McCONNELL DOWELL
CREATIVE CONSTRUCTION™

60 YEARS of Creative Construction

2021

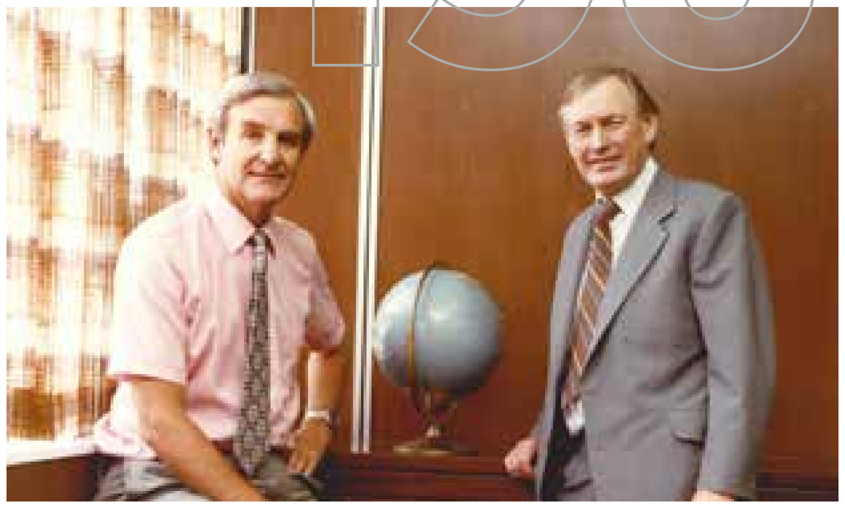
Annual Review

Contents

*All values are in AUD unless otherwise stated

** All images displayed in this document were taken in accordance with relevant COVID-Safe guidelines at the time the photo was taken.

1961



Jim Dowell and Malcolm McConnell, two talented, creative individuals with a powerful drive to make things better and so began the construction company, McConnell Dowell.

Celebrating 60 years of Creative Construction

When two young entrepreneurial engineers began work on their first project in New Zealand 60 years ago this year, they were armed with a small cache of tools and a big vision.

As they laid those first drains, footpaths and roads, Malcolm McConnell and Jim Dowell may not have realised it at the time, but they were also laying the foundations of what would become a multi-national, multi-disciplinary contracting organisation - and a six-decade journey of innovation, growth and success.

Today, McConnell Dowell has a network of offices across more than 15 countries, employs over 3500 people, and has capabilities in building, civil, fabrication, marine, mechanical, pipelines, rail, and tunnelling construction.

Click the play button to watch our founders' story.

Message from our CEO

The June 2021 financial year was a successful one for the McConnell Dowell Group with the business delivering an operational profit for the fourth consecutive year. The Group continues to effectively navigate the complexities and challenges imposed by the COVID-19 pandemic and the underlying market opportunity across its footprint remains strong.

Scott Cummins
CEO

Key Highlights

- Revenue grew by over 50% to $1.47 billion
- Underlying operational earnings of $28 million and EBITDA $54 million
- Return on shareholders funds of 14.5% and a return to paying shareholder dividends
- Work in hand up to $1.87 billion with over $1.5 billion new work won in the period.
- Strong liquidity position and cash conversion with $172 million in the bank and minimal debt
- Bonding & bank facilities $560 million with strong support from our financial partners
- Preferred positions on prospects worth over $1.7 billion plus $1.8 billion submitted tenders outstanding (as at 30 August 2021)
- Clear pathway to revenue and profit growth in FY22

Operational Performance

Australia continued to be the primary driver of the McConnell Dowell Group's growth in FY21, with revenue more than doubling compared to the prior period. Revenue in South East Asia grew in FY21 and increased work in hand will drive continued revenue growth. Revenue for Built Environs decreased in FY21 due to a lack of new work won previously, however momentum for the business is growing and the business has secured new work in Victoria for the first time. New work won and revenue were lower than expected in New Zealand, primarily due to impacts of the COVID-19 pandemic.

The proactive approach to overhead management, coupled with strong revenue growth has seen the Group's EBIT trend upwards as economies of scale are realised.

The diversity of the Group's technical capability and market sector participation continues to benefit the organisation, and judicious business development and disciplined tendering resulted in new contract awards amounting to $1.5 billion. This was despite the delays in the awarding of some projects as a result of uncertainty surrounding COVID-19.

1972

In 1972 the reticulation of gas in the City of Geelong gives McConnell Dowell a springboard into Australia.

Business Unit Overview

Australia

The Australian construction sector remained operational despite various state-based COVID-19 lockdowns. Revenue and operating earnings for the Australian business unit both increased by more than 100%, with revenue growing to $981 million.

Collaborative contracting approaches, such as alliances and early contractor involvements, continued to be preferred by many customers, reducing the overall risk profile for the business in Australia.

The business was awarded projects in all regions across Australia and in all its specialist capabilities, highlighting the diversity of the business unit. Additional water and energy sector opportunities began to emerge, and this trend is expected to continue as climate change and energy diversification becomes more pressing and prevalent.

Contracts awarded include the Kidston Pumped Hydro Storage and BMA's Hay Point Coal Terminal projects in Queensland; the Lake Way, Karlawinda and Murrin Murrin gas pipeline projects in Western Australia; the Overseas Passenger Terminal in New South Wales; and the Granite Island Causeway Renewal in South Australia. In addition to the above, the business secured additional works packages on the Western Program Alliance in Victoria, Public Transport Program Alliance and the SA Water Frameworks in South Australia.

South East Asia

Revenue in South East Asia increased by 24% to $165 million despite the uncertain market conditions and COVID-19 related lockdowns across the region.

The business unit secured the full scope of work on the Jurong Regional Line (J108) project for Singapore's Land Transport Authority. The Batangas LNG Gas Importation Terminal was secured in the Philippines, as was additional works on the Palembang Wastewater Treatment Plant in Indonesia.

Despite its excellent growth and strong financial positioning for FY22, McConnell Dowell's South East Asian business unit has restructured its organisation as it anticipates on-going market volatility and uncertainty throughout the region due to potential COVID-19 outbreaks and ongoing international travel restrictions. For the next 12 months, the South East Asian team will focus on safe and profitable delivery of its work in hand while continuing to be highly selective in its bidding.

New Zealand and Pacific Islands

Revenue for the New Zealand and Pacific Islands business unit decreased by 18% to $206 million, primarily due to COVID-19 delaying several key targets. Despite this, the business improved its profitability and liquidity.

The business successfully delivered highly complex pipe-jacking projects at St Marys Bay and Snells-Algies, cementing earlier successes at Army Bay, and confirming the Group's status as a pre-eminent tunnelling contractor in New Zealand. The on-time completion of the landmark Wynyard Edge redevelopment ahead of the successful 2021 America's Cup defence by Team New Zealand was another highlight.

New project awards included the early works packages of the strategically important Papakura to Pukekohe Rail Electrification project for state-owned KiwiRail; preferred status on Northern Pathway, a major pedestrian/cycleway in Auckland (with final contract award due early 2022); re-establishment of the fuel line works at Auckland International Airport; and the ASPA asphalt works and Futiga Concrete Road in American Samoa. Repeat work was also secured with Watercare with the award of the

Mangere Tarp and Warkworth to Snells Pipeline Transfer projects. The commencement of the second three-year operations and maintenance contract supporting the Waterview Tunnel was also confirmed.

Built Environs

The commercial building arm of the Group maintained operating earnings for the year despite a reduction in revenue to $119 million. This was due to strong delivery performance on projects including the Oval Hotel, Modbury Hospital upgrade and Auckland City Mission HomeGround project.

Under Michael Clemenger's leadership (appointed managing director in mid-2020), the business has been restructured into regional reporting with new state general managers appointed in South Australia and Victoria to provide a greater focus on new business.

Built Environs' positive entry into New Zealand continued with the upcoming completion of its first project, the Puhinui Station upgrade in Auckland in joint venture with McConnell Dowell. The business also secured the Otahuhu logistics project in Auckland and has several promising upcoming tender opportunities.

Built Environs also entered the Victorian market during FY21, obtaining state government contractor registration and securing its first project for the Victorian School Building Authority at Beaumaris Secondary College.

Health, Safety and Environmental Performance

McConnell Dowell recorded an LTIFR of 0.30 with a 20% reduction in the number of LTIs across the business. McConnell Dowell's PHAIR continues to increase due to all business units conducting hazard reporting and finding better ways to manage safety on work sites. The result was a PHAIR of 248.79 compared to 182.55 last year. A successful step up to the new health and safety standard ISO45001 was also achieved during the year, and internal and external auditing continues to show good compliance with safety systems.

A targeted approach to the close out of actions raised from hazard reporting and audits has resulted in 100% of actions completed and closed within the permitted timeframes across all areas of the business.

COVID-19 remains a factor in all areas of operation and McConnell Dowell continues to provide support to staff and communities throughout the pandemic. A number of online support services have been provided to employees and regular COVID-19 toolbox talks are held on all projects. A COVID-19 Pandemic Response Plan is in place across the business to ensure a full and compliant response to COVID-19 restrictions and protocols.

There were no serious environmental incidents recorded across the operations, the result of consistent application of the McConnell Dowell Management System and a strong focus on environmental awareness.

People and Leadership

McConnell Dowell continues to benefit from strong and stable executive and senior leadership teams across the Group.

Michael Clemenger has settled in well as the Managing Director of Built Environs and plans are underway to further strengthen the leadership teams in South East Asia and New Zealand to drive growth in those regions.

The Australian business unit has continued to embed its new regional operating structure, with regional General Managers now in place in all four geographic regions and the recent appointment of Kyle Mortimer to lead the national rail division in Australia.

Industry leader James Glastonbury will join the organisation in early FY22 as Executive General Manager - Engineering, Technology, and Innovation. James' appointment presents an exciting opportunity to further enhance McConnell Dowell's strong brand and to build on the foundations of creative construction and engineering innovation.

Looking ahead

The Group enters the 2022 financial year in a very strong position but will remain vigilant to the ongoing impacts of the COVID-19 pandemic across our operating regions.

Core market sectors, especially in Australia, show good signs for growth, driven largely by government infrastructure investment. Increased activity also anticipated in the private sector due to low interest rates, strong commodity markets, and climate change driven energy transition.

As we complete our 60th year of continuous operations, we can look back upon FY21 with a sense of pride in delivering upon our purpose of "Providing a Better Life".

We have created value for our shareholder, opportunities for employees, and provided a legacy of new, modern infrastructure for our customers and communities.

> **"As we complete our 60th year of continuous operations, we can look back upon FY21 with a sense of pride in delivering upon our purpose of 'Providing a Better Life'."**

Group Highlights

Cash Balance

$172 million

As of 30 June 2021

Work in Hand

$1.9 billion

As of 30 June 2021

Preferred Status

$1.7 billion

As at 30 August 2021

1978

Projects such as these gas pipelines across Hong Kong Harbour, helped establish the Company name across South East Asia.

The McConnell Dowell Group

McConnell Dowell's business model brings value to customers through a strong culture, technical expertise in the specialist disciplines and geographical diversity.

Progressive culture

Our culture is founded on expertise, creativity and progressive thinking. This attitude, along with our safe, high-quality, systematic and structured approach, has earned us the trust and loyalty of our customers.

Creative construction

We are the creative construction company building better communities through safe, smart, efficient infrastructure. We constantly challenge ourselves and our partners to find the best solution for every project.

Local people, international expertise

We work on projects throughout Australia, New Zealand and South East Asia, where we combine our local people on the ground and international experience to deliver excellence

Market Sectors

Infrastructure

- Power
- Water & Waste Water
- Transport

Resources

- Mining & Metals
- Oil & Gas
- Petrochemical

Building

- Government
- Commercial & Private
- Social & Residential

Specialist Capabilities

- Rail
- Civil
- Pipelines
- Fabrication
- Marine
- Tunnelling & Underground
- Mechanical
- Building

Group Structure

AVENG
Providing a better life

McCONNELL DOWELL
CREATIVE CONSTRUCTION™

Business Units

- Australia
- South East Asia
- New Zealand & Pacific Islands
- Built Environs

Group Functions

- Commercial
- Engineering, Technology & Innovation
- Finance & Information Technology
- Health, Safety, Environment & Quality
- Legal & Compliance
- People & Group Strategy
- Risk & Advisory

ESG Framework

Our environmental, social, and governance (ESG) framework guides our organisational decision making and focus, aligned with our Values and Purpose of **Providing a Better Life**.

Our Values

underpin everything we do

SAFETY & CARE

Home without harm, everyone every day. The health, safety and wellbeing of our people, the community and the environment is paramount

HONESTY & INTEGRITY

We do what is right – consistently and transparently

CUSTOMER FOCUS

We build relationships by collaborating and delivering on our promises with excellence

WORKING TOGETHER

We respect and cooperate with each other and leverage our rich knowledge and diversity

PERFORMANCE EXCELLENCE

We hold ourselves and each other accountable and always strive to exceed expectations

Environment

Carbon & Our Environment

Carbon Emission

Reduce carbon intensity and outline roadmap to carbon neutrality

Environment Awareness

Environmental education and reporting transparency

Climate Change

Engineering and design considers climate change and adaptation measures

Resource Depletion

Partnerships with all stakeholders to reduce consumption and improve resource efficiency

Waste & Pollution

Reducing waste, diverting waste from landfill and increasing recycling. Identify and remediate sources of pollution

Social

Our Community & People

Home Without Harm

Consistently improving our lead indicator performance

Supply Chain

Commitment and partnership with our supply chain for sustainable practices

Customer Relations

Innovation through strong and effective customer relationships

Community

Direct economic value generated by community investments

People & Development

Diversity and inclusion. Learning & Development commitment to all employees

Governance

Conduct & Compliance

Decision Making

Sustainability forms part of all decision making processes

Corporate Governance

Financial transparency and compliance to standards and regulations

Risk Management

Clear and effective risk management framework and controls

Internal Procedure Governance

Delivering compliant projects in accordance with governing policies, operating standards and procedures

Ethical Conduct

All business performed in accordance with the Code of Conduct and verified by annual Pledge

Providing a better life

Recycled Plastic Noise Walls

Pioneering the use of recycled plastic noise walls on a major freeway project, re-purposing the equivalent of 25,000 households' plastic waste for a year.

Indigenous Employees

Providing training and development opportunities for indigenous employees. On the Cranbourne Line Upgrade in Victoria, Skye (pictured) has completed several training courses and is moving up through the ranks.

Community Engagement

Embracing mobile technology to enhance our community engagement. Site Podium, a smart-phone application available to the community, is being used on our South Australian transport projects - a verified Australian first.

Use of Alternative Energy

Using alternate energy solutions to power our sites across the business. On the Tuas C1A project in Singapore there are 100 solar lights installed along designated walkways.

ESG

Working with Pacifika Businesses

Partnering with Akina, Amotai, Ngā Puna Pūkenga to connect with Maori and Pacifika-owned businesses

Modern Slavery Statement

Upholding and promoting the ten principles of the UN Global Compact, including taking all reasonable steps to prevent modern slavery in our supply chains.

1988

In 1988 McConnell Dowell introduced Australia to the New Austrian Tunneling methodology (NATM)

What is Creative Construction?

2020

Creative Construction at McConnell Dowell is about solving problems, overcoming challenges, and delivering positive and impactful outcomes for the customers we serve and communities we work within.

We encourage and empower our people to think creatively, apply innovation where it adds value, and maintain a safe and conservative risk profile in all that we do.

Creative Construction is more than a marketing slogan to McConnell Dowell. It's the essence of our company, demonstrated time and time again by the McConnell Dowell team over the last 60 years.

Marina Bay Floating Retail Store, Singapore

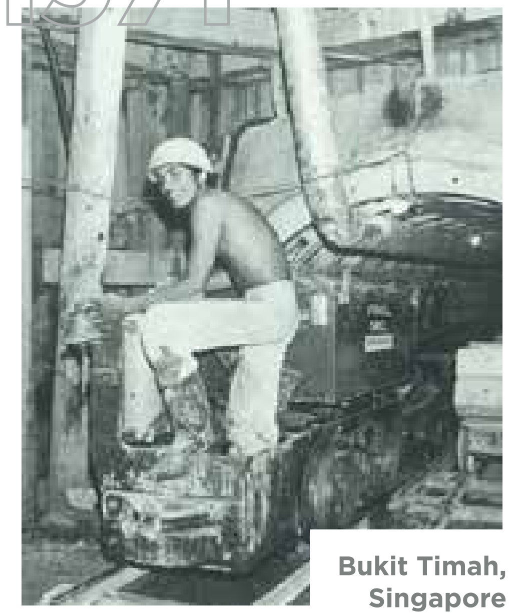
60 years of Creative Construction

A long and proud history of creative excellence

1965

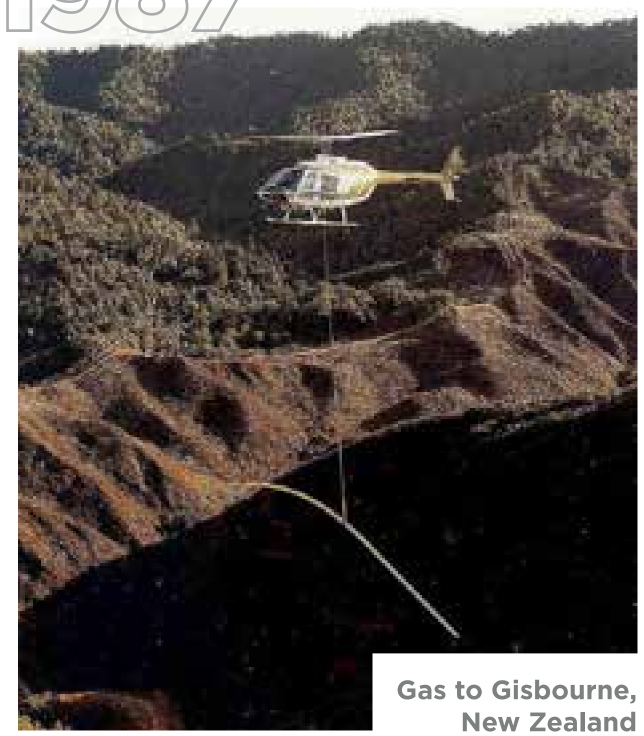
Marsden Point Power Station, New Zealand

1971



Bukit Timah, Singapore

1987



Gas to Gisbourne, New Zealand

1994

Skyrail Rainforest Cableway, Australia

1995

Ballera to Mt Isa Pipeline, Australia

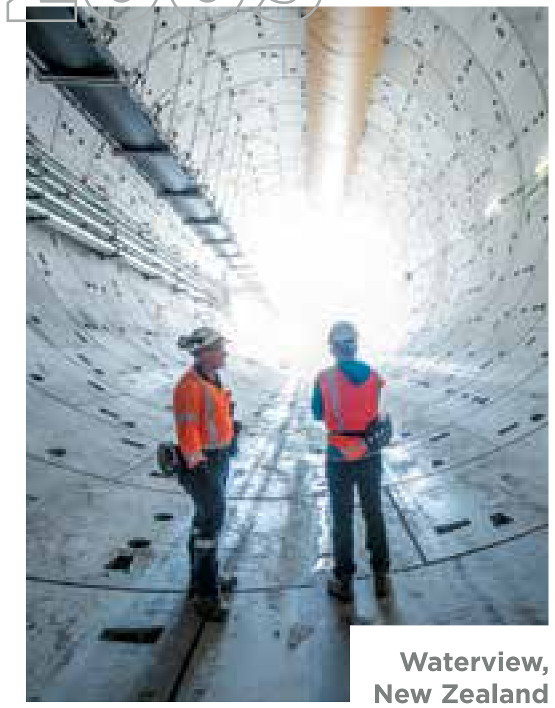
2004

Sepon Gold Mine Expansion, Laos

2007

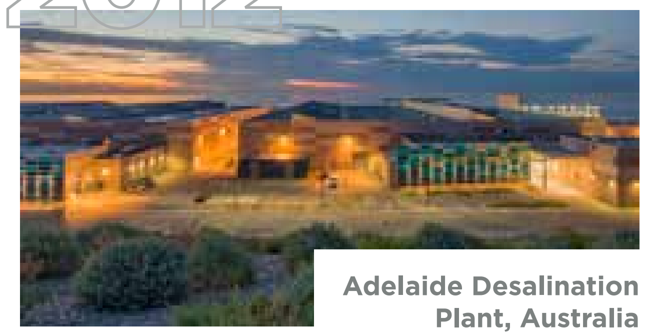
Bogong Hydro Power Project, Australia

2009



Waterview, New Zealand

2012



Adelaide Desalination Plant, Australia

2014

Vale Manufacturing Project, Malaysia

Creative Construction today

Trenchless technology

Adopting new trenchless technology to install a world record 2021 m long, 1220 mm diameter pipe without the disruption and environmental impact of a trench.

Use of drone technology

Using drones/UAV and software to safely and accurately survey, monitor and communicate our projects' progress to our customers and the community.

An Australian First!

The elegant Oval Hotel wraps seamlessly around the eastern façade of the historic Adelaide Oval and is the first of its kind in Australia and a one of a kind accommodation experience anywhere in the world.

A bridge on the move

Regency Road to Pym Street alliance. SPMTs Driving the bridge into place using a self propelled modular transporter (SMPT). The bridge was fabricated offsite and driven in to place.

Overhead Powerline MAD Management

With LineTech Consulting we provided 4m horizontal and vertical clearances to the 110kV lines at various combinations of wind speed and operating temperatures. McConnell Dowell developed this data into a Minimum Approach Distance (MAD) zone

Modularised Jetty Decking

Using modularised wharf construction to speed up marine projects and reduce product time-to-market for leading resource companies.

2021 Project Highlights

The Oval Hotel in Adelaide

The new hotel wraps around the existing stadium with 1340 m2 of external glazing and 7600 m2 of cladding, much of it curved, used to achieve seamless visual integration.

Kidston Pumped Storage Hydro Project

Location
Queensland, Australia

Customer
Genex Power

McConnell Dowell is to deliver the Kidston Pumped Storage Hydro Project in Far North Queensland, an innovative project that involves the world-first conversion of a disused gold mine into a pumped storage hydroelectric power generation facility.

With delivery partners John Holland, McConnell Dowell will work on the first-of-its-kind natural battery storage facility that has the potential to generate up to 250 MW of rapid response (less than 30 seconds), flexible power to Australia's National Electricity Market.

Mordialloc Freeway

Location
Victoria, Australia

Customer
Major Road Projects Victoria

The McConnell Dowell Decmil Joint Venture is currently delivering the Mordialloc Freeway in Melbourne's south east. The 9-kilometre Freeway will link the Mornington Peninsula Freeway at Springvale Road in Aspendale Gardens to the Dingley Bypass in Dingley Village, creating a continuous freeway from Frankston To Clayton.

Regency to Pym Street

Location
South Australia, Australia

Customer
Department of Infrastructure & Transport

In 2018, the Australian and South Australian Governments committed $354.3 million to deliver the Regency Road to Pym Street (R2P) Project, which connects the South Road Superway and Torrens Road to River Torrens Motorway, providing a continuous 47-kilometre Motorway along the North-South Corridor.

Located approximately five kilometres to the west of the Adelaide's central business district, this initiative proposes a new six-lane, 1.8-kilometre non-stop Motorway, along the South Road corridor, between Regency Road and Pym Street. When compete, it will form part of the future 78-kilometre North-South Corridor.

Puhinui Rail Station Interchange

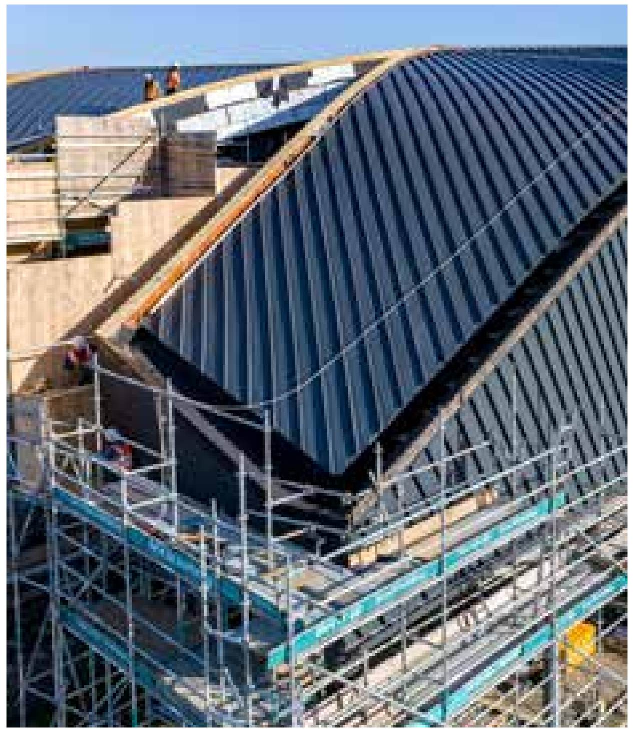
Location
Auckland, New Zealand

Customer
Waka Kotahi NZTA

McConnell Dowell and Built Environs working together for the first time in New Zealand in joint venture (MCDBE), was awarded the early works contract for the Puhinui Interchange Project by Auckland Transport in May 2019.

The project includes demolishing part of the existing Puhinui Station footbridge and constructing a new multimodal interchange. Additionally, the station will incorporate an at-grade bus area, 'kiss and ride' parking, cycle facilities and landscaping.

Along with modifications to the existing central island train platform, an elevated concourse that will feature stairs, lifts and escalators, a HOP ticket gate line, and staff and retail facilities will be constructed.



Modbury Hospital Upgrade

Location
South Australia, Australia

Customer
Department of Infrastructure & Transport

Built Environs was awarded the Managing Contractor position for the pre-construction services for the Modbury Hospital Upgrade Project in South Australia.

The project is driven by the Department of Planning, Transport and Infrastructure (DPTI) and SA Health and is a community improvement program of work enhancing the design of the hospital and improving access to patient care.

Beaumaris Secondary College

Location
Victoria, Australia

Customer
Victorian School Building Authority

Built Environs is delivering the Beaumaris Secondary College Stage 2 project within their busy College campus.

The scope includes the design and construction of new school buildings and the refurbishment of existing spaces along with associated external works and services.

Echuca-Moama Bridge Project

Location
Victoria/NSW, Australia

Customer
Major Road Projects Victoria

An innovative bridge solution saw McConnell Dowell secure the design and delivery of this important new river crossing for the Victorian and NSW state governments.

Construction of this vital second river crossing between Victoria and New South Wales at Echuca and Moama includes new bridges over the Murray and Campaspe rivers, and two new flood relief bridges. The project also includes a new 4.5 km pathway for walking and cycling. The new bridges will have a single lane in each direction, meeting traffic demands for at least 30 years. The design allows for additional lanes to be added in the future.

To secure the project McConnell Dowell challenged the design (an extradosed bridge) and developed an alternate main bridge solution which included a number of enhancements to streamline construction and reduce costs.

St Marys Bay Outfall

Location
Auckland, New Zealand

Customer
Auckland Council Healthy Waters

The St Marys Bay Area Water Quality Improvement Project is driven by Auckland Council's Healthy Waters department and funded by the Water Quality Targeted Rate.

The new pipeline will reduce wastewater overflows to St Marys Bay and Masefield Beach by 95 per cent. The high flows after rain events will be stored in the new larger capacity pipeline and pumped back into the sewer network when there is capacity

As well as reducing overflows, once complete the new marine outfall will discharge to an outfall far away from places where people swim.

Old Māngere Bridge Replacement

Location
Auckland, New Zealand

Customer
Waka Kotahi NZTA

McConnell Dowell was awarded the contract for the Waka Kotahi NZ Transport Agency project to deconstruct the 105-year-old bridge (the Old Māngere Bridge) and construct a new and improved replacement bridge to connect the communities of Onehunga and Māngere Bridge.

The demolition of the old bridge and work to construct the new bridge will occur simultaneously from both the North and South sides of the harbour. The project is scheduled to be completed in 2022.

Batangas LNG Terminal

Location
Batangas, Philippines

Customer
First Gen

McConnell Dowell has been awarded by FGEN LNG Corporation (FGEN), a wholly-owned subsidiary of First Gen Corporation (First Gen), to build and deliver the Interim Offshore Terminal Project ("IOT Project") at the latter's Batangas LNG Terminal located in the First Gen Clean Energy Complex in Batangas, Philippines.

Once completed, the IOT Project will allow First Gen to accelerate the introduction of LNG into the country and serve the natural gas requirements of existing and future gas-fired power plants in the Philippines.

Jurong Regional Line - J108

Location
Singapore, Singapore

Customer
Land Transport Authority of Singapore

The project is part of the new Jurong Regional Line MRT development and consists of three elevated stations at Tengah Plantation, Tengah Park and Bukit Batok West. The stations are linked by 2.3km of segmental precast twin track viaducts.

The 24-kilometre long Jurong Region Line (JRL) will add 24 stations to the existing Singapore rail network to serve residents of Choa Chu Kang, Boon Lay, Jurong and future developments in the Tengah area. Opening in stages between 2026 and 2028, the JRL development will provide key transport links to the Jurong Industrial Estate, Jurong Innovation District, and the Nanyang Technological University (NTU) in western Singapore.

Financial Statements 2021

Echuca-Moama Bridge Project

Our partnership with the local Yorta Yorta Nation Aboriginal Corporation is strong and we've achieved 8% Aboriginal participation across the project.

Recognised by the client for the project teams efforts in social procurement, indigenous employment and local content. This included the engagement of a local indigenous owned earth moving contractor, the employment of local people, training of cadets in their first job moving into the construction industry and the employment of others with disabilities in meaningful work contributing to and being a part of the project team.

Portfolio Breakdown

Consistent project execution performance, diversity and technical capability continues to position the company well.

Business Unit Revenue

67%	Australia
14%	New Zealand
11%	South East Asia
8%	Built Environs

Business Unit Work in Hand

61%	Australia
25%	South East Asia
8%	New Zealand
6%	Built Environs

Revenue Type Revenue

37%	Alliance
32%	Construct Only
27%	Design & Construct
4%	Services

Revenue Type Work in Hand

19%	Alliance
34%	Construct Only
44%	Design & Construct
3%	Services

1992

The Kutubu oil pipeline contract in Papua New Guinea, consolidated the company's reputation as an international expert in remote location projects.

Directors' Report

The Directors present their report on the consolidated entity consisting of McConnell Dowell Corporation Limited (the Company) and its controlled entities for the year ended 30 June 2021.

Directors and company secretary

The following persons were Directors of McConnell Dowell Corporation Limited during the financial year and up to the date of this report:

Directors
S.J. Flanagan (Chair), S.V. Cummins, D.J. Morrison, I Luck, A.H. Macartney, C.D. Lock.

Company Secretary
D.J. Morrison

Principal activities

The principal activity of the consolidated entity is infrastructure construction. There were no significant changes in the principal activities of the consolidated entity during the year.

Consolidated result

The June 2021 financial year was a successful year for McConnell Dowell with the business delivering an operational profit for the fourth consecutive year. The McConnell Dowell team continues to effectively navigate the complexities and challenges imposed by the COVID-19 pandemic and the underlying market opportunity across our footprint remains strong.

Disciplined and consistent project delivery continues to underpin McConnell Dowell's strong results with the portfolio overall returning on budget results.

The business has reported significant growth in revenue, profit and cash position. Australia continues to be the primary driver of McConnell Dowell's growth in FY21, with revenue more than doubling compared to the prior period on the back of work secured in FY20. Revenue in South East Asia grew 30% in FY21 and increased work in hand will drive continued revenue growth. Revenue for Built Environs decreased in FY21 due to a lack of new work previously won however momentum for the business is growing and new work has been won in Victoria for the first time. New work won and revenue were lower than expected in New Zealand, primarily due to delayed government investment as a result of the COVID-19 pandemic.

McConnell Dowell's proactive approach to cost management, coupled with its strong revenue growth has seen the company's EBIT trend upwards as economies of scale are realised.

The diversity of McConnell Dowell's technical capability and market sector participation continues to benefit the organisation, and judicious business development and disciplined tendering resulted in new contract awards amounting to $1.5 billion, despite the delays in the award of some projects as a result of COVID-19 uncertainty.

Dividends

A dividend of $5 million (2020 – nil) was declared and paid during the year ended 30 June 2021 to the parent company shareholder.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity other than that referred to in the financial statements and notes following.

Indemnification and insurance of directors and officers

McConnell Dowell Corporation Limited, to the extent permitted by law, indemnifies each Director and Company Secretary of the entity and its subsidiaries against certain liabilities and legal costs incurred in the performance of their roles as directors and officers. The directors listed above, individuals who act as Director or Company Secretary of the Company's subsidiaries and certain individuals who formerly held any of these roles also have the benefit of the indemnity, to the extent permitted by law.

During the financial year the company paid an insurance premium insuring directors and officers of the consolidated entity for certain liabilities, legal costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entity and/or one of its subsidiaries.

The directors and officers of the consolidated entity covered by the insurance policy, to the extent permitted by law, included the directors listed in this report and all other directors and company secretaries of the entity and its subsidiaries. The contract of insurance prohibits disclosure of the amount of the premium.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

Safety and environmental regulations

The consolidated entity is committed to the highest standard of environmental and workplace safety performance reasonably practicable.

The consolidated entity's performance in respect to its policies and procedures to ensure its obligations are met is reported to the Executive Committee (Exco).

The consolidated entity is subject to various environmental and safety regulations under either Commonwealth, State or other international legislation. The Board believes the consolidated entity has adequate systems in place for the management of its environmental and safety risks and is not aware of any material breach of these requirements as they apply to the consolidated entity other than those already disclosed in this report.

Likely developments and expected results of consolidated entity

In the opinion of the directors, it would prejudice the interests of the consolidated entity if any further information on likely reasonable and material developments in the operations of the consolidated entity and the expected results of operations were included herein, and the omission of such information is hereby disclosed.

Events subsequent to balance date

No significant events have occurred subsequent to balance date.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable) and where noted ($'000's) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the Corporations Instrument applies.

Non-audit services

The following non-audit services as disclosed in note 26 Auditors remuneration were provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia has not received or are not due to receive the any amounts for the provision of non-audit services.

Auditor independence declaration

The company has obtained an Auditor's Independence Declaration from Ernst & Young Australia. The Auditor's Independence Declaration is located on the following page.

The annual financial statements which appear on pages 41 to 95 were approved by the directors by resolution dated 30th August 2021 and are signed on their behalf.

Going concern and liquidity

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Company enters FY22 with increased levels of work in hand of $1.87 billion following significant project wins in Australia and South East Asia. At the date of this report, the company also has more than $1.7 billion of opportunities (based on current contract value) that are in sole source negotiations or in Early Contractor Involvement stage and therefore it is probable these will be converted into contracted projects. In addition, there are a further $1.8 billion of other outstanding tenders and a further $7 billion tenders expected in FY22 which will provide a solid base for future growth.

The Directors have reviewed business plans and detailed financial budgets for the year ending 30 June 2022 and beyond which indicate significant construction opportunities ahead. With additional government investment likely to be injected into infrastructure projects the construction markets of Australia, New Zealand and South East Asia remain healthy, and the Company expects to continue winning work in the coming years to further grow the order book.

The detailed financial budgets and business plans that are being implemented by management indicate that the Group will have sufficient liquidity resources for the foreseeable future.

The Company has met its banking covenants for 30 June 2021 and current forecasts do not indicate any breaches in the upcoming financial quarters.

The Group retains the support of its lenders, guarantee providers, and insurance bonding providers.

The Directors have considered the business plans and detailed financial budgets, including all available information, and whilst significant estimates and judgements including the impacts of the wider economic environment (including COVID-19 specifically) are always and will continue to be required, the Directors are of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

S. V. Cummins
Director
30th August 2021

D. J. Morrison
Director
30th August 2021

Auditor's Independence Declaration

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Building a better working world

Auditor's Independence Declaration to the Directors of McConnell Dowell Corporation Limited

As lead auditor for the audit of the financial report of McConnell Dowell Corporation Limited for the financial year ended 30 June 2021, 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of McConnell Dowell Corporation Limited and the entities it controlled during the financial year.

Ernst & Young

David Shewring
Partner
30 August 2021

Statement of Profit or Loss

for the year ended 30 June 2021

All figures are in A$000's	Note	Consolidated 2021	Consolidated 2020
Revenue	2	**1,473,718**	997,743
Less: revenue impact relating to non-cash impairment	2	**-**	(19,169)
Net revenue		**1,473,718**	978,574
Other income	2	**8,675**	15,256
Total income		**1,482,393**	993,830
Operating expenses	3	**(1,427,396)**	(975,629)
Depreciation	9(a), 9(b)	**(26,287)**	(26,255)
Share of loss of an associate	10	**(584)**	(1,216)
Finance income	4	**477**	482
Finance costs	4	**(3,430)**	(4,296)
Profit / (Loss) before tax		**25,173**	(13,084)
Income tax expense	5	**(2,139)**	(3,410)
Profit / (Loss) after tax for the year		**23,034**	(16,494)
Attributable to:			
Members of the parent entity		**22,852**	(16,503)
Non-controlling interest	23	**182**	9
Profit / (Loss) after tax for the year		**23,034**	(16,494)

The above Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

for the year ended 30 June 2021

All figures are in A$000's	Note	Consolidated 2021	2020
Profit / (Loss) after tax for the year		**23,034**	(16,494)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss in subsequent period (net of tax)			
Foreign currency translation	22	**(2,729)**	(1,272)
Other comprehensive loss for the year, net of tax		**(2,729)**	(1,272)
Total comprehensive profit / (loss) for the year, net of tax		**20,305**	(17,766)
Attributable to:			
Members of the parent entity		**20,164**	(17,769)
Non-controlling interest	23	**141**	3
Total comprehensive profit / (loss) for the year, net of tax		**20,305**	(17,766)

The above Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2021

All figures are in A$000's	Note	Consolidated 2021	2020
Assets			
Current assets			
Cash & cash equivalents	8	**172,316**	139,204
Inventories	6	**1,341**	1,295
Asset held for sale	9(a)	**615**	-
Trade and other receivables	7	**296,411**	194,748
Prepayments		**1,909**	776
Income tax receivable		**2,351**	3,208
Total current assets		**474,943**	339,231
Non-current assets			
Property, plant and equipment	9 (a)	**47,023**	47,531
Right of use assets	9 (b)	**18,526**	22,421
Investment in and loans to associates and others	10	**-**	-
Deferred tax assets	12	**52,391**	52,590
Total non-current assets		**117,940**	122,542
Total assets		**592,883**	461,773
Liabilities			
Current liabilities			
Trade and other payables	13	**359,631**	240,351
Interest bearing loans and borrowings	15	**2,961**	6,090
Lease liabilities	18	**8,852**	8,300
Provisions	16	**35,544**	30,130
Total current liabilities		**406,988**	284,871
Non-current liabilities			
Interest bearing loans and borrowings	15	**1,334**	4,330
Lease liabilities	18	**13,581**	17,755
Provisions	16	**4,031**	3,436
Total non-current liabilities		**18,946**	25,521
Total liabilities		**425,934**	310,392
Net assets		**166,949**	151,381
Equity			
Issued capital	21	**267,765**	267,765
Reserves	22	**1,864**	4,289
Retained earnings		**(102,972)**	(120,824)
Parent interests		**166,657**	151,230
Non-controlling interests	23	**292**	151
Total equity		**166,949**	151,381

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2021

All figures are in A$000's	Ordinary shares	Preference shares	Foreign currency translation reserve	Asset revaluation reserve	Capital and other reserves	Non-controlling interest	Retained earnings	Total equity
Balance as at 1 July 2019	**227,765**	**40,000**	**2,365**	**385**	**2,811**	**148**	**(104,321)**	**169,153**
Loss for the period	-	-	-	-	-	9	(16,503)	**(16,494)**
Other comprehensive income	-	-	(1,272)	-	-	(6)	-	**(1,278)**
Total comprehensive loss for the period	-	-	**(1,272)**	-	-	3	**(16,503)**	**(17,772)**
Balance as at 1 July 2020	227,765	40,000	**1,093**	**385**	**2,811**	**151**	**(120,824)**	**151,381**
Profit for the period	-	-	-	-	-	182	22,852	**23,034**
Other comprehensive loss	-	-	(2,729)	-	-	(41)	-	**(2,770)**
Total comprehensive income for the period	-	-	**(2,729)**	-	-	**141**	**22,852**	**20,264**
Conversion of preference share to ordinary share	40,000	(40,000)	-	-	-	-	-	-
Share based payment	-	-	-	-	304	-	-	**304**
Dividend paid	-	-	-	-	-	-	**(5,000)**	**(5,000)**
Balance as at 30 June 2021	**267,765**	-	**(1,636)**	**385**	**3,115**	**292**	**(102,972)**	**166,949**

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2021

All figures are in A$000's	Note	Consolidated 2021	2020
Cash flows from operating activities			
Receipts from customers		**1,378,982**	1,034,557
Payments to suppliers and employees		**(1,303,486)**	(977,176)
Interest received		**477**	482
Finance costs	4	**(3,430)**	(4,296)
Income tax and other taxes paid		**(1,083)**	(2,673)
Net cash inflows from operating activities	8	**71,460**	50,894
Cash flows from investing activities			
Purchase of property, plant and equipment	9(a)	**(15,849)**	(12,015)
Proceeds from the disposal of property, plant and equipment		**3,760**	9,887
Net cash used in investing activities		**(12,089)**	(2,128)
Cash flows from financing activities			
Proceeds from borrowings		**-**	15,340
Repayment of borrowings		**(6,125)**	(22,954)
Payment of principal portion of lease liabilites		**(14,954)**	(4,249)
Dividends paid to the equity holders of the parent		**(5,000)**	-
Net cash used in financing activities		**(26,079)**	(11,863)
Net increase in cash and cash equivalents		**33,292**	36,903
Cash and cash equivalents at the beginning of the period		**139,204**	102,843
Exchange movements on cash		**(180)**	(542)
Cash and cash equivalents at the end of the period	8	**172,316**	139,204

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

Notes to the annual financial statements

for the year ended 30 June 2021

1. Accounting policies

Company details

McConnell Dowell Corporation Limited (the Company) is a public unlisted for-profit company incorporated and domiciled in Australia. The Company's registered place of business is Level 3, 109 Burwood Road, Hawthorn, Victoria, Australia.

The ultimate Australian parent is Aveng Australia Holdings Pty Ltd. The ultimate parent is Aveng Limited (a company incorporated in South Africa).

Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The financial report has also been prepared on a historical cost basis, except for certain financial instruments (when applicable) which have been measured at fair value. Where necessary, comparative figures have been reclassified and repositioned for consistency with current year disclosures.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($000's) except when otherwise indicated in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

The financial report was approved by a resolution of the Directors of the Company on 30th August 2021.

Going Concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Company enters FY22 with increased levels of work in hand of $1,87 billion, following significant project wins in Australia, and South East Asia. At the date of this report the Company also has more than $1.5 billion of opportunities (based on current contract value) that are in sole source negotiations or in Early Contractor involvement stage and therefore it is probable these will be converted into contracted projects. In addition, there are a further $1.8 billion of other outstanding tenders and a further $7 billion tenders expected in FY22 which will provide a solid base for future growth.

The Directors have reviewed business plans and detailed financial budgets for the year ending 30 June 2022 and beyond which indicate significant construction opportunities ahead. The construction markets of Australia, New Zealand and South East Asia are healthy, and the Company expects to continue winning work in the coming years to further grow the order book.

These detailed financial budgets and business plans that are being implemented by management indicate that the Group will have sufficient liquidity resources for the foreseeable future.

The Company has met its banking covenants for 30 June 2021 resulting in no breaches at year-end and current forecasts do not indicate any breaches in the upcoming financial quarters.

The Group retains the support of its lenders, guarantee providers, and insurance bonding providers.

The Directors have considered the business plans and detailed financial budgets, including all available information, and whilst significant estimates and judgements including the impacts of the wider economic environment (including COVID-19 specifically) are always and will continue to be required the Directors are of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of consolidation

The consolidated financial statements include the financial statements of McConnell Dowell Corporation Limited and its subsidiaries as at 30 June each year (the Group). Control over a subsidiary is achieved when the Group is exposed or has the rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Specifically, the Group deems it controls a subsidiary if and only if the Group has:

- Power over the subsidiary (i.e. existing rights that give it the current ability to direct the relevant activities of the subsidiary)
- Exposure, or rights, to variable returns from its involvement with the subsidiary, and
- The ability to use its power over the subsidiary to affect its returns

When the Group has less than a majority of the voting or similar rights of a subsidiary, the Group considers all relevant facts and circumstances in assessing whether it has power over a subsidiary, including;

- The contractual arrangement with the other vote holders of the subsidiary
- Rights arising from the other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassess whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The parent's investments in controlled entities are initially recognised at cost and subsequently measured at cost, less any impairment charges.

Non-controlling interests not held by the Group are allocated their share of net profit after tax and each component of other comprehensive income and are presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

All intercompany transactions and balances, income and expenses, and profits and losses resulting from intra-group transactions are eliminated on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 9 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of McConnell Dowell Corporation Limited and its Australian subsidiaries is Australian dollars ($). Where a subsidiary's functional currency is a different denomination it is translated to the presentation currency (see below).

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of group companies functional currency to group presentation currency

On consolidation the assets and liabilities of foreign entities are translated into Australian dollars at rates of exchange prevailing at the reporting date. Income, expenditure and cash flow items are translated into Australian dollars at weighted average rates.

Exchange variations arising on translation for consolidation are recognised in the foreign currency translation reserve in equity, through other comprehensive income.

If a subsidiary were sold, such translation differences are recognised in the statement of profit or loss as part of the cumulative gain or loss on disposal.

Financial instruments

Financial Assets

Initial recognition and measurement

The Group initially recognises financial assets when the Group becomes a party to the contractual provisions of the instrument.

Notes to the annual financial statements (continued)

for the year ended 30 June 2021

Financial assets are initially measured at fair value plus in the case of assets not measured at fair value through profit or loss, directly attributable transaction costs. Subsequently financial assets, excluding derivatives, are classified as measured at amortised cost or fair value, depending on the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Derivatives are subsequently measured at fair value through profit or loss. Changes in the fair value of derivatives used to economically hedge the Group's foreign exchange exposure are recognised in other earnings in the earnings or loss component of the statement of comprehensive earnings.

A financial asset qualifies for amortised cost, using the effective interest method net of any impairment loss if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, it is measured at fair value.

The assessment of business model is made at portfolio level as this reflects best the way the business is managed, and information is provided to management.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets are classified as trade and other receivables, amounts due from contract customers, and cash and bank balances.

The Group's financial assets are classified and measured as follows:

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost.

Amounts due from contract customers

Amounts due from contract customers are carried at cost plus margin recognised, less billings and recognised losses at the reporting date in accordance with the revenue recognition policy shown below.

Contract receivables and contract retentions are initially recognised at cost plus margin, which approximates fair value, and are subsequently measured at amortised cost. Contract receivables and retentions comprise amounts due in respect of progress billings certified by the client or consultant at the reporting date for which payment has not been received and amounts held as retentions on certified work at the reporting date.

Contract costs include costs that are attributable directly to the contract and costs that are attributable to contract activity. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, technical assistance, and any other costs which are specifically chargeable to the customer in terms of the contract.

Contract costs incurred that relate to future activity are recognised as an asset to the extent that it is probable it will be recovered. Such costs represent amounts due from contract customers.

Cash and bank balances

Cash and bank balances comprise cash on hand and bank balances that are subsequently measured at amortised cost. Cash held in joint arrangements are available for use by the Group with the approval of the joint arrangement partners. Bank overdrafts are offset against positive bank balances where a legally enforceable right of offset exists and there is an intention to settle the overdraft and realise the net cash. For the purposes of the statement of cash flows, cash and bank balances consist of cash and bank balances defined above net of outstanding bank overdrafts.

Presentation of Impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

Derecognition

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

AASB 9 replaced the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments at Fair Value through Other Comprehensive Earnings, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than IAS 39.

Under AASB 9, ECLs are recognised in either of the following stages:

• 12 Month ECLs: those are ECLs that result from possible default events within the 12 months after the reporting date; and

• Lifetime ECLs: those are ECLs that result from all possible default events over the expected life of the instrument.

The Group has elected to measure the loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs subsequent to initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and an analysis, based on the Group's historical experience and information, including credit assessment and forward-looking information.

Measurement of ECLs

ECL are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the contractual cash flows due to the entity in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate of the financial asset).

Credit-impaired financial assets

At each reporting date, the Group has assessed whether financial assets within the scope of AASB 9 impairment requirements are credit-impaired.

Financial assets not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of credit-impairment. A financial asset is credit-impaired when one or more event that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Accordingly, this accounting policy relates to Amounts due from contract customers, Trade and other receivables and Cash and bank balances.

Objective evidence that financial assets are impaired includes, but is not limited to:

• default or delinquency by a debtor in interest or principal payments;

• restructuring of an amount due to the Group on terms that the Group would not consider otherwise;

• indications that a debtor or issuer will enter bankruptcy or other financial reorganisation;

• adverse changes in the payment status of borrowers or issuers;

• the disappearance of an active market for a security; or
• observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities Initial recognition and measurement

The Group initially recognises financial liabilities when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified as measured at amortised cost or fair value, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and other liabilities, less directly attributable transaction costs. The Group's financial liabilities include trade and other payables, borrowings and other liabilities, bank overdrafts, employee-related payables, amounts due to contract customers and derivatives that are liabilities.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss, except those financial liabilities that contain embedded derivatives that significantly modify cash flows that would otherwise be required under the contract.

Amounts due to contract customers

Where progress billings exceed the aggregate of costs

Notes to the annual financial statements (continued)

for the year ended 30 June 2021

plus margin less losses, the net amounts are reflected as a liability and is carried at amortised cost.

Borrowings and other liabilities

Borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in earnings when the liabilities are derecognised as well as through the amortisation process.

Trade and other payables

Trade and other payables are subsequently measured at amortised cost using the effective interest method.

Bank overdraft

Bank overdrafts are subsequently measured at amortised cost using the effective interest method.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in earnings.

Inventories

Inventories comprise raw materials and consumable stores. Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

Investments in associates

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. The associates are entities over which the Group has significant influence.

The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Group's share of its associates' profits or losses is recognised in the statement of profit or loss, and its share of movements in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of profit or loss as a component of other income, while in the consolidated financial statements they reduce the carrying amount of the investment.

After application of the equity method the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and it's carrying value and recognises the amount in the statement of profit or loss.

When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Interest in joint arrangements

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control. The Group's interest in joint arrangements are either classified as joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

When a Group entity undertakes its activities under joint operation, the Group entity as a joint operator recognises in relation to its interest in a joint operation, its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from its share of the output arising from the joint operation
- Share of the revenue from the output by the joint operation, and
- Expenses, including its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the standards applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of the other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Property, plant and equipment

Property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. Freehold buildings and other fixed assets are depreciated on a straight-line basis over their expected useful lives to an estimated residual value.

The following estimated useful lives are used in the calculation of depreciation:

Buildings	10 - 30 years
Plant and equipment	2 - 15 years
Right-of-use assets	Shorter of lease period and asset's useful life

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to rise from the use or disposal of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the year in which the item is derecognised. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Leases

Group as a lessee

Determining the lease term

The Group has determined the lease term as the non-cancellable period of the lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and the periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The lease term includes any rent-free periods provided to the lessee by the lessor.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of property, plant and equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Separation of lease components

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

Right-of-use assets

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

Right-of-use assets recognised under AASB 16 are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those property, plant and equipment. Where significant components of an item

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for the year ended 30 June 2021

have different useful lives to the item itself, these parts are depreciated separately if the component's cost is significant in relation to the cost of the remainder of the asset.

Lease payments

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method.

Remeasurement

A lease liability is remeasured when there is a change in future lease payments arising from a change in and index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee of if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

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

Group as a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance or operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Leases whereby the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rental is recognised as revenue during the period in which it is earned.

If an arrangement contains lease and non-lease components, the Group applies AASB 15 to allocate the consideration in the contract.

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

Sub-leases

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. The Group assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, now with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

Group as a lessee
Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate payments reliably, then the asset and liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

Leased assets

Assets held by the Group under leases that transfers to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Lease payments

Payments made under operating leases are recognised in earnings or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Sale and leaseback

Where a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

Where a sale and leaseback transaction results in an operating lease, the gain or loss on sale is recognised in earnings or loss immediately if (i) the Group does not maintain or maintains only minor continuing involvement in the asset other than the required lease payments, and (ii) the transaction occurs at fair value. If the sales price is below fair value, the shortfall is recognised in earnings immediately except where the loss is compensated for by future lease payments at below market price, in which case it is deferred and amortised in proportion to the lease payments over the period for which the assets are expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period the assets are expected to be used.

Leases whereby the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rental income is recognised as revenue during the period in which it is earned.

Rent concessions

Where rent concessions granted by a lessee result in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change, are due on or before 30 June 2021, and do not result in a substantive change to other terms and conditions in the lease, the Group elects to account for changes in lease payments from rent concessions in the same way it would account for the change if it were not a lease modification.

Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If the consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is measured in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.
For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with AASB 8 Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on relative values of the operation disposed of and the portion of the cash-generating retained unit.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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for the year ended 30 June 2021

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Impairment of non-financial assets other than goodwill and indefinite life intangibles

Goodwill and indefinite life intangibles are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstance indicate that they might be impaired. Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any impairment indicators exist, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are subsequently measured at amortised cost using the effective interest method. Amounts are unsecured and are usually paid within 60 days of recognition.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made on the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in the statement of profit or loss in finance costs.

Employee benefits

Short-term benefits

Liabilities for wages, salaries and certain annual leave benefits expected to be settled within 12 months of the reporting date are recognised in employee benefit provisions in respect of employees' services up to the reporting date. They are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Long-term benefits

The liability for long service leave and certain annual leave benefits is recognised in the employee benefits provisions and measured as the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date using projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Issued capital

Ordinary and preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share based payments

The parent company, Aveng Limited operates a share incentive plan for the granting of shares and/or share options to executives and senior employees as consideration for services rendered. Shares and/or share options are offered to executives and senior employees at the market price, upon recommendation by the remuneration committee. Shares and/or share options awarded to executives and senior employees are awarded over a period of three years.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured with reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, no account is taken of performance conditions, other than conditions linked to the market value of the Company's shares. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate as to the number of equity instruments that will ultimately vest. The earnings charge or credit for a period represents the movement in cumulative expense recognised at the beginning and at the end of each reporting period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Provided that all other performance conditions are satisfied, these awards are treated as vesting irrespective of whether or not the market condition is satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified.

In addition, an expense is recognised for any modification, which increases the consolidated total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity- settled award is cancelled, it is treated as if it had vested on the date of cancellation. Any expense not yet recognised for the award is immediately recognised. In the event that a new award is substituted for the cancelled award, and designated as a replacement award, the cancelled and new awards are treated as if they were a modification to the original award.

Revenue recognition

Construction Contracts

Revenue from construction contracts is recognised when the outcome of the construction contract can be measured reliably, by reference to satisfaction of the performance obligation(s) over a period of time. The Group has concluded that it is the principal in its construction contract revenue arrangements, because it typically controls the delivery of construction contracts over a period of time. Where a loss is anticipated on any particular contract, provision is made immediately in full for the estimated final contract loss.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

Where contract costs incurred to date plus recognised earnings, less recognised losses exceed progress billings, the surplus is reflected as amounts due from customers for contract work, described herein as work in progress. For contracts where progress billings exceed contract costs incurred to date plus recognised profits, less recognised losses, the surplus is reflected as amounts due to customers for contract work, described herein as progress billings in advance.

Amounts received before the related work is performed are included as a liability in the consolidated statement of financial position, as amounts received in advance under the amounts due from / (to) contract customers. Amounts billed for work performed but not collected from

Notes to the annual financial statements (continued)

for the year ended 30 June 2021

customers are included as contract receivables. Variations in contract work, claims and incentive payments are included as part of contract revenue as follows:

Claims impact on transaction price

Claims are subject to a high level of uncertainty. Various claims are submitted by the Group to their customers. Under AASB 15 revenue from claims is required to be accounted for as variable consideration and claims are included in revenue only when it is highly probable that revenue will not be reversed in the future.

Variations to a contract

Revenue related to variations is recognised when it can be reliably measured, and it is highly probable that revenue will not be reversed in the future.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Revenue is measured at the consideration at which the Group is expected to be entitled, excluding discounts, rebates, and GST/VAT.

Combining and segmenting construction contracts

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely inter-related or inter-dependent in terms of their design, technology and function. In certain circumstances, the Group measures revenue over a period of time for each separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or group of contracts.

Assets covered by a single contract are treated separately when:

- separate proposals have been submitted for each asset;
- each asset has been subject to separate negotiation and the Group and customer have been able to accept or reject that part of the contract relating to each asset; and
- the costs and revenues of each asset can be identified.

A group of contracts is treated as a single construction contract when:

- the group of contracts is negotiated as a single package;
- the contracts are so closely inter-related that they are, in effect, part of a single project with an overall positive margin; and
- the contracts are performed concurrently or in a continuous sequence

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in AASB 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Costs to obtain a contract

The Group pays sales commission to its employees for certain types of contracts that they obtain. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

Warranties and defect periods

Generally, construction and services contracts include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and therefore estimated and included in the total costs of the contracts. Where required, amounts are recognised accordingly in line with AASB 137: Provisions, Contingent Liabilities and Contingent Assets.

Sale of Goods

Revenue from sale of goods is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably. The Group has concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

Income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current tax relating to a transactions that is outside earnings or loss are recognised in correlation to the underlying transaction either in other comprehensive earnings or directly in equity not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided, using the balance sheet method, on all temporary differences at the reporting date except where exempted by Australian Accounting Standards. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax is charged to the statement of profit or loss except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition.

The effect on deferred tax of any changes in tax rates is recognised in the statement of profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.
A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is not probable that the related tax benefit will be realised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Management periodically evaluates position taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST/VAT except:

- when the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Revisions to estimates are recognised in the period in which the estimate is revised.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made.

Actual results may differ from these estimates under different assumptions and conditions may materially affect financial results or the financial position reported in future periods.

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Significant Accounting Judgements
Contracting revenue and profit and loss recognition

The Group uses the input method in determining the satisfaction of the performance obligation over a period of time in accounting for its construction contracts.

Judgements made in the application of the accounting policies for contracting revenue and profit and loss recognition include:

- the determination of the point in the progress toward complete satisfaction of the performance obligation;
- the determination of when it is highly probable that revenue will not be reversed in the future for claims and variations;
- estimation of total contract revenue and total contract costs,
- assessment of the amount the client will pay for contract variations, and
- estimation of project production rates and program through to completion.

The construction contracts undertaken by the Group may require it to perform extra or change order work, and this can result in negotiations over the extent to which the work is outside the scope of the original contract or the price for the extra work.

Given the complexity of many of the contracts undertaken by the Group, the knowledge and experience of the Group's project managers, engineers, and executive management is used in assessing the status of negotiations with the customer, the reliability with which the estimated recoverable amounts can be measured, the financial risks pertained to individual projects and the associated judgements and estimates employed. Cost and revenue estimates and judgements are reviewed and updated monthly, and more frequently as determined by events or circumstances. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately

In addition, many contracts specify the completions schedule requirements and allow liquidated damages to be charged in the event of failure to achieve that schedule; on these contracts, this could result in the Group incurring liquidated damages.

Material changes in one or more of these judgements and/or estimates, whilst not anticipated, would significantly affect the profitability of individual contracts and the Group's overall results. The impact of a change in judgements and/or estimates has and will be influenced by the size and complexity of individual contracts within the portfolio at any point in time.

The Group will continue to focus on project execution and to reduce the financial impact of challenging contracts. The Group continuously reassesses the position recognised on all its recorded uncertified revenue.

This process has included consideration for contractual claims which remain outstanding and will take some time to resolve thus the final outcome both in terms of quantum and timing remains a risk. The Group will continue to robustly pursue its commercial entitlements in relation to contractual claims.

Amounts due from / (to) contract customers

The Group estimates the risk associated with the amounts due from contract customers in order to classify these assets according to their maturity profile. Positions related to long outstanding contract positions have been judged in conjunction with legal advice and potential timeframes associated with legal action.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of profit or loss.

Deferred taxation

Deferred taxation assets are recognised for all unused taxation losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred taxation assets that can be recognised, based upon the likely timing and level of future taxable earnings. If the deferred taxation assets and the deferred taxation liability relate to income taxation in the same jurisdiction, and the law allows net settlement, they have been offset in the statement of financial position.

Uncertainty over income tax treatments

In determining the taxable profit / (loss), tax bases, unused tax losses and tax rates, management assumes that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.
In determining whether tax treatments should be considered independently or on a collective basis, the Group selects the approach that provides better predictions of the resolution of the uncertainty.
The Group reassess the tax treatment if facts and circumstances change.

Joint Arrangements

The Group currently conducts significant construction activities through various joint arrangements with other partners. In determining whether these joint arrangements are joint operations or joint venture in accordance with AASB 11 Joint Arrangements, management have applied significant judgements with whether arrangements are structured through a separate vehicle and the extent to which the terms of the contractual arrangements provide the parties to the joint arrangement with rights to the assets, and obligations for the liabilities, relating to the arrangement.

Leases

Judgements made in the application of the accounting policies for leases include:

- determining whether a contract contains a lease;
- calculating the discount rate;
- determining the lease term;
- application of exemptions for short-term leases and leases of low-value assets; and
- separation of lease components.

At inception of a contract, the Group assesses whether a contract is, or contains a lease. In determining whether a contract is, or contains a lease, the Group considers whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In determining an appropriate discount rate, the Group considers on a lease-by-lease basis whether there is an interest rate implicit in the lease or, if that rate cannot be readily determined, the Group uses judgement in determining an incremental weighted average borrowing rate. In calculating the weighted average incremental borrowing rate, the Group uses a portfolio approach whereby a single discount rate is calculated per portfolio of leases with reasonably similar characteristics. The basis of the discount rate is determined using a cost of debt rate that the Group would pay to borrow funds over a similar term, and with similar security, to obtain an asset of similar value to the right-of-use asset in particular jurisdiction.

The Group considers the lease term as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and the periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The lease term includes any rent-periods provided to the lessee by the lessor.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of property, plant and equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis of the lease term.

Leases and sale and leaseback transactions

Material changes in one or more of these judgements and / or estimates, whilst not anticipated, would significantly affect the profitability of individual contracts and the Group's overall results. The impact of a change in judgements and/or estimates has and will be influenced by the size and complexity of individual contracts within the portfolio at any point in time.

The classification of leases as finance leases or operating leases requires judgement about the fair value of the leased asset, the split of the fair value between land and buildings, the economic life of the asset, whether or not to include renewal options in the lease terms and the appropriate discount rate to calculate the present value of the minimum lease payments.

Impact of the COVID-19 on operations

At 30 June 2021, the continued impact and duration of the COVID-19 outbreak and the related measures taken to control it, including the likelihood of a global recession, are not yet known. In preparing these financial statements, the short-term impact on items such as financial instruments, working capital, sales and provisions has been fully considered. The valuations of financial assets and liabilities carried at fair value reflect inputs known at the reporting date. In assessing the carrying value of its other non-current assets, the Group has assumed that, despite a short-term impact, long-term market conditions remain unchanged, as the timing and scale of the economic impact and recovery remain uncertain.

Notes to the annual financial statements (continued)

for the year ended 30 June 2021

Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount in cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated.

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives, residual values and depreciation methods of property, plant and equipment at the end of each reporting period.

Employee provisions

The company carries provisions for a number of employee entitlements including for bonus, redundancy and project incentives. These provisions are recognised and measured at the reporting date based on all available information in existence at that time, and while requiring management judgement of future outcomes, represent the best estimate of the amount required to settle the obligations. These obligations are both legal and constructive in nature. Movements in these provisions caused by revision to the estimate of fair value are recognised in the statement of profit and loss.

New accounting standards and interpretations

New Accounting Standards and Interpretations effective from 1 July 2020 and are applicable for the Group:

AASB 2018-6 (Amendments to AASs Definition of a Business) - Effective date 1 January 2020)

Provides clarity on the definition of business and reduces the element of judgement when determining what a business is.

The Group has assessed that the following amendment to the standards do not have an impact on the Group currently, it will be reconsidered in future as and when it does become applicable.

AASB 2018-7 (Amendments to AASs – Definition of Material) – Effective date 1 January 2020

Definition of materiality has been amended and it should be easier to understand and apply.

The Group has assessed that the following amendment to the standards do not have an impact on the Group currently, it will be reconsidered in future as and when it does become applicable.

AASB 2019-3 Amendments to Australian Accounting Standards (AASs) – Interest Rate Benchmark reform – Effective date 01 Jan 2020

In May 2019, the IASB issued amendments to AASB 9, IAS 39 and AASB 7 to address uncertainties related to the ongoing reform of interbank offered rates (IBOR).
The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. The Board completed its redeliberation process in August 2019. The Board has now published its first-phase amendments.

The Group does not have any hedges affected by IBOR reform. The amendments are not expected to have any impact on the Group's consolidated financial statements.

AASB 4 Extension of the Temporary exemption from Applying AASB 9 (amendments) – Effective date 01 Jan 2020

Rather than having to implement AASB 9 in 2018, some companies are permitted to continue to apply IAS 39 Financial Instruments: Recognition and Measurement. To qualify, a reporting company's activities need to be predominantly connected with insurance.
The Group has determined that this amendment is not applicable as the Group does not have any insurance contracts.

AASB 16 COVID-19-Related Rent Concessions (amendment) – Effective date 01 Jan 2020

In response to the COVID-19 coronavirus pandemic, the IASB issued amendments to AASB 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

The Group has adopted these amendments to contracts where lease concessions were provided as a direct consequence of COVID-19. The Group does not treat these concessions as lease modifications and has appropriately disclosed as such.

New accounting standards issued not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2021, and have not been applied in preparing these consolidated financial statements.

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2021. All other standards and interpretations that are not disclosed have been assessed and are not applicable to the Group.

AASB 17 Insurance Contracts – Effective date 01 Jan 2023 (new standard)

In May 2017, the IASB issued AASB 17 Insurance Contracts (AASB 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, AASB 17 will replace AASB 4 Insurance Contracts (AASB 4) that was issued in 2005. AASB 17 applies to all types of insurance contracts (ie., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of AASB 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in AASB 4, which are largely based on grandfathering previous local accounting policies, AASB 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of AASB 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

AASB17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies AASB 9 and AASB 15 on or before the date it first applies AASB 17.

This standard is not applicable to the Group.

AASB 2020-1 Amendments to AASs: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of AASB 101 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement?
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to AASB 3

In May 2020, the IASB issued Amendments to AASB 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of AASB 3 to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in AASB 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

AASB 2020-3 Amendments to AASB 116 - Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Notes to the annual financial statements (continued)

for the year ended 30 June 2021

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

AASB 2020-3 Amendments to AASB 1 - First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to AASB 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of AASB 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of AASB 1.
The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

AASB 2020-3 Amendment to AASB 9 – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to AASB standards process the IASB issued amendment to AASB 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Those which may be relevant to the Group are set out below and the assessment of the estimated impact that the initial application will have on the consolidated financial statements are set out below. These will be adopted in the period that they become mandatory unless otherwise indicated.

Impact of adopting the new standards on the financial statements

Standard/Interpretation		Effective date Periods beginning on or after
AASB 2020-5	Amendments to AASs - Insurance Contracts	1 January 2021
AASB 2020-8	Amendments to AASs - Interest Rate Benchmark Reform - Phase 2	1 January 2021
AASB 2021-3	Amendments to AASs - Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
AASB 1060	General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities	1 July 2021
AASB 2020-2	Amendments to AASs - Removal of special Purpose Financial Statements for Certain For-Profit Private Sector Entities	1 July 2021
AASB 2020-7	Amendments to AASs - Covid-19-Related Rent Concessions Tier 2 Disclosures	1 July 2021
AASB 2020-9	Amendments to AASs - Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments	1 July 2021
AASB 2021-1	Amendments to AASs - Transisition to Tier 2: Simplified Disclosures for Not-for-Profit Tier 2 Entities	1 July 2021
AASB 2020-3	Amendments to AASs - Annual Improvements 2018-2020 and Other Amendments • Amendment to AASB 1, Subsidiary as a First-time Adopter • Amendments to AASB 3, Reference to the Conceptual Framework • Amendment to AASB 9, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities • Amendments to AASB 116, Property, Plant and Equipment: Proceeds before Intended Use • Amendment to AASB 137, Onerous Contracts - Cost of Fulfilling a Contract • Amendment to AASB 141, Taxation in Fair Value Measurements	1 January 2022
AASB 2014-10	Amendment to AASs - Sale or Contribution of Assets between an investor and its Associate or Joint Venture	1 January 2022
AASB 17	Insurance Contracts	1 January 2023
AASB 2020-1	Amendment to AASs - Classification of Liabilities as Current or Non-current	1 January 2023
AASB 2020-2	Amendment to AASs - Disclosure of Accounting Policies and Definition of Accounting Estimates • Amendments to AASB 7, AASB 101, AASB 134 and AASB Practice Statement 2 • Amendments to AASB 108	1 January 2023
AASB 2021-5	Amendment to AASs - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Notes to the annual financial statements (continued)

for the year ended 30 June 2021

2. Revenue and Income

All figures are in A$000's

	Note	Consolidated 2021	2020
Revenue			
Construction contract revenue		**1,473,718**	997,743
Less: revenue impact relating to non-cash impairment		**-**	(19,169)
Total revenue - Group		**1,473,718**	978,574
Other income			
Net gain on disposal of fixed assets		**2,109**	7,038
Other income		**6,566**	8,218
Other income - Group		**8,675**	15,256
Total revenue and income - Group		**1,482,393**	993,830
Geographical information			
Australia		**1,045,631**	556,799
New Zealand and Pacific Islands		**262,810**	288,625
South East Asia		**165,277**	133,150
Total construction contract revenue		**1,473,718**	978,574

The Consolidated Entity's share of revenue from associates is excluded from revenue noted above and from the Statement of Profit or Loss in accordance with Australian Accounting Standards. Details of the Consolidated Entity's share of revenue from associates is provided as additional non-IFRS information below.

	Note	2021	2020
Revenue and income - Group		**1,482,393**	993,830
Revenue - Associates	10	**7**	49
Revenue - Group and Associates		**1,482,400**	993,879

Contract balances

Refer to note 7(a), 7(c) and 13 for trade receivables, contract assets and contract liabilites respectively.

Remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2021 are, as follows:

	2021	2020
Within one year	**1,311,548**	1,200,049
More than one year	**561,690**	644,997
Total performance obligations (unsatisfied or partially unsatisfied)	**1,873,238**	1,845,046

The remaining performance obligations expected to be recognised in more than one year relate to the execution of existing construction contracts.

3. Operating Expenses

All figures are in A$000's

	Note	Consolidated 2021	2020
Operating expenses include the following items:			
Salaries & wages		**(266,820)**	(229,096)
Subcontractors		**(741,046)**	(519,298)
Materials		**(239,922)**	(98,495)
Plant costs		**(51,355)**	(36,340)
Indirect project costs		**(53,032)**	(54,187)
Administrative expenses		**(32,265)**	(20,565)
Short term and low value lease charges		**(41,987)**	(16,958)
Foreign exchange losses		**(969)**	(690)
Total operating expenses		**(1,427,396)**	(975,629)

The Group recognised rent expense from short-term leases of $41.1 million (2020: $14.3 million), leases of low-value assets of $0.8 million (2020: $2.7 million) and no variable lease payments for the year ended 30 June 2021.

4. Finance income and costs

All figures are in A$000's

	2021	2020
Finance income		
Interest income	**477**	482
Total finance income	**477**	482

Interest income is recognised and accrued on interest bearing cash accounts. Any amounts not recognised in closing cash balances, are accrued using the effective interest rate on an account by account basis.

	2021	2020
Finance costs		
Interest expense	**(561)**	(1,047)
Other finance costs	**(1,213)**	(1,530)
Finance costs on lease liabilities	**(1,656)**	(1,719)
Total finance costs	**(3,430)**	(4,296)

Notes to the annual financial statements (continued)

for the year ended 30 June 2021

5. Taxation	Note	Consolidated 2021	2020
All figures are in A$000's			
Current income tax:			
Current tax expense		**2,050**	2,563
Adjustment in respect of current year income tax of previous year		**57**	250
Deferred tax:			
Relating to origination, reversal and impairment of temporary differences		**32**	597
Income tax expense reported in statement of profit or loss		**2,139**	3,410

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2021 and 2020 is as follows:

	2021	2020
Accounting profit / (loss) before income tax	**25,173**	(13,084)
Income tax expense / (benefit) at the statutory income tax rate of 30% (2020: 30%)	**7,552**	(3,925)
Adjusted for:		
Permanent differences and non-assessable income	**(717)**	(726)
Share of loss of associates	**175**	365
Withholding tax expensed	**1,018**	2,052
Utilisation of previously unrecognised losses	**(9,648)**	(124)
Tax losses not recognised	**3,025**	5,362
Adjustment in respect of current income tax of previous year	**57**	250
Effects of lower rates of tax on overseas income	**511**	106
Other items	**166**	50
Income tax expense reported in statement of profit or loss	**2,139**	3,410

5. Taxation (continued)

Tax consolidation

McConnell Dowell Corporation Limited and its wholly owned Australian entities are members of the Aveng Australia Holdings Pty Ltd tax consolidated group with effect from the 12 May 2005. Members of the Group have entered into a tax sharing agreement (TSA) that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of the TSA on the basis that the possibility of default is remote.

Tax effect accounting by members of the Aveng Australia Holdings Pty Ltd consolidated tax group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting. The head entity and the controlled entities in the tax consolidation group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidation group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further below.

Members of the tax consolidated group have entered into a tax funding agreement. The agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the consolidated group in accordance with the principles of AASB 112 Income Taxes.

Nature of tax funding agreement

The Group has applied the "group allocation" approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. This approach is based on a modified stand alone method, where the group measures its current and deferred taxes as if it continued to be a separate taxable entity adjusted for inter-group dividends and capital gains / (losses).

The tax funding agreement require payments to / from the head entity equal to the current tax liability / (asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-company receivable / (payable) equal in amount to the tax liability / (asset) assumed. The inter-company receivable / (payable) is at call.

The Australian consolidated tax group elected to adopt from 1 July 2009 onwards the new Taxation of Financial Arrangements ("TOFA") regime for financial instruments. The TOFA aims to align the tax and accounting treatment of financial arrangements. The election made is irrevocable. A transitional election was made to bring pre-existing arrangements into TOFA.

6. Inventories	Note	Consolidated 2021	2020
All figures are in A$000's			
Raw materials, components (at cost)		**1,341**	1,295
Total inventories		**1,341**	1,295

Notes to the annual financial statements (continued)

for the year ended 30 June 2021

7. Trade and other Receivables

All figures are in A$000's	Note	Consolidated 2021	2020
Current			
Trade receivables	7(a)	**203,780**	127,329
Retentions		**4,030**	2,506
Contracts in progress	7(c)	**68,929**	47,192
Sundry receivables	7(b)	**14,826**	13,719
Deposits and bonds		**1,501**	785
Receivables from associates - Dutco McConnell Dowell (ME) LLC		**1,019**	891
Receivables from other related parties	17	**2,326**	2,326
Total current trade and other receivables		**296,411**	194,748

7(a) - Trade receivables are non-interest bearing and are generally on 30-45 day terms.
Refer to expected credit losses on Trade and other receivables below for additional information.

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of the receivables. Details regarding the credit risk of current receivables are disclosed in Note 20.

At 30 June, the ageing analysis of trade receivables is as follows:

	2021	2020
0-30 days	**198,508**	119,577
31-60 days	**1,903**	537
61-90 days	**292**	954
91+ days	**3,077**	6,261
Total trade receivables	**203,780**	127,329

Expected credit losses on Trade and other receivables
As at 30 June 2021, the Group has trade and other receivables of $203.8 million (2020: $127.3 million).

The provision for expected credit losses on trade receivables is, in whole dollars $5,883 (2020: $16,080) which is immaterial to the Group.

7(b) Sundry receivables are non-interest bearing and generally have 30 day repayment terms.

7(c) Construction work in progress	Note	2021	2020
Total work in progress		**68,929**	47,192
Total progress billings in advance	13	**(145,443)**	(97,667)
Net construction work in progress		**(76,514)**	(50,475)

As at 30 June 2021, the Group has amounts due from customers of $68.9 million (2020: $47.2 million) which is net of the provision for expected credit loss which is considered immaterial to the Group.

Impact of COVID-19
The assesment of recoverability of trade and other receivables at 30 June 2021 has considered the impacts of COVID-19 and no material recoverability issues have been identified.

8. Statement of cash flows reconciliation

All figures are in A$000's	Note	Consolidated 2021	2020
(i) Reconciliation of cash			
Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:			
Cash at bank		**135,065**	110,096
Cash in joint operations	8(a)	**37,184**	29,031
Cash on hand		**67**	77
Total cash and cash equivalents		**172,316**	139,204

8(a) - Cash assets held in joint operations are available for use by the Group with the approval of the joint operation partners

(ii) Reconciliation of net cash flows from operating activities to operating profit after tax	Note	2021	2020
Net profit / (loss) after tax from continuing operations		**23,034**	(16,494)
Revenue impact relating to non-cash impairment		**-**	19,169
Depreciation of property, plant & equipment	9(a)	**12,854**	12,941
Depreciation of right of use assets	9(b)	**13,433**	13,314
Share of associated companies losses		**584**	1,216
Effect of foreign exchange movements		**1,174**	(5,684)
Net gain on disposal of fixed assets		**(2,109)**	(7,038)
(Increase) / Decrease in receivables & other assets		**(103,411)**	28,596
(Increase) / Decrease in inventory		**(46)**	2,724
Decrease in deferred tax asset		**(199)**	(718)
Increase in trade & other payables		**119,280**	2,761
Increase / (Decrease) in provisions		**6,009**	(34)
Decrease in income tax receivable		**857**	141
Net cash inflow from operating activities		**71,460**	50,894

Notes to the annual financial statements (continued)

for the year ended 30 June 2021

Consolidated

9. (a) Property, plant and equipment	Note	Land and buildings	Owned plant, equipment and vehicles	Capital work-in-progress	Total 2021
All figures are in A$000's					
Cost 2021					
At 30 June 2020		11,556	191,965	60	**203,581**
Foreign exchange movements		(859)	(5,215)	-	**(6,074)**
Additions		-	12,059	3,790	**15,849**
Disposals		(330)	(21,045)	-	**(21,375)**
Transfer to asset held for sale		(3,900)	(359)	-	**(4,259)**
At 30 June 2021		6,467	177,405	3,850	**187,722**
Accumulated depreciation 2021					
At 30 June 2020		5,882	150,168	-	**156,050**
Foreign exchange movements		(615)	(4,205)	-	**(4,820)**
Charge for period		156	12,698	-	**12,854**
Disposals		(330)	(19,411)	-	**(19,741)**
Transfer to asset held for sale		(3,285)	(359)	-	**(3,644)**
At 30 June 2021		1,808	138,891	-	**140,699**
Net book value at 30 June 2021		4,659	38,514	3,850	**47,023**
					Total 2020
Cost 2020					
At 30 June 2019		15,485	207,031	70	**222,586**
Foreign exchange movements		114	99	-	**213**
Additions		-	12,000	15	**12,015**
Disposals		(4,043)	(27,137)	-	**(31,180)**
Transfer to asset held for sale		-	(28)	-	**(28)**
Reclassification of assets		-	-	(25)	**(25)**
At 30 June 2020		11,556	191,965	60	**203,581**
Accumulated depreciation 2020					
At 30 June 2019		9,010	162,007	-	**171,017**
Foreign exchange movements		78	87	-	**165**
Charge for period		196	12,745	-	**12,941**
Disposals		(3,402)	(24,671)	-	**(28,073)**
At 30 June 2020		5,882	150,168	-	**156,050**
Net book value at 30 June 2020		5,674	41,797	60	**47,531**

Leased plant, equipment and vehicles are pledged as security for the related finance lease liability (see note 15).

Asset held for sale is represented by the Rayong Yard in Thailand, it comprises freehold land, buildings and plant & equipment. This facility was developed by MCD primarily for fabrication activities and was identified by the Directors as no longer required. An agent was apppointed to lead the sale. As at 25 June 2021, a contract of sale has been executed with a third party and a deposit for an agreed sale consideration is held by MCD. Settlement and the control of the asset is expected to occur three months after contract signing date.

Consolidated

9. (b) Right of use assets	Note	Land and buildings	Owned plant, equipment and vehicles	Total 2021
All figures are in A$000's				
Cost 2021				
At 30 June 2020		25,485	9,643	**35,128**
Foreign exchange movements		(334)	(701)	**(1,035)**
Additions		3,715	6,208	**9,923**
Disposals		(1,657)	(9,658)	**(11,315)**
At 30 June 2021		27,209	5,492	**32,701**
Accumulated depreciation 2021				
At 30 June 2020		5,988	6,719	**12,707**
Foreign exchange movements		(84)	(597)	**(681)**
Charge for period		7,193	6,240	**13,433**
Disposals		(1,620)	(9,664)	**(11,284)**
At 30 June 2021		11,477	2,698	**14,175**
Net book value at 30 June 2021		15,732	2,794	**18,526**
Cost 2020				
At 30 June 2019		-	-	**-**
AASB 16 Adoption		19,474	7,968	**27,442**
Additions		6,277	1,843	**8,120**
Disposals		(266)	(168)	**(434)**
At 30 June 2020		25,485	9,643	**35,128**
Accumulated depreciation 2020				
At 30 June 2019		-	-	**-**
Foreign exchange movements		-	(177)	**(177)**
Charge for period		6,250	7,064	**13,314**
Disposals		(262)	(168)	**(430)**
At 30 June 2020		5,988	6,719	**12,707**
Net book value at 30 June 2020		19,497	2,924	**22,421**

Notes to the annual financial statements (continued)

for the year ended 30 June 2021

10. Investments in and loans to associates and others

All figures are in A$000's

	Note	Consolidated 2021	Consolidated 2020
(a) Investment details			
Unlisted			
Investment in Dutco McConnell Dowell Middle East LLC		-	-
Loan to Dutco McConnell Dowell Middle East LLC		-	-
Net investment in and loans to associates and others		**-**	**-**

Dutco McConnell Dowell Middle East LLC (DMDME) is an unlisted company based in Dubai in the United Arab Emirates. Subsidiaries of DMDME include McConnell Dowell Abu Dhabi LLC based in Abu Dhabi, Dutco McConnell Dowell Qatar LLC based in Qatar, Dutco McConnell Dowell Saudi Arabia LLC based in Saudi Arabia, Dutco McConnell Dowell Fabrication LLC based in Qatar and McConnell Dowell Gulf LLC based in Oman.

The principal activities of the DMDME and its subsidiaries are civil, pipeline, mechanical, tunnelling & fabrication engineering and construction.

The Group has a 50% share of DMDME and its subsidiaries.

10. Investments in and loans to associates and others (continued)

All figures are in A$000's

(b) Summarised financial information

Dutco McConnell Dowell Middle East LLC has a 31 December year-end (in line with the local shareholder). This differs from the year-end of the Group.

Dutco McConnell Dowell Middle East LLC has the same accounting policies as the Group.

The Group' s share of bank guarantees issued by Dutco McConnell Dowell Middle East LLC is $9,000 (2020: $2.4 million) for which no liabilities are expected to arise. There are no capital commitments as at balance date.

Profits from the associate cannot be distributed without the consent of both the Group and the local shareholder. The company is scaling back its' operation in the Middle East.

The following table illustrates summarised information of the investment in Dutco McConnell Dowell Middle East LLC:

	Consolidated 2021	Consolidated 2020
Unlisted		
Carrying amount of the investment		
At the beginning of the year	**(4,404)**	(3,188)
Share of results after taxation	**(584)**	(1,216)
	(4,988)	(4,404)
Movement in Loan Receivable	**3,688**	2,976
DMDME current year funding requirements for Contract Liabilities	**1,300**	1,428
At end of year	**-**	-
The assets, liabilities and results of the operations of the associate are summarised below:		
Current assets	**1,066**	1,187
Non-current assets	**-**	-
Total assets	**1,066**	1,187
Current liabilities	**10,453**	10,123
Non-current liabilities	**110**	189
Total liabilities	**10,563**	10,312
Net assets	**(9,497)**	(9,125)
Revenue	**14**	98
Loss after taxation*	**(1,168)**	(2,432)
Total comprehensive loss after taxation	**(1,168)**	(2,432)

* The Group's share of losses in DMDME and its subsidiaries is loss of $0.58 million (2020: loss of $1.22 million).

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11. Interest in joint arrangements

Joint Operations

Name	Principal activity	Principal place of business	Consolidated Owenership interest 2021 %	2020 %
McConnell Dowell / GE Betz / United Group Infrastructure (WSRW)	Construction	Australia	**20.0**	20.0
McConnell Dowell / ABI ADP (Adelaide Desalination)	Construction	Australia	**50.0**	50.0
McConnell Dowell / OHL SA (K2K)	Construction	Australia	**50.0**	50.0
McConnell Dowell / Martinus Rail (Murray Basin)	Construction	Australia	**80.0**	80.0
McConnell Dowell / Lend lease JV (ML JV Pty Ltd)	Construction	Australia	**50.0**	50.0
McConnell Dowell/ Diona - JV - SA Water Frameworks Project	Construction	Australia	**50.0**	50.0
McConnell Dowell / Fletchers / Obayashi (Waterview maintenance)	Maintenance	New Zealand	**22.5**	24.3
McConnell Dowell / Downer EDI (Russley Rd)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell / Downer (formerly) Hawkins (Connectus CRL)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell / Downer (CSM2)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell / Marina Technology & Construction (MBS)	Construction	Singapore	**65.0**	65.0
McConnell Dowell / SYS (IKEA)*	Construction	Malaysia	**-**	80.0
McConnell Dowell / SYS (SPJ)	Construction	Malaysia	**65.0**	65.0
McConnell Dowell / SYS (Bintulu)*	Construction	Malaysia	**-**	65.0
McConnell Dowell / Kaden (Submarine Pipelines)	Construction	Hong Kong	**50.0**	50.0
McConnell Dowell / Obayashi (Warragamba Dam)	Construction	Australia	**60.0**	60.0
McConnell Dowell / Decmil (Mordialloc Bypass)	Construction	Australia	**60.0**	60.0
McConnell Dowell / ITP SA (Crisp)	Construction	Singapore	**50.0**	50.0
McConnell Dowell / John Holland McConnell Dowell JV – JRL 108 (LTA)	Construction	Singapore	**100.0**	50.0
McConnell Dowell / Heb Contractors (Pukekohe)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell / Downer (Wynyard Edge Alliance)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell PP Pesero TBK JV – Palembang City Sewerage Project	Construction	Indonesia	**51.0**	51.0
McConnell Dowell / John Holland (Kidston Hydro)	Construction	Australia	**50.0**	-
McConnell Dowell / John Holland (Papakura to Pukekohe)	Construction	New Zealand	**50.0**	-

Pursuant to the joint operation agreements, key operational decisions of the joint arrangements require a unanimous vote and therefore the consolidated entity has joint control, including in instances where the Group's interest is greater than 50%.

* De-registration of Joint Venture underway and last profit distributions relate to 30 June 2020 financial year.

11. Interest in joint arrangements (continued)

All figures are in A$000's	Note	Consolidated 2021	2020
Statement of comprehensive income			
The Consolidated Entity's interest in the revenue and expenses of the joint operations is:			
Revenue		**255,284**	220,569
Expenses		**(230,433)**	(186,763)
Profit before income tax		**24,851**	33,806
Statement of financial position extract			
In relation to the Consolidated Entity's interest in joint operations, the Consolidated Entity's assets (including share of assets held jointly) and liabilities (including share of liabilities held jointly) are:			
Cash assets	8	**37,184**	29,031
Current assets		**52,741**	25,495
Non-current assets		**110**	121
Total assets		**90,035**	54,647
Current liabilities		**87,394**	50,325
Total liabilities		**87,394**	50,325
Net assets		**2,641**	4,322

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12. Deferred tax assets

All figures are in A$000's	Consolidated 2021	2020
Deferred tax asset	**64,198**	65,522
Deferred tax liability	**(11,807)**	(12,932)
Net deferred tax asset	**52,391**	52,590
Net deferred tax asset represented by;		
At beginning of year	**52,590**	53,308
Foreign exchange impact on opening balance	**(168)**	(121)
Transfer to statement of profit or loss	**(31)**	(597)
Closing balance	**52,391**	52,590
Balance at end of year comprises:		
Provisions / accruals	**12,535**	9,777
Property, plant and equipment	**1,637**	1,750
Lease liabilities	**1,165**	1,078
Withholding tax on future dividends	**(5,168)**	(5,896)
Tax losses available for future utilisation	**42,220**	45,958
Joint operation temporary differences	**795**	(44)
Other	**(793)**	(33)
Closing balance	**52,391**	52,590

The Group offsets its deferred tax liabilities against deferred tax assets relating to temporary differences in the same taxation jurisdictions and periods.

All movements in deferred tax balances have been charged to deferred tax expense as recognised in the statement of profit or loss.

The gross value of unbooked tax losses available for future utilisation within the Group are $491.8 million (2020: $488.4 million).

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and are not presently considered probable of recovery. Unbooked tax losses at 30 June 2021 is excess over the amount of tax losses that were deemed recoverable.

13. Trade and other payables

All figures are in A$000's	Note	Consolidated 2021	2020
Trade payables*		**57,262**	31,187
Project accruals		**140,607**	92,420
Progress billings in advance	7(c)	**145,443**	97,667
Other payables and accruals		**16,050**	18,111
Payables to other related parties	17	**102**	841
Payables to associates - Dutco McConnell Dowell (ME) LLC		**167**	125
Total trade and other payables		**359,631**	240,351

* Trade payables are non-interest bearing and are normally settled on 30-45 day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. There is no collateral provided as security. Information regarding foreign exchange, interest rate and liquidity risk exposure is set out in Note 20.

14. Ultimate parent

The ultimate parent of the Group is Aveng Limited (a company incorporated in South Africa). Aveng Limited owns 100% of the issued ordinary shares in Aveng Australia Holdings Pty Ltd.

The immediate Australian parent of the Group is Aveng Australia Holdings Pty Ltd. Aveng Australia Holdings Pty Ltd owns 100% of the issued ordinary shares in McConnell Dowell Corporation Limited.

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15. Interest bearing loans & borrowings

All figures are in A$000's	Note	Consolidated 2021	2020
Current			
UOB working capital	15(a)	**-**	520
Obligations under finance leases - Singapore Vehicles	15(b)	**97**	103
Secured loan BNZ at 6.95%	15(c)	**2,572**	2,421
Unsecured Financing Microsoft	15(d)	**-**	409
Chattel mortgage at 7.00%	15(e)	**-**	16
Chattel mortgage at 5.68%	15(f)	**123**	238
Chattel mortgage at 5.34 to 6.24%	15(g)	**169**	242
Secured loan - Indonesia	15(h)	**-**	2,141
Total current interest bearing loans & borrowings		**2,961**	6,090
Non-current			
Obligations under finance leases - Singapore Vehicles	15(b)	**195**	309
Chattel mortgage at 5.68%	15(f)	**11**	133
Chattel mortgage at 5.34 to 6.24%	15(g)	**83**	252
Secured loan BNZ at 6.95%	15(c)	**1,045**	3,636
Total non-current interest bearing loans & borrowings		**1,334**	4,330
Total capitalised finance lease obligations	18	**292**	412

15(a) - The Group had entered into a finance facilty with the United Overseas Bank (UOB) for the provision of working capital funding, the interest rate is 2% above BBSY.

15(b) - The Group has entered into finance lease agreements in Singapore for the sale and leaseback of construction equipment. The term of the obligation is on average 2.5 years with an average cost of funding of approximately 1.5%. The leases have no terms of renewal and no obligation to repurchase. Finance lease obligations are secured against the equipment purchased.

15(c) - Loan secured over tunnel boring machines obtained from BNZ in New Zealand in prior years. The interest rate is 6.95%.

15(d) - During the 2019 financial year the group entered into a short term financing arrangement to finance Microsoft products which has been fully settled in the current financial year.

15(e) - In August 2016 the Group entered into an Equipment Chattel Mortgage. The term of the obligation is four years with a fixed cost of funding of 7.00%. The mortgage is secured against the equipment purchased and has been fully settled in the current financial year.

15(f) - In April 2015 the Group entered into an Equipment Chattel Mortgage. The term of the obligation is four years with a fixed cost of funding of 5.68%. The mortgage is secured against the equipment purchased.

15(g) - Between June 2015 to February 2019 the Group entered into Equipment Chattel Mortgages. The term of the obligations are three years with a fixed cost of funding of 5.34% to 6.24%. The mortgages are secured against the equipment purchased.

15(h) - In November 2016 the Group entered into a secured loan agreement in Indonesia. The term of the obligation was four years with a fixed cost of funding of 4.6%. The loan has been fully settled in the current financial year.

Information regarding foreign exchange, interest rate and liquidity risk exposures are set out in Note 20.

16. Provisions

All figures are in A$000's	Note	Consolidated 2021	2020
Current			
Employee provisions	16(a)	**32,623**	26,488
Other	16(b)	**2,921**	3,642
Total current provisions		**35,544**	30,130
Non-current			
Employee provisions	16(a)	**2,495**	1,612
Other		**1,536**	1,824
Total non-current provisions		**4,031**	3,436

16(a) - Employee benefits:
The Group has provided for expected costs in relation to annual leave, long service leave, staff bonuses, long term staff incentive scheme and other employee related provisions.

16(b) - Current other provisions:
Balance includes certain provisions for quantifiable and probable project risks recognised relating to historical projects.

17. Related Parties

All figures are in A$000's	Note	Consolidated 2021	2020
Amounts receivable / (payable) from related parties at balance date			
The receivables / (payables) due to McConnell Dowell Corporation Ltd and its subsidiaries relate to interest on the loan from the immediate parent Aveng Australia Holdings Pty Ltd ("AAH") and cost reimbursements for goods and services provided to / (from) AAH and its subsidiaries and subsidiaries of the ultimate parent Aveng Ltd.			
Aveng Australia Holdings Pty Ltd - current receivable	7	**2,326**	2,326
Aveng (Africa) Ltd - current payable	13	**(102)**	(841)
Total receivables		**2,224**	1,485

Related party transactions are receivable / payable on demand subject to cash flow availability.

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18. Commitments

All figures are in A$000's	Consolidated 2021	2020	2021	2020
Finance lease commitments	**Minimum Payments**	**Minimum Payments**	**Present Value of Payments**	**Present Value of Payments**
The future minimum lease payments under finance leases are as follows:				
- less than one year	**114**	121	**107**	114
- more than one year but less than five years	**228**	361	**214**	341
Total minimum lease payments	**342**	482	**321**	455
Less amounts representing finance charges	**(50)**	(70)	**(47)**	(66)
Present value of minimum lease payments	**292**	412	**274**	389

All figures are in A$000's	2021	2020
Lease liabilites		
Maturity analysis - contractual undiscounted cash flows		
- less than one year	**10,024**	9,713
- more than one year but less than five years	**12,250**	15,808
- more than five years	**3,349**	4,731
Total undiscounted lease liabilities	**25,623**	30,252
Less: future finance charges	**(3,190)**	(4,197)
Present value of minimum lease payments	**22,433**	26,055
Current	**8,852**	8,300
Non-current	**13,581**	17,755

As at 30 June 2021, the Group had commitments of $4.0 million (2020: $4.4 million) in respect of capital equipment which will be financed from existing cash or borrowing facilities.

19. Contingent Liabilities

All figures are in A$000's	Consolidated 2021	2020
Contingent liabilities at balance date, not otherwise provided for in the annual financial statements, arising from guarantees in the normal course of business from which it is anticipated that no material liabilities will arise:		
- bank guarantees	**53,670**	25,806
- letters of credit	**6,633**	12,166
- insurance bonds	**356,757**	287,402
Total contingent liabilities	**417,060**	325,374

The Group has banking and bonding facilities of $576.5 million (2020: $465.0 million). The assets of the Group are pledged under a fixed and floating charge as security controlled by ANZ Fiduciary Services Pty Ltd (Security Trustee) on behalf of the secured lenders. As at 30 June 2021, the Group had $159.5 million (2020: $139.0 million) available (unused) under these facilities.

The Group sometimes has claims that arise out of engineering and construction contracts that have been made by or against the Group in the ordinary course of business. Please refer to Significant Accounting Judgements, Estimates and Assumptions in Note 1 for further information.

The Group is subject to routine tax audits via the ATO in Australia and in certain other overseas jurisdictions. The ultimate outcome of any tax audit cannot be determined within any acceptable degree of reliability at this time.

The Group believes that it is making adequate provision for its taxation liabilities (including amounts shown as current and deferred tax liabilities). However, there may be an impact to the Group if any revenue authority investigations results in an adjustment that increases the Group's taxation liabilities.

Notes to the annual financial statements (continued)

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20. Financial risk management objectives and policies

The Group's principal financial instruments are cash and short-term deposits, receivables, payables and interest bearing liabilities. The Group also provides performance guarantees for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group uses different methods to measure and manage different types of risks to which it is exposed.

The Group has developed a risk management process to facilitate, control and monitor its exposure to key financial risks. This process includes the formal documentation of policies, including limits, controls and reporting structures. The Group does not trade in financial instruments.

Primary responsibility for identification and control of financial risk rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below. Details of the significant accounting policies and methods adopted, including the criteria for recognition of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the foreign operations functional currency) and the Group's net investments in foreign subsidiaries.

The majority of both foreign currency sales and expenses are denominated in the functional currency of the transacting operating entity. The Group manages its foreign currency exposures by attempting to make contract receipts in the same currency as contract payments thereby naturally hedging any exposures.

All figures are in A$000's	2021	2020
As at balance date, the Group had the following exposure to foreign currency:		
Financial assets		
Cash and cash equivalents	**18,304**	12,210
Trade and other receivables	**13,065**	13,689
Total financial assets	**31,369**	25,899
Financial liabilities		
Trade and other payables	**11,664**	6,561
Total financial liabilities	**11,664**	6,561
Total net exposure	**19,705**	19,338
The net exposure to foreign currency consists of:		
Chinese Yuan	**(32)**	82
Euro	**127**	307
Indonesian Rupiah	**178**	8,233
New Zealand Dollars	**2,816**	164
Papua New Guinea Kina	**(14)**	(31)
South African Rand	**-**	(2)
Singapore Dollars	**311**	59
Thai Baht	**42**	48
United Arab Emirates Dirham	**3,786**	2,957
United Kingdom Pounds	**18**	4
US Dollars	**3,974**	488
Australian Dollars	**8,328**	7,062
Other Currencies	**171**	(33)
Total net exposure	**19,705**	19,338

The following sensitivity analysis is based on the foreign currency risk exposure in existence at the balance date, with all other variables remaining constant:

At balance date, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post tax profit higher / (lower)		Equity higher / (lower)	
All figures are in A$000's	2021	2020	2021	2020
Consolidated				
10% increase in AUD rates with all other variables held constant	**(1,254)**	(1,231)	**(1,254)**	(1,231)
10% decrease in AUD rates with all other variables held constant	**1,533**	1,504	**1,533**	1,504

A sensitivity of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a 5 year historical basis and market expectations for potential future movement.

Notes to the annual financial statements (continued)

for the year ended 30 June 2021

20. Financial risk management objectives and policies (continued)

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents. All interest bearing loans and borrowings (see Note 15) are at fixed rates. Given the nature of financial assets and liabilities exposed to interest rate risk, management does not consider interest rates to be a significant risk to the Group.

The Group does not have any interest rate swaps in place, but does constantly analyse its interest rate exposure. Within this analysis consideration is given to existing positions, alternative financing and the mix of fixed and variable interest rates.

As at balance date, the Group had the following exposure to interest rates:

All figures are in A$000's	2021	2020
Financial assets		
Cash and cash equivalents	**172,316**	139,204
Total financial assets	**172,316**	139,204
Total exposure	**172,316**	139,204

The following sensitivity analysis is based on the interest rate risk exposure in existence at the balance date, with all other variables remaining constant.

At balance date, had interest rates moved, as illustrated in the table below, post tax profit and equity would have been affected as follows:

	Post tax profit higher / (lower)		**Equity** higher / (lower)	
All figures are in A$000's	**2021**	**2020**	**2021**	**2020**
Consolidated				
100 basis point increase in interest rates with all other variables held constant	**1,206**	974	**1,206**	974
100 basis point fall in interest rates with all other variables held constant	**(1,206)**	(974)	**(1,206)**	(974)

Credit risk
Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. No collateral is held as security. There are no significant concentrations of credit risk. Loans receivable from associate companies and joint arrangements comprise a number of entities. The group also holds letters of credit with certain financial institutions. Exposure at balance date is addressed in each specific note.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating and industry reputation. Risk limits are set and monitored for each individual customer in accordance with parameters set up by the board. Credit value represents the credit quality of the amounts.

The Group has facilities under which various lenders/financiers provide guarantees and bonding facilities. The Group only obtains facilities from credit worthy third parties and does not consider there to be a concentration of credit risk among these parties.

Receivable balances are monitored on an ongoing basis with the results being that the Group's exposure to bad debts is not significant. The Group contracts with a number of third parties and does not consider that there is a concentration of credit risk with individual third parties. Sundry receivables are not impaired and are not past due. It is expected that these other balances will be recieved when due. Due to the short-term nature of these receivables, the carrying value is assumed to approximate their fair value. The maximum exposure to the credit risk is the fair value of the recievables.

Expected Credit losses on Trade Receivables and other receivables
The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The impact on the Group is that the credit risk has increased, however not significantly.

Impact of COVID-19
The assessment of recoverability of amounts due from contract customers and trade receivables at 30 June 2021 has considered the impacts of COVID-19 and no material recoverability issues have been identified.

Trade receivables All figures are in A$000's	**Contract Assets**	**Current**	**<30 days**	**30-60 days**	**61 -90 days**	**> 91 days**	**Total**
30 June 2021							
Estimated total gross carrying amount at default	**68,929**	**198,508**	**-**	**1,903**	**292**	**3,077**	**272,709**
Expected credit loss	-	-	-	-	-	-	-
30 June 2020							
Estimated total gross carrying amount at default	47,192	119,577	-	537	954	6,261	174,521
Expected credit loss	-	-	-	-	-	-	-

Liquidity risk
Liquidity risk is the risk that the Group and Parent is unable to meet its financial obligations as they fall due.

The Group's objective is to maintain a balance between operational cash flow and the use of external funding through bank overdrafts and available lines of credit. The Group's policy is to minimise the use of available lines of credit, keep interest costs to a minimum, whilst still maintaining an adequate cash balance to meet working capital requirements.

Contracts in progress and contract receivables, are carried at cost, plus profit recognised, less billings and recognised losses at balance sheet date. Progress billings not received are included in contract debtors due to the contractual right associated with the amounts. Where progress billings exceed the aggregate of costs, plus profit, less losses, the net amounts are shown as an increase in trade and other payables.

The cash flow of the Group is exposed to execution risks on construction projects. Cash flows can also be adversely affected by clients being unwilling to resolve variations to contracts in a timely manner. The Group attempts to manage these issues in order that adequate liquidity exists.

The following table reflects all contractual fixed payments for settlement, resulting from recognised financial liabilities as of 30 June 2021. Cash flows from financial liabilities without fixed amounts or timing are based on conditions existing at 30 June 2021.

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20. Financial risk management objectives and policies (continued)

The remaining contractual maturities of the Group's financial liabilities are:

Consolidated

Year ended 30 June 2021 Consolidated All figures are in A$000's	**0-30 days**	**30-60 days**	**60-90 days**	**3 months to 12 months**	**1-5 years**	**over 5 years**	**Total**
Financial liabilities							
Trade and other payables	64,255	94,381	29,640	25,810	-	-	214,086
Balance owing to Aveng (Africa) Ltd	-	-	-	102	-	-	102
Interest bearing loans and borrowings - current	247	247	247	2,221	-	-	2,961
Interest bearing loans and borrowings - non current	-	-	-	-	1,334	-	1,334
Lease liabilities - current	-	-	-	8,852	-	-	8,852
Lease liabilites - non-current	-	-	-	-	10,534	3,046	13,580
Total exposure	64,502	94,627	29,887	36,985	11,868	3,046	240,915
Year ended 30 June 2020 Consolidated							
Financial liabilities							
Trade and other payables	42,746	60,669	19,845	18,583	-	-	141,843
Balance owing to Aveng (Africa) Ltd	-	-	-	841	-	-	841
Interest bearing loans and borrowings - current	1,194	677	677	3,542	-	-	6,090
Interest bearing loans and borrowings - non-current	-	-	-	-	4,329	-	4,329
Lease liabilities - current	-	-	-	8,300	-	-	8,300
Lease liabilites - non-current	-	-	-	-	13,565	4,190	17,755
Total exposure	43,940	61,346	20,522	31,266	17,894	4,190	179,158

The Group monitors the net working capital position on an ongoing basis and uses a rolling forecast of liquidity using expected cash flow. At balance date in addition to the accumulated working capital position of the Group, the Group has approximately $159.5 million (2020: $139.0 million) of unused bank guarantees and bonding facilities and letters of credit available for its immediate use.

Changes in liabilities arising from financing activities All figures are in A$000's	**1 July 2020**	**Cash Flows**	**Foreign Exchange Movement**	**New Loans**	**AASB 16 Adoption**	**30 June 2021**
Current interest- bearing loans and borrowings	5,987	(3,123)	-	-	-	2,864
Current obligations under finance leases and hire purchase contracts	103	(6)	-	-	-	97
Current lease liabilities	8,300	(10,780)	-	11,332	-	8,852
Non-current interest-bearing loans and borrowings	4,021	(2,882)	-	-	-	1,139
Non-current obligations under finance leases and hire purchase contracts	309	(114)	-	-	-	195
Non-current lease liabilities	17,755	(4,174)	-	-	-	13,581
Total liabilities from financing activities	36,475	(21,079)	-	11,332	-	26,728

	1 July 2019	**Cash Flows**	**Foreign Exchange Movement**	**New Loans**	**AASB 16 Adoption**	**30 June 2020**
Current interest- bearing loans and borrowings	12,303	(17,151)	85	10,750	-	5,987
Current obligations under finance leases and hire purchase contracts	44	(1,616)	-	1,675	-	103
Current lease liabilities	-	(4,249)	-	32	12,517	8,300
Non-current interest-bearing loans and borrowings	5,527	(1,495)	(11)	-	-	4,021
Non-current obligations under finance leases and hire purchase contracts	160	(2,765)	(1)	2,915	-	309
Non-current lease liabilities	-	-	-	2,830	14,925	17,755
Total liabilities from financing activities	18,034	(27,276)	73	18,202	27,442	36,475

The Group classifies interest paid as cash flows from operating activities.

Excessive Risk Concentration

Concentrations arise when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly effected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments effecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures includes specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Notes to the annual financial statements (continued)

for the year ended 30 June 2021

20. Financial risk management objectives and policies (continued)

Fair value

The fair value of all current financial assets and liabilities held by the Group approximate the individual carrying values of those assets and liabilities. Non-current interest bearing loans and borrowings held by the Group approximates its carrying value (except as disclosed in Note 18).

The Group can use various methods in estimating the fair value of a financial instrument. The methods comprise:

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

The Group uses foreign exchange forward contracts ("FEFC") to manage some of its transaction exposure. The FEFC's are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 24 months. They are classified as fair value through profit or loss, with Level 2 methods used to estimate the fair value. At 30 June 2021, the Group had not booked any FEFC market to market transactions (2020: nil)

The FEFC's are valued using market observable inputs, applying a forward pricing model using present value calculations. The model incorporates foreign exchange spot and forward rates and the credit quality of counterparties.

21. Issued capital

All figures are in A$000's	Note	2021	2020
Issued and paid capital			
Ordinary share capital			
226,955,362 (2020: 226,555,362) fully paid ordinary shares	21(a)	267,765	227,765
Preference share capital			
Nil (2020: 400,000) fully paid non-redeemable 9.53% per annum cumulative preference shares	21(a), 21(b)	-	40,000
Total contributed equity		267,765	267,765

21(a) - Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the amounts of paid shares held. On the 10 December 2020 all 400,000 preference shares held by the parent company, Aveng Australia Holdings Pty Ltd were converted into ordinary shares, by way of variation of the rights attached to the shares so that the rights attached to the preference shares are the same in all respects as the rights attached to the ordinary shares without cancelling any shares or issuing any new ordinary shares.

21(b) - Preference shares entitled the holder to participate in dividends prior to ordinary shareholders. They were entitled to an amount of 9.53% of the face value of shares per annum. The declaration of any dividend was at the discretion of the Company. If dividends were not paid, or were not paid in full, any unpaid amounts accumulated to a maximum value of the investment. Voting and all other rights were the same as ordinary shareholders.

The cumulative value of dividends not paid on preference shares (in whole dollars) was $27,404,624 (2020: $25,712,723). Subsequent to the conversion of the preference shares to ordinary capital the dividends were forfeited.

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders.

22. Reserves

All figures are in A$000's	Note	2021	2020
Foreign currency translation reserve			
At beginning of year		**1,093**	2,365
Current year movement		**(2,729)**	(1,272)
At end of year	22(a)	**(1,636)**	1,093
Asset revaluation reserve			
At beginning of year		**385**	385
Current year movement		**-**	-
At end of year	22(b)	**385**	385
Capital and other reserve			
At beginning of year		**2,811**	2,811
Current year movement		**304**	-
At end of year	22(c)	**3,115**	2,811
Total reserves at end of year		**1,864**	4,289

22(a) - The foreign currency translation reserve is used to translate the assets and liabilities of foreign controlled entities into Australian dollars at rates of exchange ruling at the reporting date.

22(b) - The asset revaluation reserve represents the amount above original cost of land and buildings.

22(c) - The capital and other reserve is used to primarily meet certain statutory obligations of setting up new subsidiaries in foreign jurisdictions. The current year movement relates to the management incentive scheme.

Notes to the annual financial statements (continued)

for the year ended 30 June 2021

23. Interests in subsidiaries

All figures are in A$000's	Country of incorporation	2021 %	2020 %	2021 $	2020 $
		Percentage of equity held by the consolidated entity			
McConnell Dowell Holdings Pty Ltd	Australia	**100**	100	**89,590**	89,590
McConnell Dowell Holdings Pty Ltd has the following investments in subsidiaries:					
Hylekite Pty Ltd	Australia	**100**	100		
McConnell Dowell Constructors (Aust.) Pty Ltd	Australia	**100**	100		
McConnell Dowell Pty Ltd	Australia	**100**	100		
McConnell Dowell Corporation (NZ) Pty Ltd	Australia	**100**	100		
Tweed River Entrance Sand Bypassing Company Pty Ltd	Australia	**100**	100		
Built Environs Pty Ltd	Australia	**100**	100		
Built Environs Qld Pty Ltd	Australia	**100**	100		
Built Environs WA Pty Ltd	Australia	**100**	100		
McConnell Dowell (American Samoa) Ltd	American Samoa	**100**	100		
McConnell Dowell PDS Sdn Bhd	Brunei	**100**	100		
McConnell Dowell (Fiji) Ltd	Fiji	**100**	100		
PT. McConnell Dowell Indonesia**	Indonesia	**94**	94		
PT Wanamas Puspita	Indonesia	**100**	100		
PT. McConnell Dowell Services	Indonesia	**100**	100		
McConnell Dowell (Malaysia) Sdn Bhd	Malaysia	**100**	100		
McConnell Dowell Constructors Ltd	New Zealand	**100**	100		
McConnell Dowell Constructors (Offshore) Ltd	New Zealand	**100**	100		
McConnell Dowell Philippines Inc	Philippines	**100**	100		
McConnell Dowell Constructors (PNG) Ltd	PNG	**100**	100		
McConnell Dowell Saudi Arabia Ltd	Saudi Arabia	**39**	39		
McConnell Dowell South East Asia Pte Ltd	Singapore	**100**	100		
McConnell Dowell Constructors Thai Ltd - Ordinary Shares	Thailand	**100**	100		
NFI Holdings Ltd	Thailand	**100**	100		
McConnell Dowell International Ltd	Hong Kong	**100**	100		
McConnell Dowell Constructors Hong Kong Ltd	Hong Kong	**100**	100		
McConnell Dowell NC S.A.R.L.	New Caledonia	**100**	100		
McConnell Dowell Constructors Lao Co. Ltd*	Laos	**100**	100		

*** Closure of entity during the Financial Year to 30 June 2021**

**** Non-controlling equity interests in controlled entities**

Reconciliation of non-controlling equity interests in controlled entities:-

			2021 $	2020 $
Opening balance			**151**	148
Share of current year profit			**182**	9
Share of reserve movements (FCTR)			**(41)**	(6)
Closing balance			**292**	151

23. Interests in subsidiaries (continued)

Deed of cross guarantee

McConnell Dowell Corporation Limited, McConnell Dowell Holdings Pty Ltd, McConnell Dowell Constructors (Aust.) Pty Ltd, Hylekite Pty Ltd, McConnell Dowell Pty Ltd, McConnell Dowell Corporation (NZ) Pty Ltd, Tweed River Entrance Sand Bypassing Company Pty Ltd, Built Environs Pty Ltd, Built Environs WA Pty Ltd & Built Environs Qld Pty Ltd are parties to a deed of cross guarantee ("Closed Group") under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (wholly-owned companies) Instrument 2016/785, issued by the Australian Securities and Investment Commission.

	Closed Group	
All figures are in A$000's	**2021**	**2020**
Consolidated statement of comprehensive income		
Revenue	**1,042,749**	573,799
Less: revenue impact relating to non-cash impairment	**-**	(17,000)
Net Revenue	**1,042,749**	556,799
Other income	**12,684**	4,414
Total Income	**1,055,433**	561,213
Operating expenses	**(1,023,502)**	(572,473)
Finance income	**659**	-
Finance expense	**(1,041)**	(856)
Finance costs	**(2,169)**	(2,120)
Depreciation and impairment of fixed assets	**(4,502)**	(3,662)
Profit / (Loss) before tax	**24,878**	(17,898)
Income tax benefit	**598**	353
Total profit / (loss) for the year, net of tax	**25,476**	(17,545)
Attributable to:		
Members of the parent entity	**25,476**	(17,545)
Non-controlling interest	**-**	-
Total profit / (loss) for the year, net of tax	**25,476**	(17,545)
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the year	**(163,346)**	(145,801)
Profit / (Loss) for the year	**25,476**	(17,545)
Dividends provided for or paid	**(5,000)**	-
Retained earnings at end of year	**(142,870)**	(163,346)

During the year a $5 million dividend was declared and paid to Aveng Australia Holdings Pty Ltd, the immediate parent of McConnell Dowell Corporation Ltd (2020: nil).

Notes to the annual financial statements (continued)

for the year ended 30 June 2021

23. Interests in subsidiaries (continued)

	Closed Group	
All figures are in A$000's	**2021**	**2020**
Consolidated statement of financial position		
Current assets		
Cash & cash equivalents	**101,122**	66,700
Trade and other receivables	**195,030**	128,396
Total current assets	**296,152**	195,096
Non-current assets		
Property, plant and equipment	**23,798**	19,150
Right of use assets	**10,378**	12,480
Trade and other receivables	**115**	3,024
Investments in subsidiaries	**49,935**	48,475
Deferred tax assets	**40,308**	39,559
Total non-current assets	**124,534**	122,688
Total assets	**420,686**	317,784
Current liabilities		
Trade and other payables	**242,637**	144,287
Interest bearing loans and borrowings	**292**	1,424
Lease liability	**5,259**	4,993
Provisions	**26,171**	23,259
Total current liabilities	**274,359**	173,963
Non-current liabilities		
Trade and other payables	**-**	16,394
Lease liability	**8,539**	10,811
Interest bearing loans and borrowings	**93**	386
Provisions	**3,486**	2,801
Total non-current liabilities	**12,118**	30,392
Total liabilities	**286,477**	204,355
Net assets	**134,209**	113,429
Equity		
Contributed equity	**267,765**	267,765
Reserves	**9,314**	9,010
Retained earnings	**(142,870)**	(163,346)
Total equity	**134,209**	113,429

24. Parent entity information

All figures are in A$000's	Note	2021	2020
Information relating to McConnell Dowell Corporation Limited			
Current assets		**27,495**	54,912
Total assets		**266,502**	327,671
Current liabilities		**18,082**	8,909
Total liabilities		**18,082**	73,633
Net assets		**248,421**	254,038
Issued capital		**267,765**	267,765
Reserves		**304**	-
Retained earnings		**(19,648)**	(13,727)
Total shareholders' equity		**248,421**	254,038
Loss after tax		**(1,120)**	(6,413)
Total comprehensive expense		**(1,120)**	(6,413)

McConnell Dowell Corporation Limited guarantees all bank and bonding facilities issued across the Group (see Note 19 for details).

McConnell Dowell Corporation Limited is party to a deed of cross guarantee (see Note 23 for details).

25. Directors and executive remuneration

Income paid or payable, or otherwise made available to key management personnel by entities in the consolidated Group in connection with the management of affairs of the parent or its controlled entities. Key management personnel are those persons with authority and responsibility for the planning, directing and controlling of the activities of the Group and its controlled entities, directly or indirectly, including any director (whether executive or otherwise).

Fixed term remunerations		**7,126**	5,930
Short term incentives (STI)		**1,847**	577
Long term incentives (LTI)		**304**	-
Total compensation		**9,277**	6,507

26. Auditors' remuneration

	Consolidated 2021	2020
The auditor of McConnell Dowell Corporation Limited is Ernst & Young.		
Amounts received or due and receivable by Ernst & Young Australia for*:		
- An audit of the financial report of the Entity and any other entity in the consolidated Group	**516,114**	520,407
- Audit fees for work performed in respect of prior years	**16,000**	70,000
- Other services in relation to the Entity, its joint operations and any other entity in the consolidated Group		
- Assurance related services	**204,952**	238,500
	737,066	828,907
Amounts received or due and receivable by related practices of Ernst & Young Australia for*:		
- An audit of the financial report of the Entity and any other entity in the consolidated Group	**199,084**	228,093
Total received or due and receivable by Ernst & Young	**936,150**	1,057,000
Amounts received or due and receivable by non Ernst & Young firms for:		
- An audit of the financial report of the entities in the consolidated Group	**73,733**	53,184

* all figures reported in this note are in whole dollars

27. Events subsequent to balance date

The Group has evaluated subsequent events and determined that there have been no events that have occurred that would require adjustments to our disclosures in the consolidated financial statements.

Directors' Declaration

In accordance with a resolution of the directors of McConnell Dowell Corporation Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of McConnell Dowell Corporation Limited for the financial year ended 30 June 2021 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 23 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the board

S. V. Cummins
Director
30th August 2021

Independent Auditor's Report

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Independent Auditor's Report to the Members of McConnell Dowell Corporation Limited

Opinion

We have audited the financial report of McConnell Dowell Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial 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 the financial report 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 Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report 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 report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report 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 the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the 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 this financial report.

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report 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.

Independent Auditor's Report (continued)

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Ernst & Young

David Shewring
Partner
Melbourne
30 August 2021

To find out more about McConnell Dowell

Visit us online

Company website

Learn about our company, where we work, what we do and our amazing projects.
Visit: www.mcconnelldowell.com

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