,141          |
| Insurance premium funding | <b>120,017</b>             | 830,888             |
| Other payables            | <b>1,424,631</b>           | 509,898             |
|                           | <b>36,206,287</b>          | 49,056,009          |

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

## 15. Current borrowings

### **Secured**

|                                  |                   |            |
|----------------------------------|-------------------|------------|
| Hire purchase liabilities        | <b>10,909,467</b> | 12,588,344 |
| Total secured current borrowings | <b>10,909,467</b> | 12,588,344 |

The hire purchase liabilities are secured by the assets under finance and in the event of default, the assets revert to the finance company.

## 16. Non-current borrowings

### **Secured**

|                                      |                   |            |
|--------------------------------------|-------------------|------------|
| Hire purchase liabilities            | <b>12,346,041</b> | 14,645,301 |
| Total secured non-current borrowings | <b>12,346,041</b> | 14,645,301 |

The hire purchase liabilities are secured by the assets under finance and in the event of default, the assets revert to the finance company.

## 17. Contingencies

### *Guarantees*

In the ordinary course of business, the Group is called upon to provide guarantees and performance bonds in relation to work undertaken.

A performance bond facility of \$30,000,000 (June 2016: \$30,000,000) exists with Vero Insurance Limited secured by a Deed of Indemnity and Guarantee provided by the parent company. At 31 December 2016 \$14,288,188 (June 2016: \$14,227,174) of this facility was utilised.

Brierty Limited has a \$35,000,000 bank guarantee facility (June 2016: \$35,000,000) established with their bankers. This facility is reduced by the amount of any bank overdraft that is utilised by the Group. At 31 December 2016 the bank overdraft utilised was \$23,367,102 (30 June 2016 \$21,502,750). At 31 December 2016 \$8,273,909 (30 June 2016: \$7,282,957) of the bank guarantee facilities were utilised. This facility is secured by a first ranking general security agreement granted by each of Brierty Ltd and Bellamack Pty Ltd over all their current property and any property acquired in the future in favour of the bank, as well as an unlimited guarantee and indemnity from Brierty Ltd and Bellamack Pty Ltd.

### *Contingencies*

In undertaking long term engineering and construction contracts there is always the possibility of claims in progress. To the extent that any such claims or potential claims may exist that the Group is aware of, they are assessed on their merits and if considered necessary (which may be after taking legal advice), a provision for potential costs would be recognised and included in the accounts as part of the forecast outcome on completion of a particular contract. Any such provision would be an estimate based on the information available at the time.

## 18. Commitments

### *i. Non-cancellable operating leases*

The Group leases various items of plant and equipment under non-cancellable operating leases expiring within five years.

|                                                   | <b>Consolidated Entity</b> |                     |
|---------------------------------------------------|----------------------------|---------------------|
|                                                   | <b>31 December 2016</b>    | <b>30 June 2016</b> |
|                                                   | <b>\$</b>                  | <b>\$</b>           |
| Non-cancellable operating lease commitments       |                            |                     |
| Within one year                                   | <b>2,440,936</b>           | 2,680,472           |
| Later than one year but not later than five years | <b>1,967,864</b>           | 3,178,744           |
| Later than five years                             | -                          | -                   |
|                                                   | <b>4,408,800</b>           | 5,859,216           |

### *ii. Non-cancellable property leases*

The Group leases its head office under a non-cancellable operating lease which was renewed during the 2016 financial year for a term of eight years, with an option for a further four years. The lease contains market and fixed percentage review clauses during the term of the lease. The lease also allows for part of the building to be surrendered after October 2019 for a surrender payment.

|                                                   |                  |           |
|---------------------------------------------------|------------------|-----------|
| Non-cancellable property lease commitments        |                  |           |
| Within one year                                   | <b>861,630</b>   | 637,215   |
| Later than one year but not later than five years | <b>2,496,121</b> | 2,894,244 |
| Later than five years                             | <b>1,352,066</b> | 2,098,333 |
|                                                   | <b>4,709,817</b> | 5,629,792 |

iii. *Hire purchase contracts*

The Group has various plant and equipment with a carrying amount of \$20,673,738 (June 2016: \$23,463,880) under hire purchase contracts expiring within one to five years.

|                                                   | <b>Consolidated Entity</b> |                     |
|---------------------------------------------------|----------------------------|---------------------|
|                                                   | <b>31 December 2016</b>    | <b>30 June 2016</b> |
|                                                   | <b>\$</b>                  | <b>\$</b>           |
| Finance lease commitments                         |                            |                     |
| Within one year                                   | <b>11,935,317</b>          | 13,714,204          |
| Later than one year but not later than five years | <b>13,040,223</b>          | 15,444,951          |
| Minimum lease payments                            | <b>24,975,540</b>          | 29,159,155          |
| Future finance charges                            | <b>(1,720,032)</b>         | (1,925,510)         |
| Total lease liabilities                           | <b>23,255,508</b>          | 27,233,645          |
| Representing lease liabilities:                   |                            |                     |
| Current                                           | <b>10,909,467</b>          | 12,588,344          |
| Non-current                                       | <b>12,346,041</b>          | 14,645,301          |
|                                                   | <b>23,255,508</b>          | 27,233,645          |

The weighted average interest rate implicit in the hire purchase contracts is 5.84% (June 2016: 5.91%).

There have been no other changes to commitments and contingencies as disclosed in the most recent annual financial report.

## 19. Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has 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 subsequent financial periods.

## 20. Interest in joint arrangements

A joint operating agreement establishing the Brierty NYFL joint operation was executed on 21 December 2011. The principal activity of the joint operation is to deliver urban infrastructure works and other civil construction works in Western Australia. This joint operation was inactive in the half-year to 31 December 2016.

A joint operating agreement establishing the Brierty Karlayura joint operation was executed July 2013. This joint operation was inactive in the half-year to 31 December 2016.

Brierty Limited and Bocol Pty Ltd entered into a joint operating agreement in January 2015 to do road and bridge construction works for Main Roads WA on North West Coastal Highway.

A joint operating agreement establishing the Brierty Muntulgura Guruma joint operation was executed during the financial year ended 30 June 2016. This joint operation was inactive in the half-year to 31 December 2016.

A joint operating agreement to establish the Brierty Eastern Guruma joint venture was executed during the financial year ended 30 June 2016. The joint venture commenced civil works for Rio Tinto at Marandoo in June 2016.

## 21. Financial instruments

|                                         | 31 December 2016 |            | 30 June 2016    |            |
|-----------------------------------------|------------------|------------|-----------------|------------|
|                                         | Carrying Amount  | Fair Value | Carrying Amount | Fair Value |
|                                         | \$               | \$         | \$              | \$         |
| <b>On-balance sheet</b>                 |                  |            |                 |            |
| <i>Non-traded financial liabilities</i> |                  |            |                 |            |
| Hire purchase liabilities               | 23,255,508       | 23,397,235 | 27,233,645      | 27,414,033 |

Interest rates used to discount estimated cash flows of borrowings to arrive at the fair value of borrowings, are based on current rates available in the market, and were assessed to be 3.59% (30 June 2016: 5.91%). The HP liabilities have been classified as level 2 within the fair value hierarchy.

The value of the Group's financial assets and liabilities will be impacted by changes in interest rates. At 31 December 2016, the carrying value of the financial assets and liabilities approximate their fair values.

## Directors' Declaration for the half-year ended 31 December 2016

In accordance with a resolution of the directors of Brierty Limited made pursuant to subsection 303(5) of the *Corporations Act 2001*, we state that:

In the directors' opinion:

- a) The Financial Statements and notes set out on pages 5 to 20 are in accordance with the *Corporations Act 2001*, including:
  - i. complying with Accounting Standard AASB 134 Interim Financial Reporting, and the Corporations Regulations 2001, and
  - ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date, and
- b) there are reasonable grounds to believe, subject to the matters disclosed in note 2, 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 directors of Brierty Limited.

On behalf of the board

A handwritten signature in black ink, consisting of a large loop followed by a horizontal stroke that tapers to a point.

Dalton L Gooding (Chairman)  
Director

Perth, Western Australia  
27 February 2017



## Independent Auditor's Review Report to the Members

To the members of Brierty Limited

## Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Brierty Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

## Directors' responsibility for the half-year financial report

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

## Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Brierty Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Brierty Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 2 in the financial report. The matters set out in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



G H Meyerowitz  
Partner  
Perth  
27 February 2017