

**MCCONNELL
DOWELL**
CREATIVE CONSTRUCTION™

Annual Review 2022



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Creating Better Together

**McConnell Dowell is
Creative Construction.**

**We successfully deliver complex
infrastructure with our customers
and the community.**

Message from our CEO

Scott Cummins



The June 2022 financial year marks the fifth consecutive year of operational profits for the McConnell Dowell Group and the highest revenue result in six years. The business enters the new financial year in a good position and has set itself a steady and achievable growth strategy out to 2030.

Key Highlights

Continued trend of improvement in financial results:

- **17% revenue growth to \$1.7 billion**
- **36% growth in profit after tax to \$31 million.**
- **34% growth in Work in Hand to \$2.5 billion**
setting solid platform for growth into FY23 and beyond
- **Solid cashflow performance and strong liquidity position with \$210 million available cash and minimal debt**
- **Balanced portfolio of projects underway and predominately performing well (85% at bid margin or better)**
- **Preferred contractor status project listing increased to \$2.5 billion,**
including over \$1 billion that will be converted into Work in Hand in quarter one of the coming financial year
- **Continued strong opportunity pipeline, including a tender pipeline of \$3.6 billion**
- **Zero major environmental incidents**
- **Lead safety indicator, PHAIR*, exceeded target by 76%**

* PHAIR - Potential Harm-All Injury Ratio

Operational Performance

Strong revenue growth, coupled with disciplined bidding, project delivery and cost control, combined to see the Group's profit after tax improve and work in hand grow significantly.

Positively, revenue growth was spread across multiple business units and regions with Australia, South East Asia and Built Environs business units all achieving healthy increases in turnover. Revenue for the New Zealand business was adversely impacted by a five-week COVID lockdown, however the underlying performance of that region was also positive.

Work in hand also grew substantially, especially in Australia, New Zealand and the Built Environs business. South East Asia remains an ongoing challenge for new work, but new opportunities are emerging, particularly in the strategically important marine sector. Preferred contractor positions also grew steadily across the business, underwriting the potential for further revenue improvement in FY23.

The diversity of the Group's capability and market sector participation continues to benefit the organisation and proactive customer engagement and business development is continuing to ensure a strong and diverse pipeline of opportunities remains available and actively pursued.

Business Unit Overview

Australia

Conditions were strong in the Australian construction sector with all levels of government using infrastructure investment to drive post-COVID recovery efforts. Private sector investment is also holding up well with the resource and energy markets in particular seeing strong activity levels. New Work Won for the year was at \$1.6 billion, exceeding budget by 12%, while revenue and operating earnings both increased. Revenue was \$1.1 billion.

The Australian business unit increased tendering activity and achieved an exceptional win rate of over 50%. The business was awarded a broad range of project sizes and types across all Australian regions and in most specialist capabilities, highlighting the diversity of the business unit.

Contracts awarded include the Midland Station and BCI Minerals - Mardie Salt projects in Western Australia; the Heysen Tunnels Managing Contractor development phase in South Australia; AIE Port Kembla in New South Wales; and the Archer River Crossing in Queensland. Meanwhile, Victoria continues to contribute significant revenue and work in hand, with new contracts awarded with existing customers such as the Level Crossing Removal Project, Major Road Projects Victoria, Rail Projects Victoria, and Australian Rail Track Corporation. In addition, the business secured numerous smaller rail services contracts in Victoria for numerous customers including V/Line, VicTrack, and MTM. Additional work was also secured through the SA Water Frameworks partnership in South Australia.

Looking forward, a number of major opportunities are pending award in the first half of next financial year, signifying a strong start to the next reporting period.

New Zealand & Pacific

Revenue for the New Zealand and Pacific Islands business unit was slightly down on last year at \$186 million, the result being negatively impacted by a five-week industry wide COVID lockdown. Despite this the business unit's profitability improved by 9%.

The business successfully completed several major projects across a range of disciplines. These included transport related projects such as the Puhinui Station Interchange Project in Auckland (in internal joint venture with MCD's Built Environs business), the Christchurch Southern Motorway Stage 2, and the City Rail Link Contract 2 in Auckland. All are important upgrades and augmentations to the country's road-rail network.

In the water sector, the company completed the Auckland-based Snells Algies Wastewater Pipeline and Outfall, and the St Marys Bay Water Quality Improvement projects. The former project achieving a new world record for the longest Direct Pipe® drive at 2021 metres. The business also continued to support regional water needs with projects such as the Pukekohe WWTP, Warkworth to Snells pumpstation and Dunedin City Council Panel works.

In the Pacific Islands, McConnell Dowell completed Stage 2 of the Te Mato Vai project - a multi-staged upgrade of the water supply network on Rarotonga.

McConnell Dowell New Zealand were awarded several projects during the financial year and new work won was \$437m.

New project awards included Barber Grove, Gisborne Wastewater Treatment Plant, Corbans Reserve, Continuing works at AIAL on the Fuel network, Eastland Port and Auckland District Health Board. The latter another joint venture with Built Environs. In the Pacific Islands McConnell Dowell was awarded a contract to upgrade the lighting at Fitiuta Airport and Pago Runway 5/23000 in American Samoa.

Looking forward, the New Zealand business has a strengthening pipeline of opportunities in the transport, water/wastewater and energy sectors.

Built Environs

Built Environs, the Group's commercial building business operating in South Australia, Victoria and New Zealand, increased its revenue by 20% to \$143m in FY22.

The business successfully delivered a range of complex projects in health, education, community sport and infrastructure. Highlights include completion of the Auckland City Mission Home Ground project and the Puhinui Station Interchange project in New Zealand; Modbury Hospital Upgrade and the State Sports Park in Adelaide; and its first project in Victoria, the Beaumaris Secondary College project for the Victorian Schools Building Authority. The former three projects receiving multiple industry awards for excellence.

The team's strong focus on business development across all operating regions saw bid volumes increase to \$1.6 billion and new work won increase from \$99m to \$312m.

Key project wins in FY22 include the Queen Elizabeth Hospital Stage 3 Redevelopment in Adelaide for the South Australian state government, and the Fitzroy Sports Centre for the Victorian state government.

Built Environs' successful partnership in New Zealand with McConnell Dowell continued with their joint venture being awarded the A40 Central Plant and Tunnel Project for the Auckland District Health Board.

The Built Environs business enters the new financial year with several promising upcoming tender opportunities in all regions and the likelihood of further business growth.

South East Asia

Revenue in South East Asia increased by 56% to \$251 million, however the region remains the most challenging for McConnell Dowell. Profit margins were adversely impacted by difficult operating conditions, including the residual impact of COVID-19 border closures across the region, and no new work was secured in the reporting period. Despite recent relaxation of COVID-19 restrictions, current projects are now navigating through the challenges of the tightening global supply chain.

Active projects include Tangguh LNG and Palembang Wastewater project in Indonesia; Jurong Regional Line (J108), C1A, and Tuas Water Reclamation Works in Singapore; and FGEN LNG Multi-Purpose Jetty and Gas Receiving Facility in the Philippines.

Looking forward, and notwithstanding these challenges, the regional construction sector appears to be on a steady path to recovery and is forecast to return to near pre-pandemic levels in FY23.

A complete review of the region's opportunity pipeline has been undertaken and good quality prospects that align strongly with the Group's specialist engineering capability and delivery strengths have been identified. Tendering activity which was temporarily paused during the period of International border closures has now recommenced and the Group anticipates securing new work in this region in the near term.

Environmental, Social and Governance

The business continued to embed its Environmental, Social and Governance (ESG) framework, guiding organisational decision-making and driving a range of programs and initiatives, in line with the Group's Purpose and Values.

In the environmental area there were no serious incidents recorded, the result of consistent application of the Group's accredited Management System and a strong focus on environmental awareness training.

Carbon reduction and resource minimisation initiatives included the increased use of solar on sites, such as solar generators and lighting, greater use of recycled products, and reduced potable water use through site capture and increased usage of recycled water.

In the social area, the health, safety and well-being of employees and the community remained paramount, with the Group's lead safety indicators showing positive trends.

The primary lead safety indicator, Potential Harm All Injury Ratio (PHAIR), exceeded the target set by 76%, demonstrating a healthy reporting culture across the business.

While the impacts of the COVID-19 pandemic started to normalise in the second half of FY22 across all operations, the business continued to provide support to staff and communities through localised response plans and programs.

The business continued to take a leadership role in the construction industry's focus on improving the culture and wellbeing of the workforce. In Australia, MCD led a ground-breaking pilot program on wellness on the Mordialloc Freeway Project. Undertaken in partnership with government and a local university, the successful program is now being adopted across the industry.

Social procurement spend exceeded targets, where set, by an average 46%, while the Australian Business Unit advanced through the first stage of its formal reconciliation action plan. In New Zealand, the 2021 formation of a local Diversity and Inclusion committee has led to the roll-out of several important initiatives across the business including Māori language and customs training for senior managers.

From a governance perspective, the business continued to operate with strong policy compliance and rigorous oversight and audit regimes in place. Visiting Manager Reports (VMR) exceeded target by 22% and included the use of virtual visits via technology – a positive legacy of the COVID-19 pandemic.

The Group maintained all third-party systems accreditations and licences across its operations and met all its obligations as a signatory to the UN Global Compact.

People and Leadership

The Group's strong leadership foundation was further bolstered in the financial year with several key appointments.

In Australia, these included the appointment of a national pre-contracts manager and a new general manager for the New South Wales region. The pre-contracts appointee is an experienced female staff member, while the new general manager was externally appointed and brings a strong local network and reputation within this critical growth market. The South East Asian business also saw the appointment of several new local senior leaders, with sourcing underway for the managing director role. The leadership teams in New Zealand & Pacific Islands and Built Environs business units remained unchanged throughout the period, as did the composition of the Group's Executive Committee, highlighting the stability of the business.

Resourcing in all geographic markets remained under significant pressure as record-breaking levels of construction activity, along with the challenges of immigration and mobility during the pandemic, combined to create imbalanced demand and supply of critical capabilities.

Internal resource sharing between business units relieved some pressure and created opportunities for staff to build their careers in new regions. An international recruitment campaign was also launched, initially focused on the UK and Europe.

Looking to future recruitment requirements, an outsourced model is being implemented in Australia to better respond to the needs of the business. Graduate programs are also now in place in all four business units with strong annual intakes.

Within a tight talent market, retention of key talent is crucial and investment in learning and development remained a primary focus for the Group.

The business has partnered with Australia's top-ranked business school, The University of Melbourne - Melbourne Business School, to deliver an integrated Senior Leadership Program aimed at developing leadership capabilities in an intensive learning environment. The inaugural program was delivered during the year with great success. The second cohort will complete the course in late 2022.

An Operational Leadership Program – a five-day intensive program targeting emerging leaders in project management – will launch in the coming year.

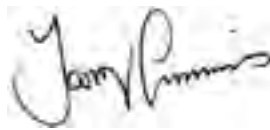
Looking ahead

The Group enters the 2023 financial year in a strong financial position with no debt except for a small value of asset finance, solid work in hand, and a robust pipeline of preferred contractor positions and qualified opportunities across its operating regions and businesses.

Government infrastructure investment continues to be strong, while energy transition and climate change related projects will grow in number and scale over the coming decades.

While market headwinds remain, including residual COVID challenges, price escalation, increasing government debt, resource shortages, and supply chain disruptions, the Group has robust management responses and strategies in place and working effectively.

With a clear eye on the future, the Group's Board-endorsed Horizon 2030 strategy provides a robust framework and roadmap for long term decision making and investment, centred on the business's engineering-led heritage and 'Creative Construction' value proposition.



S. V. Cummins
CEO

Group Highlights

Profit after tax up 36%,
highest level in 7 years.

Cash Balance

\$210 million

As of 30 June 2022. Compared to \$172 million as at June 2021

Work in Hand

\$2.5 billion

As of 30 June 2022. Compared to \$1.9 billion as at June 2021

Preferred Status

\$2.5 billion

As of 30 June 2022. Compared to \$1.7 billion as at June 2021

Our Solutions

From ambitious resource projects in remote locations, to city changing infrastructure, customers come to us with complex problems that require innovative solutions.



Transport



Level Crossing Removal Project, Australia

Whether it's boring a new metro tunnel, refurbishing an historic bridge, or constructing new train and tramways, McConnell Dowell is a safe pair of hands for any transport challenge.



Energy



Kidston Pumped Storage Hydro, Australia

We help create safe, sustainable and efficient power infrastructure that supports today's energy hungry and environmentally conscious communities. We deliver civil, electrical, mechanical, pipelines and tunnelling works across all power generation types.



Marine & Coastal



Batangas LNG Terminal, Philippines

The McConnell Dowell name is synonymous with marine design and construction with over 330 marine projects successfully completed.

Our services encompass the complete project lifecycle, from early concept design to commissioning and ongoing maintenance, to suit our customers' objectives and approach.



Water & Wastewater



Barber Grove to Seaview, NZ

We deliver across the complete water and waste water system; from capture, storage and treatment to distribution and outfall.



Building



Fitzroy Sports Centre, Australia

From state of the art hospitals and high-tech sports facilities to landmark retail developments, our building brand, Built Environs, is experienced in all types of commercial building.



Resources



QAL Waste Line Replacement, Australia

When it comes to resources, McConnell Dowell are a tried and trusted partner to industry heavyweights such as BHP Billiton, Rio Tinto, Vale and Fortescue Metals Group. They know us, respect us, and partner with us for their major projects, time and time again.

Environment, Social & Governance

We approach business holistically, embracing environmental, social and governance objectives aligned with our five values and our purpose of 'Providing a Better Life'.



Environment: Carbon & Our Environment

- Reducing carbon
- Acting on climate change
- Minimising waste and pollution
- Embracing the circular economy



Social: Our Community & People

- Keeping everyone safe
- Nurturing and developing our people
- Working with and for the community
- Embracing diversity and inclusion



Governance: Conduct & Compliance

- Being open, honest and transparent
- Managing risk
- Being compliant
- Delivering what we promise





McConnell Dowell partnered with Vivid Disability Services, to provide employment for 20 persons living with a disability on the Echuca Moama Bridge Project. 10 of whom graduated with a nationally recognised qualification for the first time.

ESG in Action

53,000*
tonnes

of calculated carbon savings through value engineering, recycled material opportunities, use of bio-fuels and use of renewable technologies in construction.

76%

of water used from non-potable sources across Australian projects through on site collection and recycled sources.

98%

of construction waste diverted from landfill on building projects through recycling, re-purposing and smart design.

46%

exceedence of social procurement spend targets on government projects. This includes providing employment opportunities for recent refugees, disadvantaged youth and defence veterans.

* Includes construction and infrastructure lifecycle savings, across target Australian projects

Horizon 2030

Our Horizon 2030 strategy provides the framework and roadmap for long-term decision making and investment, centred on our engineering heritage and 'Creative Construction' value proposition.

HORIZON
2030



Underpinned by Our Purpose and Values:

Providing a better life



Safety & Care



Honesty & Integrity



Customer Focus



Working Together



Performance Excellence

Strategic Drivers:

Water security, Climate resilience, Defence self reliance, Transitioning energy, Urbanisation and Aging infrastructure.

Strategic Positioning:

To be an engineering-led specialist multi-disciplinary contractor working with our customers, partners and the community to deliver complex infrastructure solutions.

Underpinned by a significant civil/transport infrastructure and building presence in major urban markets.





Auckland City Mission
Te Tūpou Arahaha

HomeGround

HomeGround, the new building of Auckland City Mission. Completed by Built Environs in early 2022, the project won the New Zealand Property Council's Supreme Award, the most prestigious award in the NZ building industry.



Project Showcase

A cross-section of current projects
under construction.



Kidston Pumped Storage Hydro

A game-changing project for Australia's clean energy industry

**Converting a disused gold-mine into a natural battery
capable of generating 250 MW of power on a rapid (30
second) response basis.**



New Bridgewater Bridge

Delivering Tasmania's largest ever transport infrastructure project

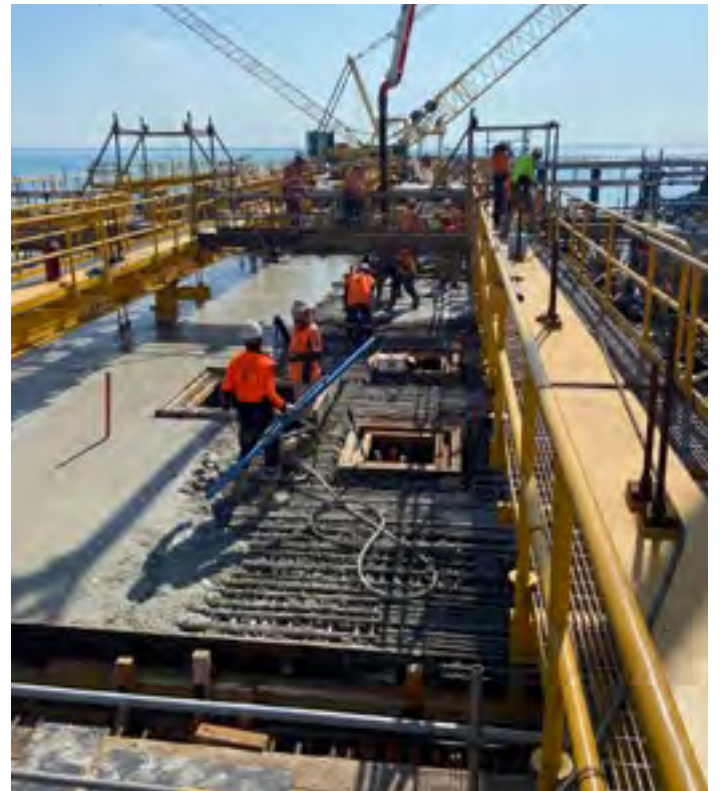
Design and construction of a modern new 1 km crossing of the River Derwent for improved mobility, accessibility, and connectivity.





HMAS Coonawarra

Supporting the Australian Defence Force with new marine facilities



Construction of a new 250 m long wharf and two approach jetties in Darwin to provide additional berthing and support services for the Royal Australian Navy.



Level Crossing Removal Project

Removing dangerous level crossings across metro Melbourne

An ongoing, 10-year alliance with the Victorian state government that has so far seen seven level crossings removed, a new train stabling yard constructed, and over 6 km of metro track duplicated.





Midland Station

Expanding and improving public transport in Perth

Decommissioning and demolition of a 53 year old train station and the design and construction of a new station, bus interchange and cycling facilities.



Enhancing water security and supply north of Adelaide

Planning, management, and delivery of approximately 150 water infrastructure projects for SA Water, including water storage, pipelines and treatments plants.



Annual Review 2022





McConnell Dowell



BCI Minerals - Mardie Salt

Growing Australian exports with new marine facilities



Collaborative design and construction of a piled 2.4 km long jetty structure, along with dolphins, shiploader, conveyor system, and all support infrastructure for new salt export facility.



Port Kembla Gas Terminal

Bringing energy certainty and flexibility to eastern Australia

Converting an abandoned marine terminal used for coal exports into a gas import terminal, including all wharf infrastructure and associated facilities.





Jurong Region Line - Contract J108

Improving connectivity and travel times around Singapore

Design and construction of three new elevated stations and connecting 2.3 km long viaduct for the new Jurong Region Line in the Tengah region of Singapore.



Palembang Wastewater Treatment Plant

Improving health outcomes and water resilience in Indonesia



Construction of a new 20 ML per day wastewater treatment plant that will provide 12,000 households and businesses with sewerage services for the first time





McConnell Dowell



Old Mangere Bridge Replacement

Re-linking communities across an environmentally sensitive waterway

De-construction of a 105-year-old bridge and construction of a new 260 m long, eight metre wide bridge in Auckland.





Barber Grove to Seaview Wastewater Treatment Plant Pipe Duplication

Improving water supply and quality for a growing region

Design and construction of a 1.2 km long, 1 m diameter water pipeline using a mix of trenchless and open trench methods to suit the difficult seismic and geological conditions.





Nuku'alofa Port Upgrade

Supporting economic development in the Pacific Islands

Expanding, modernizing and climate-proofing
Tonga's main international sea port.



Improving essential services in an operational hospital

Multistorey building and services tunnel construction, and installation and commissioning of all new essential plant and equipment.





 The Queen Elizabeth Hospital

Expanding clinical services in South Australia

A new purpose-built hospital facility with a 46-bay emergency department, 12 operating theatres, a 14-bed intensive care unit, a 52-bed rehabilitation unit, and 4 procedure rooms



Delivering Australia's first vertical multi-use sports centre

Building four multi-purpose courts (sized for basketball and netball) over two levels, a gymnasium, café, lounge and other community facilities.





 Eastland Port Wharf 7 Upgrade

Improving capacity and safety at a strategic New Zealand port

Wharf upgrade works to enable two Handymax ships to load and unload safely and simultaneously at the country's largest logging port.

Eastland Port Wharf 7 Upgrade

CARBON FOOTPRINT REDUCTION



DESIGN PHASE INNOVATION

A change from a retaining wall to a deck-on-pile design reduced the number of piles by

50%



TAIRĀWHITI / GISBORNE
EASTLAND PORT

and therefore the steel required by

70%

Adapting the design also meant

49,500t

of hardill was no longer needed

If a truck load one way is **30t**

and the nearest quarry **80km**,

3,300 fewer trucks are on the road



saving

220,000 litres of diesel



or **593** tonnes CO₂e*

Carbon dioxide equivalent means the number of metric tons of CO₂ emissions with the same global warming potential as one metric ton of another greenhouse gas

*Calculated using 'Ministry for the Environment. 2020. Measuring Emissions'

593 tonnes of CO₂e is the same as driving **2,220,973km**

or around the world


55 times

in a standard passenger vehicle





Mordialloc Freeway - opened late 2021, 4 weeks ahead of schedule



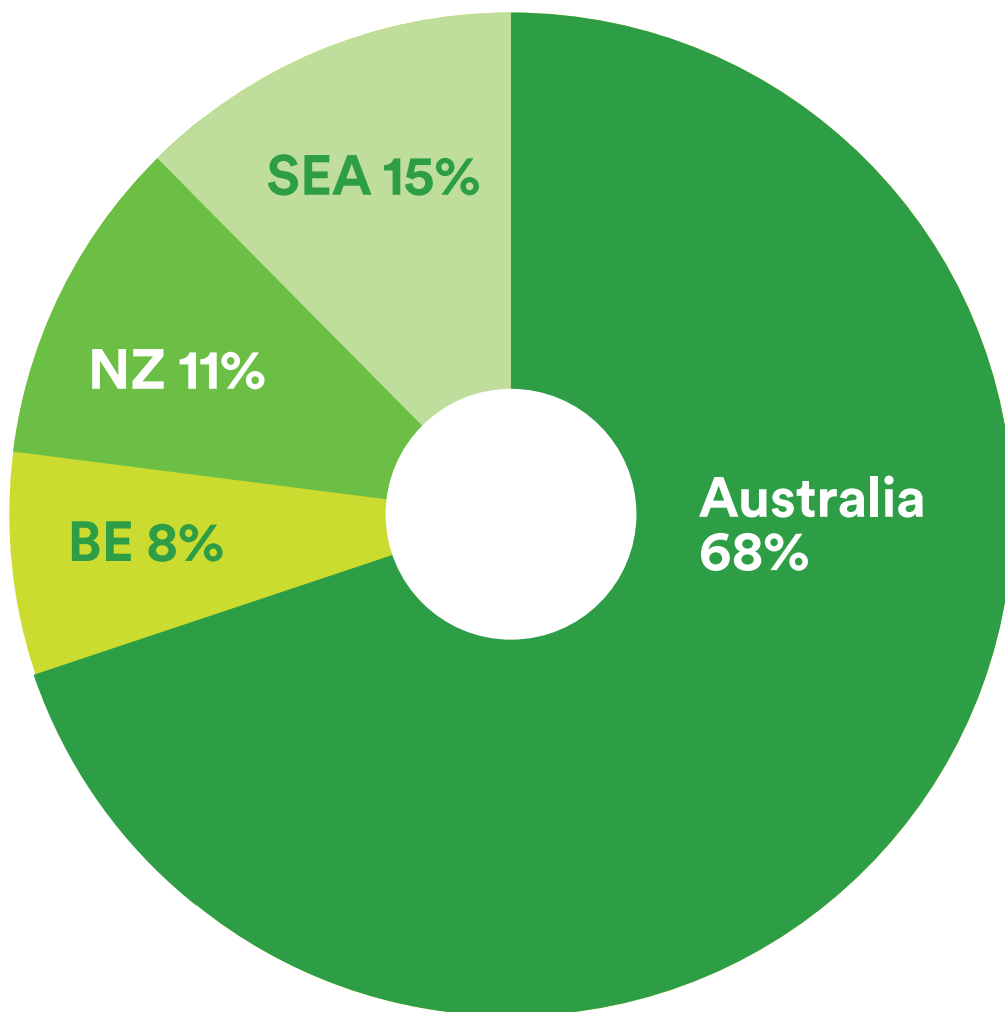
McConnell Dowell Financial Statements

for the year ended 30 June 2022

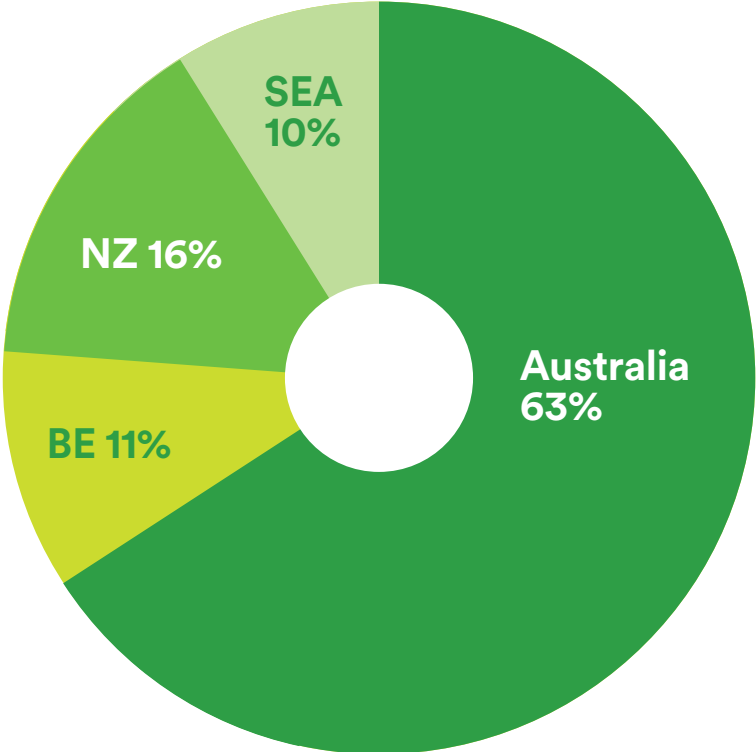
Portfolio Breakdown

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

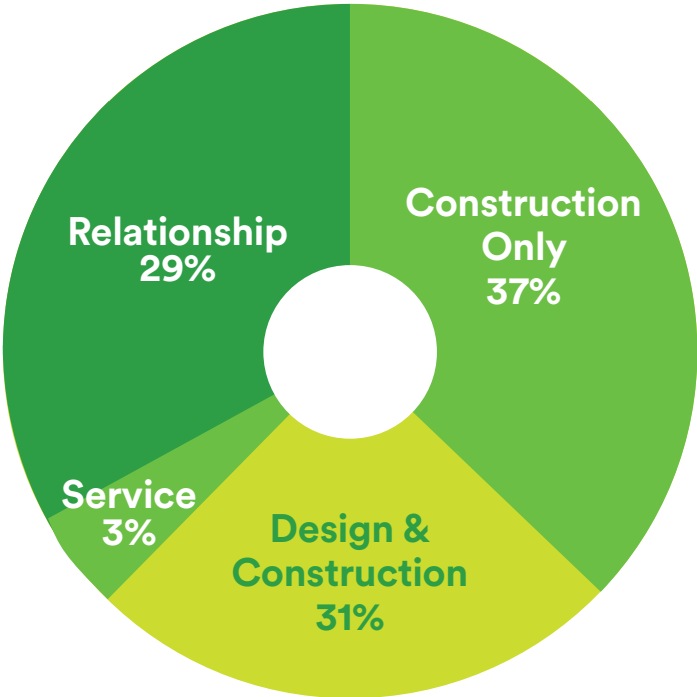
Revenue by Business Unit



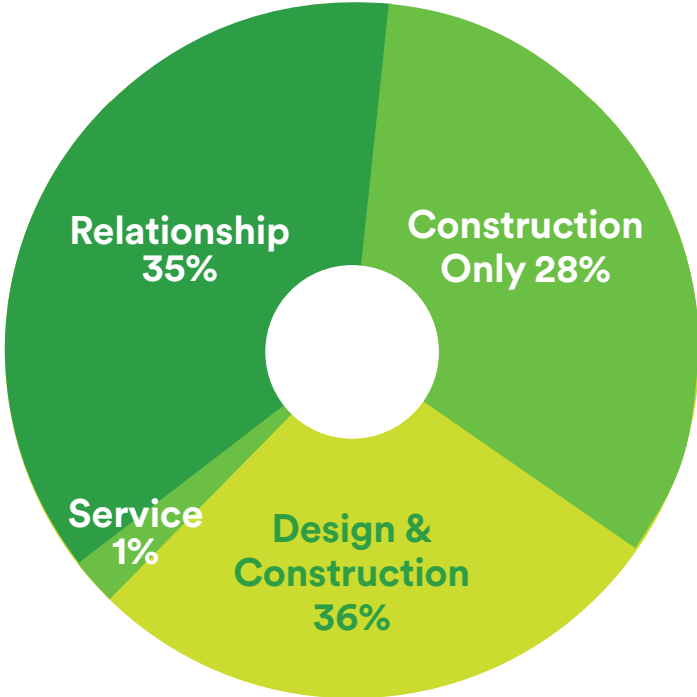
Work in Hand by Business Unit



Revenue by Type



Work in Hand by Type



Directors' Report

for the year ended 30 June 2022

The Directors present their report on the company consisting of McConnell Dowell Corporation Limited (the Company) and its controlled entities for the year ended 30 June 2022.

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 company is infrastructure construction. There were no significant changes in the principal activities of the company during the year.

CONSOLIDATED RESULT

The Group reports improved financial results for year ended 30 June 2022 on the back of a solid order book and good operational performances from the business in Australia and New Zealand. The Group continues the positive momentum displayed in the 2021 financial year and recorded the highest revenue levels during the last six years. The McConnell Dowell team continues to effectively navigate the complexities and challenges imposed by the COVID-19 pandemic, price escalation risk, resource constraints and supply chain disruptions with robust management responses that are in place and working effectively.

KEY FINANCIAL HIGHLIGHTS IN FY22

- Revenue grew by over 17% to \$1.7 billion (2021: \$1.5 billion)
- Increase in profit after tax by 36% to \$31 million (2021:\$23 million)
- Annualised Return on shareholders' funds of 18% and continue to pay shareholder dividends
- Work in hand up to \$2.5 billion with over \$2.3 billion new work won in the period
- Strong liquidity position and cash conversion with \$210 million available cash and minimal debt
- Bonding & bank facilities available of \$676 million (\$407 million utilised) with strong support from our financial partners
- Preferred positions on prospects worth over \$2.5 billion plus a further \$3.6 billion live tenders outstanding
- Clear pathway to revenue & profit growth for the FY23 and beyond

OPERATIONAL PERFORMANCE

Disciplined and consistent project delivery, coupled with a strong opportunity pipeline, facilitating strategic selection of suitable McConnell Dowell prospects, continues to underpin McConnell Dowell's strong results with the portfolio overall delivering on the majority of budgeted financial metrics.

The business has reported double digit growth in revenue, profit after tax, work in hand and finished the year in a strong liquidity position. McConnell Dowell's proactive approach to cost and risk management, coupled with its strong revenue growth has seen the Company's profit after tax trend upwards in the last two financial years as economies of scale are realised.

The Australian business unit continues to be the main contributor of McConnell Dowell's growth in FY22 representing 66% of the Group's revenue. Significant awards post year-end (including Bridgewater Bridge in Tasmania and Epping Road in Victoria) positions the business well for FY23.

Revenue in New Zealand was impacted by delayed government investment as a result of the COVID-19 pandemic during the first half of the year. Pleasingly new work won and work in hand increased toward the latter part of FY22 on the back of renewed momentum in the market.

The South East Asia region remains a very competitive market and was heavily impacted by COVID-19 related challenges which significantly impacted the results for FY22. Tendering activity has now recommenced and the longer-term addressable market in the region remains strong with opportunities emerging in the more nuanced multi-disciplinary type of projects which bodes well for the future pipeline.

Revenue in Built Environs grew by 20% underpinned by the business units focus on the health and social building projects, which are seeing ongoing strong investments from governments in Australia and New Zealand. The business unit continue to expand its footprint in Australia along with continued growth in the New Zealand market.

The Group's work in hand grew by 34% from June 2021 to \$2.5 billion and we are well positioned to achieve the budgeted revenue for FY23 with 91% of budgeted revenue secured, subsequent to July awards. At balance sheet date the business also had \$2.5 billion of preferred tender positions under negotiation, including over \$1 billion on track to be converted to work in hand in the first quarter of FY23.

DIVIDENDS

A dividend of \$12.5 million (2021 – \$5.0 million) was declared and paid during the year ended 30 June 2022 to the parent company shareholder.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year the company indemnified and paid an insurance premium in respect of a D&O policy insuring the directors and officers of the group companies for certain liabilities and legal costs and expenses that may be incurred by those individuals in their capacity as directors or officers, to the extent permitted by law.

The contract of insurance prohibits disclosure of the amount of the premium paid by the company.

APPOINTMENT OF AUDITORS

KPMG Australia was appointed as the auditor of the company 19 November 2021, resulting in Ernst & Young being removed as the auditor of the company

SAFETY AND ENVIRONMENTAL REGULATIONS

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

The company's performance in respect to its compliance with its policies and operating procedures to ensure its obligations in this regard are met is reported to the Executive Committee (Exco).

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF COMPANY

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

EVENTS SUBSEQUENT TO BALANCE DATE

Refer to note 27 - Events 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 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.

KPMG 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 KPMG Australia. The Auditor's Independence Declaration is located on the following page.

The annual financial statements which appear on pages 39 to 89 were approved by the directors by resolution dated 22 August 2022 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 Company can continue in operational existence for the foreseeable future.

In concluding this assessment, the Directors have taken the following considerations into account:

The Company enters FY23 with increased levels of work in hand of \$2.5 billion following significant project wins in Australia and New Zealand / Pacific. At the balance sheet date the Company also has more than \$2.5 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.

The Directors have reviewed the business plans and detailed financial budgets for the year ending 30 June 2023 and beyond, as well as preparing cash flow forecasts covering at least 12 months from the date of these annual financial statements. The construction markets of Australia and New Zealand are healthy, and the Company expects to continue winning work in the coming years to further grow the order book.

The preparation of budgets, plans and forecasts include consideration of the impact of the COVID-19 pandemic. This included management's responses to the effects thereof. Whilst management has taken action to address these effects, this pandemic continues to evolve and represents a risk to the achievement of these budgets, plans and forecasts. Management will continue to monitor and respond to the

circumstances as these emerge. The budgets, plans and forecasts have, together with the assumptions used, been interrogated, and approved by the Directors.

These detailed financial budgets plan and forecasts 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 2022 resulting in no breaches at the year-end period 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, detailed financial budgets and updated forecasts, 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
22 August 2022



D. J. Morrison
Director
22 August 2022

Auditor's Independence Declaration



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of McConnell Dowell Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of McConnell Dowell Corporation Limited for the financial year ended 30 June 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Duncan McLennan

Partner

Sydney

22 August 2022

Statement of Comprehensive Income

for the year ended 30 June 2022

All figures are in A\$000's	Note	Consolidated	
		2022	2021
Revenue	2	1,722,608	1,473,718
Other income	2	5,829	8,675
Total revenue and other income		1,728,437	1,482,393
Operating expenses	3	(1,666,814)	(1,427,396)
Depreciation	9(a), 9(b)	(25,213)	(26,287)
Share of loss of an associate	10	(465)	(584)
Tax recoupment from Parent	5	13,340	6,941
Finance income	4	559	477
Finance expense	4	(3,016)	(3,430)
Profit before tax		46,828	32,114
Income tax expense	5	(15,606)	(9,080)
Profit after tax for the year		31,222	23,034
Attributable to:			
Members of the parent entity		31,179	22,852
Non-controlling interest	23	43	182
Profit after tax for the year		31,222	23,034

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

Statement of Other Comprehensive Income

for the year ended 30 June 2022

All figures are in A\$000's	Note	Consolidated	
		2022	2021
Profit after tax for the year		31,222	23,034
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss in subsequent period (net of tax)			
Foreign currency translation	22	(377)	(2,729)
Other comprehensive loss for the year, net of tax		(377)	(2,729)
Total comprehensive profit for the year, net of tax		30,845	20,305
Attributable to:			
Members of the parent entity		30,778	20,164
Non-controlling interest	23	67	141
Total comprehensive profit for the year, net of tax		30,845	20,305

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

Statement of Financial Position

As at year ended 30 June 2022

		Consolidated	
All figures are in A\$000's	Note	2022	2021
Assets			
Current assets			
Cash and cash equivalents	8	210,112	172,316
Inventories	6	1,040	1,341
Asset held for sale	9(a)	-	615
Trade and other receivables	7	198,101	227,482
Contract assets	7(c)	112,722	68,929
Prepayments		3,915	1,909
Income tax receivable		2,911	2,351
Total current assets		528,801	474,943
Non-current assets			
Property, plant and equipment	9(a)	48,122	47,023
Right of use assets	9(b)	14,782	18,526
Investment in and loans to associates and others	10	-	-
Deferred tax assets	12	11,788	10,516
Related party receivable - tax consolidation	17	39,743	41,875
Total non-current assets		114,435	117,940
Total assets		643,236	592,883
Liabilities			
Current liabilities			
Trade and other payables	13	250,200	214,188
Contract Liabilities	7(c)	139,614	145,443
Interest bearing loans and borrowings	15	186	2,961
Lease liabilities	18	6,853	8,852
Provisions	16	43,435	35,544
Total current liabilities		440,288	406,988
Non-current liabilities			
Interest bearing loans and borrowings	15	114	1,334
Lease liabilities	18	11,648	13,581
Provisions	16	4,832	4,031
Total non-current liabilities		16,594	18,946
Total liabilities		456,882	425,934
Net assets		186,354	166,949
Equity			
Issued capital	21	267,765	267,765
Reserves	22	2,523	1,864
Accumulated losses		(84,293)	(102,972)
Parent interests		185,995	166,657
Non-controlling interests	23	359	292
Total equity		186,354	166,949

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 2022

Consolidated

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 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 1 July 2021	267,765	-	(1,636)	385	3,115	292	(102,972)	166,949
Profit for the period	-	-	-	-	-	43	31,179	31,222
Other comprehensive loss	-	-	(377)	-	-	24	-	(353)
Total comprehensive income for the period	-	-	(377)	-	-	67	31,179	30,869
Share based payment	-	-	-	-	1,036	-	-	1,036
Dividend paid	-	-	-	-	-	-	(12,500)	(12,500)
Balance as at 30 June 2022	267,765	-	(2,013)	385	4,151	359	(84,293)	186,354

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 2022

All figures are in A\$000's	Note	Consolidated	
		2022	2021
Cash flows from operating activities			
Cash generated from operating activities	8(ii)	82,300	75,496
Interest received		559	477
Finance costs	4	(3,016)	(3,430)
Income tax and other taxes paid		(2,259)	(1,083)
Net cash inflows from operating activities	8	77,584	71,460
Cash flows from investing activities			
Purchase of property, plant and equipment	9 (a)	(16,846)	(15,849)
Proceeds from the disposal of property, plant and equipment		3,667	3,760
Net cash used in investing activities		(13,179)	(12,089)
Cash flows from financing activities			
Repayment of borrowings		(3,996)	(6,125)
Payment of principal portion of lease liabilities		(9,771)	(14,954)
Dividends paid to the equity holders of the parent		(12,500)	(5,000)
Net cash used in financing activities		(26,267)	(26,079)
Net increase in cash and cash equivalents		38,138	33,292
Cash and cash equivalents at the beginning of the period		172,316	139,204
Exchange movements on cash		(342)	(180)
Cash and cash equivalents at the end of the period	8	210,112	172,316

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 2022

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 of the Consolidated Entity also complies with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB).

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 22 August 2022.

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 FY23 with increased levels of work in hand of \$2.5 billion following significant project wins in Australia, New Zealand and Built Environs. 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 FY23 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 2023 and beyond which indicate significant construction opportunities ahead. The construction markets of Australia, New Zealand and Built Environs 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 2022 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. 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 assets, and cash and bank balances.

Notes to the annual financial statements

for the year ended 30 June 2022

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.

Contract assets

Contract assets 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 contract assets.

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

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 contract assets, 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 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 its 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.

Notes to the annual financial statements

for the year ended 30 June 2022

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 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 an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

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

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 a 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 2022, 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

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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.

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.

CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and its existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

If the likelihood of an outflow is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

Contract performance guarantees issued by the parent company on behalf of the group companies are calculated based on the probability of draw down.

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 two to 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 2022

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.

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 transaction 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.

Withholding tax

A dividend withholding tax is withheld on behalf of the taxation authority on dividend distributions.

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.

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.

Notes to the annual financial statements (continued)

for the year ended 30 June 2022

Contingent liabilities

Parent company guarantees issued in the ordinary course of business are at inception accounted for as contingent liabilities in accordance with AASB 37 Provisions, Contingent Liabilities and Contingent Assets and disclosed accordingly. Subsequent to the issuance of the guarantee, and a Completion Certificate for the related work, the probability of the related obligation is determined to be remote (and therefore not disclosed in the financial statements unless there are other reasons that make the obligation probability possible).

Where a claim on the guarantee has been made by the respective client, the probability of the obligation is assessed in detail by management.

Where there is a possibility of reimbursement on a parent guarantee, this reimbursive right is required to be disclosed (as a contingent asset) separate to the related obligation, only if virtually certain.

Reimbursements from cross indemnities may not be disclosed in the financial statements unless a claim is made by a client on the corresponding obligation, and the reimbursement is considered probable.

Contract liabilities

The Group estimates the risk associated with contract assets 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 2022, 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.

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 2021 and are applicable for the Group:

AASB 2020-8 Amendments to AAS's - Interest rate Benchmark Reform - Effective 1 January 2021

In May 2019, the IASB issued amendments to AASB 9, IAS 39, AASB 7, AASB 4 and AASB 16 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 second phase of the project dealt with replacement issues (issues that might affect financial reporting when an existing interest rate benchmark is replaced).

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.

AASB16 COVID-19-Related Rent Concessions (amendment) – Effective date April 2021

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 2022; 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

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 2022. All other standards and interpretations that are not disclosed have been assessed and are not applicable to the Group.

Notes to the annual financial statements (continued)

for the year ended 30 June 2022

AASB 17 Insurance Contracts – Effective date 1 Jan 2021 (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 (i.e., 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 2023, 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 AAS: Classification of Liabilities as Current or Non-current – Effective 1 January 2022

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.

Under existing AASB 101 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

The Group is still in the process of determining the impact of the amendments to the accounting standard.

AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128, AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections and AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

Resolves the conflict regarding how much of the gain on disposal the parent can recognise when control of a subsidiary is lost in a transaction with an associate or a joint venture.

The Group has assessed that the amendment to the standards does not have an impact on the Group.

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates – Effective 1 January 2023

AASB 2021-2 amends AASB Standards to improve accounting policy disclosures so that they provide more useful information to investors users of the financial statements and clarify the distinction between accounting policies and accounting estimates. Specifically, AASB 2021-2 amends:

- AASB 7 Financial Instruments: Disclosures, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements
- AASB 101 Presentation of Financial Statements, to require entities to disclose their material accounting policy information rather than their significant accounting policies
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates
- AASB 134 Interim Financial Reporting, to identify material accounting policy information as a component of a complete set of financial statements
- AASB Practice Statement 2 Making Materiality Judgements, to provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

Except for the amendments to AASB Practice Statement 2 (which provide non-mandatory guidance and therefore do not have an effective date), the amendments are effective for annual periods beginning on or after 1 January 2023. The amendments to the individual Standards may be applied early, separately from the amendments to the other Standards, where feasible.

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 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Effective 1 January 2023

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences arising on initial recognition of a lease and a decommissioning provision.

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 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018–2020 and Other Amendments - Effective 1 January 2022

Annual Improvements

The annual improvements amend the following standards:

- AASB 1 First-time Adoption of International Financial Reporting Standards to permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS Accounting Standards

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 9 Financial Instruments to clarify that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf

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 16 Leases to amend Illustrative Example 13 to remove the illustration of the reimbursement of leasehold improvements by the lessor

The Group has assessed that the following amendment to the standards do not have an impact on the Group.

- AASB 141 Agriculture to remove the requirement to exclude cash flows for taxation when measuring the fair value of a biological asset using a present value technique.

This standard is not applicable to the Group.

AASB3 Definition of a Business (amendments) – Effective date 01 Jan 2022

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 16 (amendment) Property, Plant and Equipment: Proceeds before Intended Use – Effective date 1 January 2022

Proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

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 37 (amendment) Onerous Contracts Cost of Fulfilling a Contract – Effective date 1 January 2022

While IAS 11 specified which costs were included as a cost of fulfilling a contract, IAS 37 did not, which led to diversity in practice. The International Accounting Standards Board's amendments address this issue by clarifying those costs that comprise the costs of fulfilling a contract, which includes:

- The incremental costs
- An allocation of other direct costs

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 2022-1 Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information- Effective January 2023

Where AASB 17 and AASB 9 are applied at the same time or where AASB 9 is applied before AASB 17, this amends AASB 17 by adding a transition option referred to as 'a classification overlay' relating to comparative information about financial assets presented on initial application of AASB 17 and AASB 9 Financial Instruments. The amendments relate to financial assets for which comparative information presented on initial application of AASB 17 and AASB 9 has not been restated for AASB 9.

AASB 17 standard is not applicable to the Group.

Notes to the annual financial statements (continued)

for the year ended 30 June 2022

2. Revenue and Other Income

	Note	Consolidated 2022	2021
All figures are in A\$000's			
Revenue			
Construction contract revenue		1,722,608	1,473,718
Total revenue - Group		1,722,608	1,473,718
Other income			
Net gain on disposal of fixed assets		3,266	2,109
Other income		2,563	6,566
Other income - Group		5,829	8,675
Total revenue and other income - Group		1,728,437	1,482,393
Geographical information			
Australia		1,239,451	1,045,631
New Zealand and Pacific Islands		235,104	262,810
South East Asia		248,053	165,277
Total construction contract revenue		1,722,608	1,473,718

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.

Revenue and income - Group		1,728,437	1,482,393
Revenue - Associates	10	(97)	7
Revenue - Group and Associates		1,728,340	1,482,400

Contract balances

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

Remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2022 are, as follows:

Within one year		1,583,127	1,311,548
More than one year		916,956	561,690
Total performance obligations (unsatisfied or partially unsatisfied)		2,500,083	1,873,238

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

3. Operating Expenses

		Consolidated	
	Note	2022	2021
All figures are in A\$000's			
Operating expenses include the following items:			
Salaries & wages		(324,256)	(266,820)
Subcontractors		(869,142)	(741,046)
Materials		(235,708)	(239,922)
Plant costs		(60,138)	(51,355)
Indirect project costs		(81,406)	(53,032)
Administrative expenses		(38,732)	(32,265)
Short term and low value lease charges		(58,060)	(41,987)
Net foreign exchange gain / (losses)		628	(969)
Total operating expenses		(1,666,814)	(1,427,396)

The Group recognised rent expense from short-term leases of \$57.2 million (2021: \$41.1 million), leases of low-value assets of \$0.9 million (2021: \$0.8 million) and no variable lease payments for the year ended 30 June 2022.

4. Finance Income and Expense

All figures are in A\$000's

Finance income

Interest income		559	477
Total finance income		559	477

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.

Finance Expense

Interest expense		(204)	(561)
Other finance expense		(1,309)	(1,213)
Finance expense on lease liabilities		(1,503)	(1,656)
Total finance expense		(3,016)	(3,430)

Notes to the annual financial statements (continued)

for the year ended 30 June 2022

5. Taxation

	Note	Consolidated	
		2022	2021
All figures are in A\$000's			
Current income tax:			
Current tax expense		17,090	10,899
Adjustment in respect of current year income tax of previous year		13	57
Deferred tax:			
Relating to origination, reversal and impairment of temporary differences		(1,497)	(1,876)
Income tax expense reported in statement of profit or loss		15,606	9,080

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 2022 and 2021 is as follows:

Accounting profit before income tax		46,828	32,114
Income tax expense at the statutory income tax rate of 30% (2021: 30%)		14,048	9,634
Adjusted for:			
Permanent differences and non-assessable income		(478)	(717)
Share of loss of associates		140	175
Withholding tax expensed		987	1,018
Non-assessable income		(4,002)	(2,083)
Tax losses not recognised		3,784	319
Adjustment in respect of current income tax of previous year		13	57
Effects of higher rates of tax on overseas income		1,651	511
Other items		(537)	166
Income tax expense reported in statement of profit or loss		15,606	9,080

Tax consolidation - Distributions arising from tax consolidation

During the financial year McConnell Dowell Corporation Limited and its wholly owned Australian entities allocated its current taxes to the head entity as distribution by subsidiary, resulting in the head entity recognising and inter-company receivable / (payable) that is receivable / (payable) on call and is not interest bearing. The treatment of this loan follows the legal consideration of the tax funding agreement entered into by the entities and on tax consolidation the distributions were recognised as a tax recoupment in McConnell Dowell Corporation. The prior year comparatives have been restated to reflect this as a recoupment other than a deferred tax asset. The historical unused tax losses that was generated by McConnell Dowell Corporation Limited was assumed by the head entity (Aveng Australia Holdings Pty Ltd).

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

	Consolidated	
	2022	2021
All figures are in A\$000's		
Raw materials, components (at cost)	1,040	1,341
Total inventories	1,040	1,341

Notes to the annual financial statements (continued)

for the year ended 30 June 2022

7. Trade and other Receivables

All figures are in A\$000's	Note	Consolidated	
		2022	2021
Current			
Trade receivables	7(a)	168,305	203,780
Provision for doubtful debts		(112)	-
Retentions		5,124	4,030
Sundry receivables	7(b)	19,204	14,826
Deposits and bonds		2,626	1,501
Receivables from associates - Dutco McConnell Dowell (ME) LLC		924	1,019
Receivables from other related parties	17	2,030	2,326
Total current trade and other receivables		198,101	227,482

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:

0-30 days		161,814	198,508
31-60 days		2,631	1,903
61-90 days		1,056	292
91+ days		2,804	3,077
Total trade receivables		168,305	203,780

Expected credit losses on Trade and other receivables

As at 30 June 2022, the Group has trade and other receivables of \$168.3 million (2021: \$203.8 million).

The provision for expected credit losses on trade receivables is, in whole dollars \$5,812 (2021: \$5,883).

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

7(c) Contract assets/ (liabilities)

Contract assets: Total work in progress		112,722	68,929
Contract liabilities: Total progress billings in advance	13	(139,614)	(145,443)
Net contract liabilities		(26,892)	(76,514)

As at 30 June 2022, the Group has contract assets of \$112.7 million (2021: \$68.9 million).

Impact of COVID-19

The assessment of recoverability of trade and other receivables at 30 June 2022 has considered the impacts of COVID-19 and no material recoverability issues have been identified.

8. Statement of cash flows reconciliation

	Note	Consolidated	
		2022	2021
All figures are in A\$000's			
(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		156,786	135,065
Cash in joint operations	8(a)	53,278	37,184
Cash on hand		48	67
Total cash and cash equivalents		210,112	172,316

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 cash generated from operating activities			
Receipts from customers (inclusive of goods & service tax)		1,893,544	1,378,982
Payments to suppliers and employees (inclusive of goods & service tax)		(1,811,244)	(1,303,486)
Cash generated from operating activities		82,300	75,496
(iii) Reconciliation of net cash flows from operating activities to operating profit after tax			
Net profit after tax from continuing operations		31,222	23,034
Depreciation of property, plant & equipment	9 (a)	15,675	12,854
Depreciation of right of use assets	9 (b)	9,538	13,433
Share of associated companies losses		465	584
Effect of foreign exchange movements		240	1,174
Net gain on disposal of fixed assets		(3,229)	(2,109)
(Increase) in receivables & other assets		(13,671)	(101,503)
Decrease / (Increase) in inventory		301	(46)
Decrease / (Increase) in deferred tax asset		(1,272)	(2,107)
Increase in trade & other payables		30,183	119,280
Increase in provisions		8,692	6,009
(Increase) / Decrease in income tax receivable		(560)	857
Net cash inflow from operating activities		77,584	71,460

Notes to the annual financial statements (continued)

for the year ended 30 June 2022

9. (a) Property, plant and equipment

		Consolidated			
	Note	Land and buildings	Owned plant, equipment and vehicles	Capital work-in-progress	Total 2022
All figures are in A\$000's					
Cost 2022					
At 30 June 2021		6,467	177,405	3,850	187,722
Foreign exchange movements		205	2,791	(20)	2,976
Additions		-	15,635	1,211	16,846
Disposals		-	(11,364)	-	(11,364)
Reclassification of assets		-	3,188	(3,188)	-
At 30 June 2022		6,672	187,655	1,853	196,180
Accumulated depreciation 2022					
At 30 June 2021		1,808	138,891	-	140,699
Foreign exchange movements		127	2,518	-	2,645
Charge for period		5	15,670	-	15,675
Disposals		-	(10,961)	-	(10,961)
At 30 June 2022		1,940	146,118	-	148,058
Net book value at 30 June 2022		4,732	41,537	1,853	48,122
Total 2021					
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

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

9. (b) Right of use assets

		Consolidated		
	Note	Land and buildings	Owened plant, equipment and vehicles	Total 2022
All figures are in A\$000's				
Cost 2022				
At 30 June 2021		27,209	5,492	32,701
Foreign exchange movements		42	(30)	12
Additions		4,540	1,299	5,839
Disposals		(2,284)	(1,844)	(4,128)
At 30 June 2022		29,507	4,917	34,424
Accumulated depreciation 2022				
At 30 June 2021		11,477	2,698	14,175
Foreign exchange movements		31	(11)	20
Charge for period		7,441	2,097	9,538
Disposals		(2,247)	(1,844)	(4,091)
At 30 June 2022		16,702	2,940	19,642
Net book value at 30 June 2022		12,805	1,977	14,782
Cost 2021				
At 30 June 2020		25,485	9,643	35,128
AASB 16 Adoption		(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

Notes to the annual financial statements (continued)

for the year ended 30 June 2022

10. Investments in and loans to associates and others

	Note	Consolidated	
		2022	2021
All figures are in A\$000's			
(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)

	Consolidated	
	2022	2021
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 \$10,000 (2021: \$9,000) 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:		
Unlisted		
Carrying amount of the investment		
At the beginning of the year	(4,988)	(4,404)
Share of results after taxation	(465)	(584)
	(5,453)	(4,988)
Movement in Loan Receivable	4,744	3,688
DMDME current year funding requirements for Contract Liabilities	709	1,300
At end of year	-	-
The assets, liabilities and results of the operations of the associate are summarised below:		
Current assets	1,130	1,066
Non-current assets	-	-
Total assets	1,130	1,066
Current liabilities	12,317	10,453
Non-current liabilities	106	110
Total liabilities	12,423	10,563
Net assets	(11,293)	(9,497)
Revenue	(194)	14
Loss after taxation*	(930)	(1,168)
Total comprehensive loss after taxation	(930)	(1,168)

* The Group's share of losses in DMDME and its subsidiaries is loss of \$0.47 million (2021: loss of \$0.58 million).

Notes to the annual financial statements (continued)

for the year ended 30 June 2022

11. Interest in joint arrangements

Joint Operations

Name	Principal activity	Principal place of business	Consolidated Ownership interest	
			2022 %	2021 %
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 / Acciona JV (MA 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 / Obayashi (Warragamba Dam)	Construction	Australia	60.0	60.0
McConnell Dowell / Decmil (Mordialloc Bypass)	Construction	Australia	60.0	60.0
McConnell Dowell / John Holland (Kidston Hydro)	Construction	Australia	50.0	50.0
McConnell Dowell / Georgiou / Arcadis / BG&E (Midland Station)	Construction	Australia	51.6	-
McConnell Dowell / Downer EDI Works (Waurn Ponds)	Construction	Australia	50.0	-
McConnell Dowell / Kaden (Submarine Pipelines)**	Construction	Hong Kong	-	50.0
McConnell Dowell PP Pesero TBK JV – Palembang City Sewerage Project	Construction	Indonesia	51.0	51.0
McConnell Dowell / SYS (SPJ)	Construction	Malaysia	65.0	65.0
McConnell Dowell / Fletchers / Obayashi (Waterview maintenance)	Maintenance	New Zealand	22.5	22.5
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 / 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 / John Holland (Papakura to Pukekohe)	Construction	New Zealand	50.0	50.0
McConnell Dowell / Fulton Hogan / HEB Contractors (Northern Pathway Alliance)	Construction	New Zealand	33.0	-
McConnell Dowell / Marina Technology & Construction (MBS)	Construction	Singapore	65.0	65.0
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	100.0

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%.

*This is a dormant Joint Venture company

**De-registration of Joint Venture

11. Interest in joint arrangements (continued)

		Consolidated	
All figures are in A\$000's	Note	2022	2021
Statement of comprehensive income			
The Consolidated Entity's interest in the revenue and expenses of the joint operations is:			
Revenue		256,612	255,284
Expenses		(231,546)	(230,433)
Profit before income tax		25,066	24,851
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	53,278	37,184
Current assets		39,094	52,741
Non-current assets		-	110
Total assets		92,372	90,035
Current liabilities		84,624	87,394
Total liabilities		84,624	87,394
Net assets		7,748	2,641

Notes to the annual financial statements (continued)

for the year ended 30 June 2022

12. Deferred tax assets

All figures are in A\$000's	Note	Consolidated	
		2022	2021
Deferred tax asset		21,796	22,323
Deferred tax liability		(10,008)	(11,807)
Net deferred tax asset		11,788	10,516
Net deferred tax asset represented by:			
At beginning of year		10,516	8,807
Foreign exchange impact on opening balance		(225)	(168)
Transfer to statement of comprehensive income		1,497	1,877
Closing balance		11,788	10,516
Balance at end of year comprises:			
Provisions / accruals		15,179	12,535
Property, plant and equipment		722	1,637
Lease liabilities		1,112	1,165
Withholding tax on future dividends		(4,185)	(5,168)
Tax losses available for future utilisation		-	345
Joint operation temporary differences		561	795
Other		(1,601)	(793)
Closing balance		11,788	10,516

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 Australian Tax Consolidation Group is \$457.9 million (2021: \$491.8 million) available for offset against future profits. No deferred taxation asset has been recognised in respect of the remaining unused taxation losses. If and when the losses are used by the Tax Consolidation Group they will be recouped by the Company through the intercompany receivable.

13. Trade and other payables

		Consolidated	
All figures are in A\$000's	Note	2022	2021
Trade payables*		58,714	57,262
Project accruals		172,962	140,607
Other payables and accruals		18,306	16,050
Payables to other related parties	17	93	102
Payables to associates - Dutco McConnell Dowell (ME) LLC		125	167
Total trade and other payables		250,200	214,188

* Trade payables are non-interest bearing and are normally settled on 30-45 day terms. Due to the short-term maturity 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.

Notes to the annual financial statements (continued)

for the year ended 30 June 2022

15. Interest bearing borrowings

All figures are in A\$000's	Note	Consolidated	
		2022	2021
Current			
Obligations under finance leases - Singapore Vehicles	15(a)	103	97
Secured loan BNZ at 6.95%	15(b)	-	2,572
Chattel mortgage at 5.68%	15(c)	11	123
Chattel mortgage at 5.34% to 6.41%	15(d)	72	169
Total current interest bearing borrowings		186	2,961
Non-current			
Obligations under finance leases - Singapore Vehicles	15(a)	103	195
Chattel mortgage at 5.68%	15(c)	-	11
Chattel mortgage at 5.34% to 6.41%	15(d)	11	83
Secured loan BNZ at 6.95%	15(b)	-	1,045
Total non-current interest bearing borrowings		114	1,334
Total capitalised lease obligations	18	206	292

15(a) - The Group has entered into lease agreements in Singapore for the sale and leaseback of construction equipment. The term of the obligation is 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(b) - Loan secured over tunnel boring machines obtained from BNZ in New Zealand in prior years and settled in the current financial year. The interest rate is 6.95%.

15(c) - 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(d) - 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 6.41%. The mortgages are secured against the equipment purchased.

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	
		2022	2021
Current			
Employee provisions	16(a)	34,871	32,623
Other	16(b)	8,564	2,921
Total current provisions		43,435	35,544
Non-current			
Employee provisions	16(a)	3,658	2,495
Other	16(b)	1,174	1,536
Total non-current provisions		4,832	4,031

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	
		2022	2021
Amounts receivable / (payable) from related parties at balance date			
The receivables / (payables) due from / (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	2,030	2,326
Aveng (Africa) Ltd - current payable	13	(93)	(102)
Aveng Holdings Pty Ltd - Non current receivable (tax consolidation)		39,743	41,875
Total receivables		41,680	44,099

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

Notes to the annual financial statements (continued)

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18. Lease Liabilities

All figures are in A\$000's	Consolidated			
	2022	2021	2022	2021
Lease commitments	Minimum Payments	Minimum Payments	Present Value of Payments	Present Value of Payments
The future minimum lease payments under leases are as follows:				
- less than one year	120	114	115	107
- more than one year but less than five years	120	228	115	214
Total minimum lease payments	240	342	230	321
Less amounts representing finance charges	(35)	(50)	(34)	(47)
Present value of minimum lease payments	205	292	196	274
Lease liabilities				
Maturity analysis - contractual undiscounted cash flows				
- less than one year	7,732	10,024		
- more than one year but less than five years	11,313	12,250		
- more than five years	1,914	3,349		
Total undiscounted lease liabilities	20,959	25,623		
Less: future finance charges	(2,457)	(3,190)		
Present value of minimum lease payments	18,502	22,433		
Current	6,853	8,852		
Non-current	11,648	13,581		

As at 30 June 2022, the Group had commitments of \$6.2 million (2021: \$4.0 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	
	2022	2021
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	52,052	53,670
- letters of credit	3,356	6,633
- insurance bonds	351,579	356,757
Total contingent liabilities	406,987	417,060

The group has banking and bonding facilities of \$665.6 million (2021: \$576.5 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 2022, the Group had \$258.6 million (2021: \$159.5 million) available (unused) under these facilities.

The Group is, from time to time, involved in various legal disputes arising in the ordinary course of business. Depending on the merits, legal disputes can translate into future claims and legal proceedings which will be defended vigorously by the Group. Exposures may arise from the normal course of business including contractual penalties associated with ongoing projects.

Where required, adequate provision is made for all liabilities which are expected to materialise, however if the outcome of claims or legal disputes are possible but not probable, they are not disclosed as a provision.

Based on internal and external assessments, advice from legal advisors and counsel, the Board believes that there is significant uncertainty as to whether a future exposure or liability will arise in respect of claims or legal disputes, and as such the are remote. The Board believes that the Group has strong defences for claims and legal disputes, and any adverse decisions in relation to contingent liabilities will not have a material adverse effect on the financial position of the Group.

Specific claims and legal disputes

A plant leasing company and its liquidator has instituted two claims against the Company. The first claim is for alleged voidable and insolvent transactions and unfair preference payments made by the Company and which appears to be between \$46 million and \$66.5 million (insolvency proceedings).

The second claim is a subcontracted claim for monies allegedly owed to the subcontractor (in liquidation), where quantum has been finalised (subcontract proceedings). It is expected that the amounts claimed in the insolvency proceedings will mostly overlap with the amounts claimed in the subcontract proceedings. In the subcontract proceedings, the Company has instituted a counterclaim relating to remeasured works performed by the subcontractor, back charges and the additional costs to complete the subcontract works after the subcontract was terminated for insolvency.

The amount of the Company's counterclaim has not yet been finalised but is presently estimated at \$21 million. The proceedings are continuing with pleadings and evidence exchanges taking place during 2022. The claims and the Company's counterclaim will be heard together and are listed for hearing for 30 days from 26 September 2022.

The directors are of the opinion that all known liabilities have been recognised and that adequate provisions have been recognised.

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)

for the year ended 30 June 2022

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.

20. Financial risk management objectives and policies (continued)

	Consolidated	
All figures are in A\$000's	2022	2021
As at balance date, the Group had the following exposure to foreign currency:		
Financial assets		
Cash and cash equivalents	65,629	68,233
Trade and other receivables	135,540	89,611
Total financial assets	201,169	157,844
Financial liabilities		
Trade and other payables	123,573	118,642
Total financial liabilities	123,573	118,642
Total net exposure	77,596	39,202
The net exposure to foreign currency consists of:		
Chinese Yuan	124	(32)
Euro	11,805	127
Indonesian Rupiah	7,969	7,779
New Zealand Dollars	4,894	8,765
Papua New Guinea Kina	258	326
South African Rand	42	-
Singapore Dollars	11,857	5,390
Thai Baht	494	2,091
United Arab Emirates Dirham	4,724	3,786
United Kingdom Pounds	383	18
US Dollars	17,176	7,302
Other Currencies	17,870	3,650
Total net exposure	77,596	39,202

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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:

All figures are in A\$000's	Post tax profit higher / (lower)		Equity higher / (lower)	
	2022	2021	2022	2021
Consolidated				
10% increase in AUD rates with all other variables held constant	(5,432)	(2,744)	(5,432)	(2,744)
10% decrease in AUD rates with all other variables held constant	5,432	2,744	5,432	2,744

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 2022

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.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract. Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents (refer to Note 8: Statement of cash flows reconciliation) and trade and other receivables (refer to Note 7: 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 received 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 receivables.

20. Financial risk management objectives and policies (continued)

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 assets and trade receivables at 30 June 2022 has considered the impacts of COVID-19 and no material recoverability issues have been identified.

All figures are in A\$000's	Trade receivables						Total
	Contract Assets	Current	<30 days	30-60 days	61 -90 days	> 91 days	
30 June 2022							
Estimated total gross carrying amount at default	112,722	161,814	-	2,631	1,056	2,805	281,027
Expected credit loss	-	-	-	-	-	-	-

30 June 2021	Trade receivables						Total
	Contract Assets	Current	<30 days	30-60 days	61 -90 days	> 91 days	
Estimated total gross carrying amount at default	68,929	198,508	-	1,903	292	3,077	272,709
Expected credit loss	-	-	-	-	-	-	-

20. Financial risk management objectives and policies (continued)

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 2022. Cash flows from financial liabilities without fixed amounts or timing are based on conditions existing at 30 June 2022.

Notes to the annual financial statements (continued)

for the year ended 30 June 2022

20. Financial risk management objectives and policies (continued)

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

Year ended 30 June 2022 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	67,509	116,012	38,067	28,519	-	-	250,107
Balance owing to Aveng (Africa) Ltd	-	-	-	93	-	-	93
Interest bearing loans and borrowings - current	28	17	50	91	-	-	186
Interest bearing loans and borrowings - non current	-	-	-	-	114	-	114
Lease liabilities - current	-	-	-	6,853	-	-	6,853
Lease liabilities - non-current	-	-	-	-	9,875	1,773	11,648
Total exposure	67,537	116,029	38,117	35,556	9,989	1,773	269,001
Year ended 30 June 2021 Consolidated	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 liabilities - non-current	-	-	-	-	10,534	3,046	13,580
Total exposure	64,502	94,627	29,887	36,985	11,868	3,046	240,915

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 \$258.6 million (2021: \$159.5 million) of unused bank guarantees and bonding facilities and letters of credit available for its immediate use.

20. Financial risk management objectives and policies (continued)

Changes in liabilities arising from financing activities All figures are in A\$000's	1 July 2021	Cash Flows	Foreign Exchange Movement	New Loans	30 June 2022
Current interest- bearing loans and borrowings	2,864	(2,782)	-	-	83
Current obligations under finance leases and hire purchase contracts	97	6	-	-	103
Current lease liabilities	8,852	(7,838)	-	5,839	6,853
Non-current interest-bearing loans and borrowings	1,139	(1,128)	-	-	11
Non-current obligations under finance leases and hire purchase contracts	195	(92)	-	-	103
Non-current lease liabilities	13,581	(1,933)	-	-	11,648
Total liabilities from financing activities	26,728	(13,767)	-	5,839	18,801

	1 July 2020	Cash Flows	Foreign Exchange Movement	New Loans	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

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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 2022

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 2022 the Group had not booked any FEFC market to market transactions (2021: 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

Consolidated

All figures are in A\$000's	Note	2022	2021
Issued and paid capital			
Ordinary share capital			
226,955,362 (2021: 226,555,362) fully paid ordinary shares		267,765	267,765
Total contributed equity		267,765	267,765

22. Reserves

		Consolidated	
	Note	2021	2020
All figures are in A\$000's			
Foreign currency translation reserve			
At beginning of year		(1,636)	1,093
Current year movement		(377)	(2,729)
At end of year	22(a)	(2,013)	(1,636)
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		3,115	2,811
Current year movement		1,036	304
At end of year	22(c)	4,151	3,115
Total reserves at end of year		2,523	1,864

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 meet certain statutory obligations of setting up new subsidiaries in foreign jurisdictions. The current year movement relates to the management incentive scheme (commenced in FY21) and the Long Term Incentive Plan 2022("LTIP") granted to senior executives of the Group for no consideration. The LTIP 2022 is managed at an ultimate parent company level (Aveng Limited).

Notes to the annual financial statements (continued)

for the year ended 30 June 2022

23. Interests in subsidiaries

		2022 %	2021 %	2022 \$	2021 \$
All figures are in A\$000's	Country of incorporation	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	Thailand	100	100		
NFI Holdings Ltd	Thailand	100	100		
Glaza Limited (formerly McConnell Dowell International Ltd)	Hong Kong	100	100		
Roskosh Limited (formerly 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		

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

** Non-controlling equity interests in controlled entities

	2022 \$	2021 \$
Reconciliation of non-controlling equity interests in controlled entities:-		
Opening balance	292	151
Share of current year profit	43	182
Share of reserve movements (FCTR)	24	(41)
Closing balance	359	292

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.

All figures are in A\$000's	Closed Group	
	2022	2021
Consolidated statement of profit or loss		
Revenue	1,239,594	1,042,749
Other income	1,324	12,684
Total Income	1,240,918	1,055,433
Operating expenses	(1,175,928)	(1,023,502)
Tax recoupment from Parent	13,340	6,941
Finance income	184	659
Finance expense	(850)	(1,041)
Finance costs	(1,503)	(2,169)
Depreciation and impairment of fixed assets	(13,073)	(4,502)
Profit before tax	63,088	31,819
Income tax expense	(12,087)	(6,343)
Total profit for the year, net of tax	51,001	25,476
Attributable to:		
Members of the parent entity	51,001	25,476
Non-controlling interest	-	-
Total profit for the year, net of tax	51,001	25,476
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the year	(142,870)	(163,346)
Profit for the year	51,001	25,476
Dividends provided for or paid	(12,500)	(5,000)
Retained earnings at end of year	(104,369)	(142,870)

During the year a \$12.5 million (2021: \$5 million) dividend was declared and paid to Aveng Australia Holdings Pty Ltd, the immediate parent of McConnell Dowell Corporation Ltd.

Notes to the annual financial statements (continued)

for the year ended 30 June 2022

23. Interests in subsidiaries (continued)

All figures are in A\$000's	Closed Group	
	2022	2021
Consolidated statement of financial position		
Current assets		
Cash & cash equivalents	157,203	101,122
Trade and other receivables	188,493	195,030
Total current assets	345,696	296,152
Non-current assets		
Property, plant and equipment	23,101	23,798
Right of use assets	8,116	10,378
Trade and other receivables	44	115
Investments in subsidiaries	77,334	49,935
Deferred tax assets	1,827	-
Related party receivable - tax consolidation	39,743	41,875
Total non-current assets	150,165	126,101
Total assets	495,861	422,253
Current liabilities		
Trade and other payables	269,553	242,637
Interest bearing loans and borrowings	82	292
Lease liability	4,392	5,259
Provisions	32,171	26,171
Total current liabilities	306,198	274,359
Non-current liabilities		
Trade and other payables	1,766	-
Lease liability	6,923	8,539
Interest bearing loans and borrowings	11	93
Provisions	4,233	3,486
Deferred tax liabilities	-	1,567
Total non-current liabilities	12,933	13,685
Total liabilities	319,131	288,044
Net assets	176,730	134,209
Equity		
Contributed equity	267,765	267,765
Reserves	8,808	9,314
Retained earnings	(99,843)	(142,870)
Total equity	176,730	134,209

24. Parent entity information

All figures are in A\$000's	Note	2022	2021
Information relating to McConnell Dowell Corporation Limited			
Current assets		75,438	27,495
Total assets		386,081	296,502
Current liabilities		19,464	18,082
Total liabilities		117,312	18,082
Net assets		268,769	278,421
Issued capital		267,765	267,765
Reserves		1,157	304
Retained earnings		(153)	10,352
Total shareholders' equity		268,769	278,421
Profit after tax		2,758	28,880
Total comprehensive (expense) / income		(9,742)	28,880

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		7,442	7,126
Short term incentives (STI)		1,733	1,847
Long term incentives (LTI)		871	304
Total compensation		10,046	9,277

Notes to the annual financial statements (continued)

for the year ended 30 June 2022

26. Auditors' remuneration

	Consolidated	
	2022	2021
The auditor of McConnell Dowell Corporation Limited is KPMG (appointed for FY22).		
Audit fees for work performed in respect of the prior year relates to services provided by Ernst & Young		
Amounts received or due and receivable by external auditor*:		
- An audit of the financial report of the Entity and any other entity in the consolidated Group	550,000	516,114
- Audit fees for work performed in respect of prior years	-	16,000
- Other services in relation to the Entity, its joint operations and any other entity in the consolidated Group		
- Assurance related services	245,000	204,952
	795,000	737,066
Amounts received or due and receivable by related practices of KPMG Australia for*:		
- An audit of the financial report of the Entity and any other entity in the consolidated Group	200,000	199,084
Total received or due and receivable by external auditor	995,000	936,150
Amounts received or due and receivable by non KPMG firms for:		
- An audit of the financial report of the entities in the consolidated Group	43,392	73,733
* all figures reported in this note are in whole dollars		

27. Events subsequent to balance date

The Group has been awarded the Bridgewater Bridge Contract for a \$600 million) contract by the Tasmanian Department of State Growth ("DSG") to deliver Tasmania's largest-ever transport infrastructure project – the New Bridgewater Bridge. The award of the project follows an extensive Early Contractor Involvement (ECI) phase during which the Group worked closely with DSG to develop the project. The Bridgewater Bridge project was previously disclosed in McConnell Dowell's preferred tender projects (31 December: \$2.1 billion).

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 2022 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 2022 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
22 August 2022

Independent Auditor's Report



Independent Auditor's Report

To the shareholders of McConnell Dowell Corporation Limited

Opinion

We have audited the **Financial Report** of McConnell Dowell Corporation Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated Statement of financial position as at 30 June 2022;
- Consolidated Statement of comprehensive income, Consolidated Statement of other comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The Group consists of the Company and the entities it controlled at the year-end from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in McConnell Dowell Corporation Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.



In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

Duncan McLennan

Partner

Sydney

22 August 2022





Find out more about McConnell Dowell

Learn about our company, where we work,
what we do and our amazing projects.

Visit: mconnelldowell.com

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follow us on LinkedIn.

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