
# 2021 ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2021
ABN: 81 104 662 259

# Making the complex simple

**SRG Global is an engineering-led specialist asset services, mining services and construction group built to solve complex problems across the entire asset lifecycle.**

## Contents

# SRG Global Model

## WHO WE ARE

We're a **global engineering-led** specialist asset services, mining services and construction group

## OPERATING MODEL

End-to-end solutions across the entire asset lifecycle

- Engineer
- Construct
- Sustain

## OUR VISION

The **most sought-after** specialist asset services, mining services and construction business

**MAKING THE COMPLEX SIMPLE**

# Operating Segments

## ASSET SERVICES

Sustaining complex infrastructure

**Annuity Earnings**

## MINING SERVICES

Comprehensive ground solutions

**Annuity Earnings**

## CONSTRUCTION

Constructing complex infrastructure

**Project Based Earnings**

# Making the maintenance, restoration & access of critical assets easier

**SRG Global's Asset Services Segment had both the highest growth and earnings within the Group in FY21 with a significant number of term contract wins during the year.**

## What we do

We bring the engineering know-how, the skilled workforce and the access solutions to make sustaining buildings, structures and industrial plant easier.

We not only come up with smart solutions to your asset maintenance and repair challenges, we also do the work – diagnosing, protecting, cleaning, repairing, strengthening and monitoring buildings, structures and industrial plant.

This means asset owners only have to deal with just one contractor, which significantly reduces the time and complexity of the task. SRG Global is a contractor with the diverse technical know-how, the workforce and all the access equipment needed to sustain or extend the life of any critical asset.

### SPECIALIST MAINTENANCE

**Fixed Plant Maintenance**
- Mechanical, electrical, plumbing, shutdowns

**Industrial Services**
- Industrial cleaning, paint & blast, non-destructive testing, insulation and lagging

**Refractory**
- Installation of refractory, gunning and casting of refractory products, installation of refractory anchors

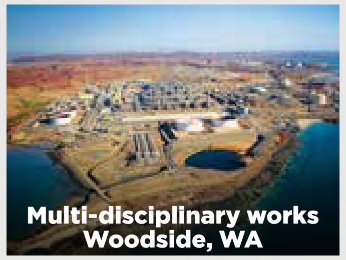
**Remediation**
- Protective coatings, waterproofing, concrete repair and strengthening

### ACCESS SOLUTIONS

**Access Solutions**
- Scaffold hire, scaffold installation, rope access, material hoists

## Key clients

## Key projects


Multi-disciplinary works
Woodside, WA


Yara
Pilbara, WA


South 32
Worsley, WA


Specialist Infrastructure Maintenance
Transpower, New Zealand


## Sustaining complex infrastructure

### SPECIALIST MAINTENANCE

Highly skilled specialist maintenance services focusing on refractory, oil and gas, industrial assets and transport and marine infrastructure

### ACCESS SOLUTIONS

Comprehensive structural and technical access solutions targeting the mining and resources, oil and gas, offshore marine and industrial locations

## MINING SERVICES

## Comprehensive ground solutions

### PRODUCTION DRILL & BLAST

Integrated range of complementary production drill & blast services working across multiple commodities including gold, precious metals and iron ore

### SPECIALIST GEOTECH

Highly technical specialist ground and slope stabilisation services for all mining services applications

# Bringing our full resources to daily mining challenges

**SRG Global's Mining Services Segment focused on innovation and technology during FY21, offering continued value to our existing tier one client base.**

## What we do

SRG Global is the only drill and blast contractor that can also offer an integrated range of complementary technical services to significantly improve safety and productivity on a mine site.

Working in the iron ore, gold and precious metals mining sectors across Australia, SRG Global brings a uniquely adaptive approach to drilling and blasting, driven by our engineering heritage.

We are flexible in how we work, execute drilling programs with precision and respond confidently to challenges that arise in the open pit each day. It is part of who we are to continually investigate safer and more innovative ways of working, and to re-engineer our machines to optimise performance for each customer's mine site and minimise handling and risks to personnel.

### PRODUCTION DRILL & BLAST

**Drill & Blast**

- Production drilling, pre-split drilling, blasting services, explosives supply and management, drill and equipment hire

**Specialist Drilling**

- Reverse circulation grade control, high reach drilling, geotech specialist drilling, horizontal depressurisation (dewatering) drilling

### SPECIALIST GEOTECH

**Geotech Services & Applications**

- Rope access services, geotech investigation, geotech instrument installation, rock scaling and geotech remediation, rockfall protection systems, rockfall mesh installation, shotcreting, rock bolt drilling and installation, crest pins and soil nails, crusher pocket wall support, depressurisation, ground support product manufacture and supply

## Key clients

## Key projects

Drill & Blast works Northern Star Goldfields, WA

Provision of Geotech services for over 23 Years at KCGM Superpit, WA

Drill & Blast and Geotech Evolution Mining Mount Rawdon, QLD

Orbix™

Technology & Innovation

CONSTRUCTION

## Constructing complex infrastructure

### CIVIL & ENGINEERING

Specialist engineering, post-tensioning and construction services for complex structures in key markets including dams, bridges, windfarms and tanks

### SPECIALIST BUILDING

Specialist monumental facade and structural construction services with repeat, tier one clients

# Taking the complexity out of construction

**SRG Global's Specialist Construction Segment delivered solid results in FY21 across key areas of specialist civil and engineering, facades and structure packages.**

## What we do

SRG Global's construction team solve problems around how to construct both more efficiently and cost effectively, providing specialist technical expertise, innovative technology and equipment and a highly skilled workforce.

SRG Global's construction team provide specialist engineering, post-tensioning and construction services for complex structures in key markets including dams, bridges, windfarms and tanks as well as specialist facade and structural construction with repeat, tier one clients.

Decades of experience across all kinds of iconic infrastructure has allowed us to develop the innovative techniques and specialised tools needed to make any infrastructure project less complex.

### CIVIL & ENGINEERING

**Dam Construction & Strengthening**
- Ground anchors, anchor monitoring, temporary access solutions, slipform construction

**Bridge Construction**
- Incremental launching, cable stays, segmental, balanced cantilever, cast insitu post-tensioning

**Silo & Tank Construction**
- Slipform construction, post-tensioning services

**Wind Farm Construction**
- Foundation construction, foundation anchors

### SPECIALIST BUILDING

**Facade Design & Construction**
- Curtain wall facade design & certification and facade installation

**Building Structure Packages**
- Post-tensioning engineering, structural construction

## Key clients

mainroads WESTERN AUSTRALIA
HYUNDAI ENGINEERING & CONSTRUCTION
snowy hydro renewable energy
WaterNSW
MULTIPLEX Built to outperform.
vicroads
Built.
SA Water
seqwater WATER FOR LIFE
NSW GOVERNMENT Transport for NSW
lendlease
CPB CONTRACTORS
sunwater
WATER CORPORATION
JOHN HOLLAND

## Key projects


Wanneroo & Ocean Reef Interchange, WA


D&C Tank Construction Merredin, WA


Structure Package Elizabeth Quay, WA


Shindagha Bridge Dubai, UAE

# Chairman's Report

## A year of delivery and achievement at SRG Global

**It is my pleasure to present the 2021 SRG Global Limited Annual Report. During the 2021 financial year we have taken significant steps forward in the strategic direction of the company and positioned SRG Global for long term sustainable growth moving forward. The Board is extremely pleased with the way our people have responded to every challenge and opportunity in delivering an exceptional outcome for our shareholders in what continued to be unprecedented times in FY21.**

The world continued to present a challenging operating environment for companies in FY21.

Despite these challenges, the SRG Global business has taken significant steps forward in delivering on our strategic priorities. This is a testament to the strength and professionalism of our people and the clear long-term strategy that we have in place.

The Board and I would like to sincerely thank all our people for the way they continue to come together to navigate through this dynamic environment. Importantly, this has been done whilst being true to our core beliefs - live for the challenge, smarter together, never give up and have each other's backs.

### DELIVERING AGAINST A CLEAR STRATEGY

During the year SRG Global has taken significant steps forward in executing our strategy to transition the business towards recurring / annuity earning streams.

This provides a strong foundation and further growth avenues to leverage our capability and operational footprint, enabling us to continue to maximise our diverse offering with our core and growing blue-chip client base.

Ultimately this translates to greater stability and certainty for shareholders throughout changing economic conditions. It also provides a more balanced portfolio of recurring / annuity earnings versus project-based earnings.

The successful execution of this strategy ensures that SRG Global will continue to be disciplined and selective in choosing the right project-based opportunities that match our specialist skills and commercial framework.

The transformation towards recurring / annuity earnings has provided an excellent foundation which has enabled us to deliver sustainable and consistent returns for our shareholders not only for FY21 but also into the future.

SRG Global is in the strongest position it has been in my tenure with the Company. This is due to the high level of annuity-based earnings, large pipeline of opportunities and strong and stable Board, Executive and Management.

### BOARD & GOVERNANCE

I thank the Board members for their respective contributions over the last twelve months and I am particularly pleased with the way that the Board and Executive are working together.

We consider the current mix of experience and skills of the Board to be appropriate and will continue to review this on a regular basis moving forward.

### OUR FUTURE

As this year has highlighted, the SRG Global business is incredibly resilient and well positioned to take further significant steps forward over the next few years as we continue to deliver against our strategy in a disciplined and measured way.

In closing, I would like to thank all our shareholders for their ongoing support and am both confident and excited for what the future holds at SRG Global.

**Peter McMorrow**
Non-Executive Chairman





# WHAT WE STAND FOR

## Live for the challenge

**We live to solve problems and have the courage to challenge the status quo and what's considered possible.**

## Smarter together

**Individually, we're all pretty smart but when we pool our resources and work together as one, we're capable of taking on the world.**

## Never give up

**We're doers. We are resilient and relentlessly pursue excellence in everything we do. 100% accountability, zero excuses.**

## Have each other's backs

**We're stronger as one team. We look out for each other and keep each other out of harm's way.**

# Managing Director's Report

## Turning our vision into reality through a clear strategy and great people

**The 2021 financial year has been a transformational year for SRG Global in delivering to strategy and ultimately delivering for shareholders. I could not be more proud of our people and how they continue to come together as "one business, one team" and deliver in a way that is core to SRG Global – we live for the challenge, are smarter together, never give up and have each other's backs. We are now very well positioned for the future and ultimately becoming the company that I know we can be.**

### OUR PEOPLE

I would like to thank each and every one of our people for coming together as "one business, one team" to deliver a terrific result in FY21 both financially and against our long-term strategy.

This year continues to highlight how important our people are to the success of SRG Global as we strive to be the most sought-after specialist asset services, mining services and construction business.

We continue to engage with the local communities in which we operate through a number of programs and initiatives. A key highlight has been the establishment of a JV company (Bugarrba) with members of the Njamal people to deliver scaffolding services and pursue sustainable employment opportunities for Aboriginal people in the Pilbara. This is the first JV of its kind for scaffolding services and we are excited about the near term opportunities for this business.

### ZERO HARM

Zero Harm is a journey that never ends and I often refer to it as the glass ball in the business that you can never drop.

This year saw us continue to invest in a number of initiatives to drive safety within our business. This has included the rollout of a number of safety leadership and training programs as well as the introduction of some key technology and equipment enhancements throughout the business.

Pleasingly, our TRIFR improved by 31% during the year. That noted, I will never be satisfied until it is zero and we will relentlessly pursue Zero Harm in everything we do.

### DELIVERING OUR STRATEGY

SRG Global continues to take significant steps forward in the execution of our strategy. We have delivered a strong result in FY21 underpinned by new contract wins, strong operating cashflows and continued margin improvement through delivering for our blue-chip client base.

I am particularly pleased that we have continued to transition the business towards annuity earnings whilst winning a number of new term contracts in FY21. We have also managed operational startup and contract execution exceptionally well throughout this period.

The Company has experienced minimal financial impact of labour and COVID-19 challenges in FY21 due to the specialist nature of our business and the diversity of our service offering, sectors and geographic spread.

The Company has started the new financial year (FY22) with record Work in Hand of $1b and is well positioned for long term sustainable growth with two thirds annuity-style earnings and positive exposure to broader macro-economic growth drivers across the asset services, industrial and mining sectors and government stimulus programs in the infrastructure and construction sectors.

**RECORD WORK IN HAND**







*Auckland Harbour Bridge, New Zealand*

### OPERATIONAL REVIEW

#### Asset Services

For FY21 the Asset Services Segment delivered revenue of $186.9m (2020: $151.9m) and EBITDA of $22.0m (2020: $18.6m).

The Asset Service Segment delivered step change growth in FY21 with numerous long-term contract awards secured in the business over the last twelve months.

Pleasingly the majority of these contract wins were secured with key repeat clients which is strong indication of SRG Global's track record of operational delivery.

Examples of these include the following:

- 8 year maintenance contract with the New Zealand Transport Authority for the Auckland Harbour Bridge maintenance program;
- 5 year maintenance contract with Methanex;
- 5 year access contract with Liberty Onesteel;
- 5 year access / maintenance contract with Yara;
- 8 year maintenance contract with South32; and
- 2 year maintenance contract with Meridian Energy.

Importantly, these contract wins are across a diverse range of sectors including transport, chemical, steel, renewables and mining.

In addition to the above, in February 2021, SRG Global secured a 5 year, $150m contract with FMG for access and electrical maintenance services across their mine, rail and port infrastructure. This was a landmark achievement for our company and a huge endorsement of SRG Global and our transformational strategy.

Our success is based on a number of factors including our self-performing capability, strong relationships and a track record of delivering for clients in conjunction with our innovative approach.

We continue to focus on innovation, technology and data analytics as a market differentiator across our service offerings. This is an important aspect of how we continue to win new work and as such we will continue to embrace new technology and insight to drive improvement and efficiency in our customers operations.

## Mining Services

For FY21 the Mining Services Segment delivered revenue of $90.9m (2020: $71.7m) and EBITDA of $20.0m (2020: $13.9m).

Mining Services has experienced another very strong year in FY21. This improvement in EBITDA reflects the excellent asset utilisation in excess of 90%, continued capital investment for growth and sustaining capital combined with the quality of the commodities in which we operate, being gold and iron ore.

A key part of the SRG Global value proposition is a focus on innovation and technology solutions including remote operated drill rigs, high precision GPS and bespoke real time data analytics to drive operational efficiency for our clients. This has included the development of Orbix, our in-house software focused operational data analytics intelligence, which is fully integrated into our clients' data systems, driving best practice decision making for SRG Global and our clients.

The Geotech business had a strategic shift to focus on the mining sector. This decision has underpinned its strong contribution in the financial year and has additional growth opportunities to expand our offering with the existing client base.

The overall Mining Services business has a strong pipeline of growth opportunities with further growth expected both with key clients / sites and new clients in quality commodities.

Importantly, all services provided by SRG Global are executed under production based long term contracts.

*Thunderbox Mine Site, WA*





*Merredin Water Tank, WA*

## Construction

For FY21 the Construction Segment delivered revenue of $291.7m (2020: $327.6m) and EBITDA of $19.0m (2020: -$27.2m).

The Construction Segment delivered a much improved result for FY21 as we exited non-core businesses such as Structures Victoria and Building Post-Tensioning in the Middle East.

The Civil business in Australia had another strong year with a key focus on our specialist capability in bridges, tanks and dams. In these specialist areas, we are the partner of choice and we will continue to be both disciplined and selective in combination with utilising our Collaborative Contracting Model and approach.

Importantly, this business has a positive exposure to an ever-growing pipeline of opportunities through Government stimulus programs particularly in the transport and water sectors.

Internationally, SRG Global scaled back operations for the near term due to COVID-19, however is targeting medium term opportunities in the dam, bridge and tank space with selective key partners.

Structures West performed strongly in the FY21 year with a key focus on the landmark Elizabeth Quay and Capital Square development projects. There is a further strong pipeline of WA opportunities with Structures West well positioned as the market leader in the structural construction space.

The Specialist Facades business performed strongly nationally in FY21 and continues to leverage key relationships and specialist engineering skills to differentiate ourselves from the market. The division has a high level of secured work and a very positive pipeline of opportunities.

### FINANCIAL STRENGTH

SRG Global is in a very strong liquidity position with available funds of $88.2m and access to an additional $27.7m of undrawn equipment finance facilities.

The Company generated strong operating cashflows before interest and tax of $60.2m during the year and continued its disciplined focus on capital management. This contributed to the strong cash performance despite continued working capital investment in new contracts including FMG, South 32 (Access and Refractory works) as well as a number of civil and building projects in FY21.

In the last 12 months, SRG Global invested $17.3m in capital expenditure

*Anderson Point, Pilbara WA*

and made net debt repayments of $2.6m, reflecting our prudent capital management with a continued focus on minimising Company gearing levels.

As a result of the above, the cash position improved significantly from net debt of $8.4m in FY20 to net cash of $12.2m by the end of FY21.

The Board has also resolved to pay a final dividend of 1.0 cent per share fully franked, bringing the full year dividend to 2.0 cents per share.

### WELL POSITIONED FOR LONG-TERM SUSTAINABLE GROWTH

SRG Global is very well positioned for sustainable growth in FY22 and beyond.

The Company has work in hand of $1b as at 30 June 2021 and has a strong pipeline of further opportunities in excess of $6b, with positive exposure to Government backed Infrastructure investment, high quality commodities, diverse industries and a tier one client base.

Importantly, we will continue to deliver against our strategic priorities which are underpinned by an earnings profile of two thirds annuity / recurring in nature and one third project-based.

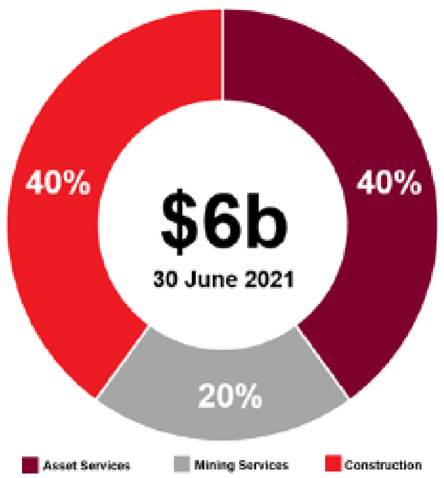
The execution of our strategy is only possible because of the collective efforts of our people and I would like to once again thank all 2,300 SRG Global employees for the way they have contributed to our success over the last year. I am sure this will continue in FY22 as we live for the challenge, are smarter together, never give up and have each other's backs.

Finally, I would like to thank our shareholders for their continued support.

David Macgeorge

**David Macgeorge**
Managing Director

### OPPORTUNITY PIPELINE




## Strategic Horizons

### GROWTH

- Step change growth in recurring Asset Services
- Innovation and selective growth in Mining Services
- Targeted growth in specialist Civil Infrastructure Construction
- Specialist services and products in Building Construction with key repeat clients
- **Two thirds annuity / recurring and one third project-based earnings**

### LEADERSHIP

- Zero Harm / ESG industry leader and recognised employer of choice
- Key partner of choice in our specialised core markets with core clients
- Consistent, above market shareholder returns (EPS and TSR)
- Selective strategic acquisitions to complement capability / footprint
- Two thirds annuity / recurring and one third project-based earnings


*Gladstone, Qld*

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2021

The Directors present their report on the consolidated entity consisting of SRG Global Limited (the 'Company' or 'SRG Global') and the entities it controlled (the 'Group') at the end of, or during the year ended 30 June 2021.

## DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

| Name | | |
|---|---|---|
| Peter McMorrow | Non-Executive Chairman | Full Financial Year |
| David Macgeorge | Managing Director | Full Financial Year |
| Peter Brecht | Non-Executive Director | Full Financial Year |
| Michael Atkins | Non-Executive Director | Full Financial Year |

## EXPERIENCE, QUALIFICATIONS AND RESPONSIBILITIES

### Peter McMorrow
**Non-Executive Chairman**

Peter McMorrow joined the Board of SRG Global as Deputy Chairman in September 2018 and was appointed Chairman on 26 November 2019. Prior to this, Peter was a Director of SRG Limited ('SRG') from 2010 and moved into the role of Chairman in July 2014. He is also a member of the SRG Global Audit Committee and Remuneration & Nomination Committee.

Peter has over forty years' project and executive experience and is a respected leader in the infrastructure and resources industries. Encompassing a wide variety of large and complex infrastructure projects both overseas and within Australia, his industry knowledge extends to all facets of engineering, project identification, winning and delivery as well as management of dynamic, profitable and long lasting business operations.

Prior to joining SRG, Peter was Managing Director of Leighton Contractors from 2004 to 2010. Under his guidance, Leighton Contractors expanded considerably with turnover increasing to over $5 billion and the workforce increasing fourfold to approximately 10,000 employees. Peter is currently a Board Member for Valmec Limited.

Peter is an advocate for health and safety and brings a strong zero harm vision to both SRG Global and the industry in which it operates.

### David Macgeorge
**Managing Director**

David Macgeorge was appointed Managing Director of SRG Global in September 2018. Prior to this, David held the role of Managing Director for SRG Limited since May 2014.

David has extensive senior executive experience in contracting, logistics, infrastructure and mining service industries and has a strong record of leading business transformations, driving value creation and growth through a unique understanding of strategy, customer focus and shareholder returns.

Prior to joining SRG, David held senior executive roles with BIS Industries, Cleanaway and CHEP (a subsidiary of Brambles). He also provided consultancy to Leighton Contractors.

David holds a Bachelor of Business and has completed the Senior Executive Management program at INSEAD Business School in France.

### Peter Brecht
**Non-Executive Director**

Peter Brecht joined the Board of SRG Global in September 2018. Prior to this, he had been a Non-Executive Director for SRG Limited since September 2014. Peter is the Chairman of the SRG Global Remuneration & Nomination Committee.

Peter has more than thirty five years' experience in the construction industry, previously serving as the Managing Director - Construction Australia for Lendlease, CEO of Bilfinger Berger Australia and Managing Director of Abigroup.

Peter is a Board member of Fulton Hogan Limited. He has been a Member of the Australian Institute of Company Directors since 2000.

### Michael Atkins
**Non-Executive Director**

Michael joined the SRG Global Board as a Non-Executive Director in September 2018 and is Chairman of the SRG Global Audit Committee. Prior to this, Michael was Non-Executive Director on the Board of SRG Limited from 2014 to 2018.

Michael was a founding partner of a national Australian Chartered Accounting practice from 1979 to 1987 and was a Fellow of the Institute of Chartered Accountants in Australia. Since 1987 he has been both an executive and non-executive director of numerous publicly listed companies with operations in Australia, USA, South East Asia and Africa.

Michael is a Senior Advisor - Corporate Finance at Canaccord Genuity (Australia) Limited and is currently Non-Executive Chairman of Australian listed companies Legend Mining Limited and Castle Minerals Ltd. Michael was non-executive Chairman of Azumah Resources Limited until his resignation in December 2019.

Michael is a Fellow of the Australian Institute of Company Directors.





# Directors' Report (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

## COMPANY SECRETARIES

| Name | |
|---|---|
| Roger Lee | Full Financial Year |
| Paul Hegarty | Resigned 21 August 2020 |

### Roger Lee
**Chief Financial Officer & Company Secretary**

Roger was appointed CFO & Company Secretary for SRG Global in September 2018. Prior to this, Roger held the role of CFO & Company Secretary for SRG Limited since July 2014 and brings over twenty five years' experience in senior and executive management in Australia. Roger is a qualified CPA and is a graduate of the University of Western Australia in Commerce, majoring in Finance and Accounting.

## DIRECTORS' SHAREHOLDINGS

The following table sets out each Directors' relevant interest in shares, debentures and rights or options in shares or debentures of the Company as at the date of this report.

| Name | Fully Paid Ordinary Shares Number | Performance Rights Number |
|---|---|---|
| P McMorrow | 12,335,727 | Nil |
| D Macgeorge | 6,571,389 | 1,400,000 |
| P Brecht | 2,150,541 | Nil |
| M Atkins | 1,000,000 | Nil |

## MEETINGS OF DIRECTORS

The number of meetings of SRG Global's Board of Directors and each Board Committee held during the year ended 30 June 2021 and the number of meetings attended by each Director was:

| | Board of Directors meetings | | Meetings of committees | | | |
|---|---|---|---|---|---|---|
| | | | Audit Committee | | Remuneration & Nomination | |
| Name | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| P McMorrow | 9 | 9 | 3 | 3 | 2 | 2 |
| D Macgeorge | 9 | 9 | - | - | - | - |
| P Brecht | 9 | 9 | - | - | 2 | 2 |
| M Atkins | 9 | 9 | 3 | 3 | - | - |

# Directors' Report (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

## PRINCIPAL ACTIVITIES

During the financial period, the principal continuing activities of the Group consisted of delivering a suite of engineering-led specialist asset services, mining services and construction services across the entire asset lifecycle.

## SIGNIFICANT CHANGES IN STATES OF AFFAIRS

There have been no significant changes in the state of affairs of the Group.

## OVERVIEW AND FINANCIAL RESULTS

Information on the operations and financial position of the Group and its business strategies is set out in the Managing Director's Report on pages 12 to 17.

## MATTERS SUBSEQUENT TO THE END OF FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2021, other than the dividend referred to below, that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS IN OPERATIONS

Information on likely developments in the operations of the Group and the expected results of operations has not been included in this report as the Directors believe it would likely result in unreasonable prejudice to the Group.

## ENVIRONMENTAL REGULATIONS

The operations of the Group are subject to environmental regulation under Country, State, and Territory legislation.

The Directors are not aware of any breaches of environmental regulations during the year or as at the date of this report. The Company has met all its reporting requirements under the relevant legislation during the year and continually aims to improve its environmental performance.

The Company does not currently meet the thresholds of the National Greenhouse and Energy Reporting Act 2007 and is therefore not currently subject to its reporting requirements.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought on behalf of the Company, nor have any applications been made in respect of the Company under Section 237 of the *Corporations Act 2001*.

## CORPORATE GOVERNANCE

The Board is committed to achieving the highest standards of corporate governance. The Board reviews and improves its policies and procedures to ensure they are effective for the Group and fulfill the expectations of stakeholders. The Board's Corporate Governance Statement can be located on the Company's website via the following URL: http://www.srgglobal.com.au/who-we-are/corporate-governance/.

## DIVIDENDS

The Board has declared the following dividends in relation to the 2021 financial year:

- A final, fully franked $4.458m dividend (1.0 cent per share) on 24 August 2021. The Record Date for this dividend is 9 September 2021 with payment to be made on 21 October 2021.
- An interim, fully franked $4.458m (1.0 cent per share) dividend on 23 February 2021. This dividend was paid on 28 April 2021.

The total fully franked dividends declared by the Company in relation to the 2021 financial year is $8.916m (2.0 cents per share).





# Directors' Report (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

## REMUNERATION REPORT (AUDITED)

### 1. OVERVIEW

The directors of SRG Global Limited present the Remuneration Report (the 'Report') for the Company and its controlled entities for the year ended 30 June 2021. This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001*. The Report details the remuneration arrangements for the Company's key management personnel ('KMP'):

- Non-executive directors
- Executive directors and senior executives (collectively the 'Executives').

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Group and the Company.

The table below outlines the KMP of the Company and their movements during the year ended 30 June 2021.

| Name | Position | Term as KMP |
|---|---|---|
| **Non-executive directors** | | |
| P McMorrow | Non-Executive Chairman | Full financial year |
| P Brecht | Non-Executive Director | Full financial year |
| M Atkins | Non-Executive Director | Full financial year |
| **Executive directors** | | |
| D Macgeorge | Managing Director | Full financial year |
| **Executives** | | |
| R Lee | Chief Financial Officer / Company Secretary | Full financial year |
| N Combe | Executive General Manager - Construction & Engineering | Full financial year |
| J Thomas | Executive General Manager - Mining & Chair of Zero Harm | Full financial year |
| D Williamson | Executive General Manager - Asset Services | Full financial year |
| P Dawson | Executive General Manager - Building | Full financial year |

# Directors' Report (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

## 2. EXECUTIVE REMUNERATION FRAMEWORK

### 2.1 Executive remuneration policy

The Company's remuneration policy ensures that executives are rewarded fairly and responsibly in accordance with the market, having regard to the following:

- Remuneration levels are set at a level that ensures the Company can attract and retain qualified, experienced, and high-quality executives
- Fixed remuneration is structured at a level that reflects the executives' duties and responsibilities
- Remuneration packages are structured to encourage improved performance and to align the employee's interests with the short-term and long-term objectives of the Company
- The Company benchmarks remuneration packages at least annually to ensure competitive positioning within the market
- Short-term incentives are designed to incentivise individual contributions to achieving results.

### 2.2 Executive remuneration framework

The Company rewards executives with a level and mix of remuneration appropriate to their positions, responsibilities and performance, in a manner that aligns with the Company's strategy. Executives receive fixed remuneration and variable remuneration (as applicable), consisting of short and long term incentive opportunities. Executive remuneration levels are reviewed annually by the Remuneration and Nomination Committee with reference to the remuneration framework, guiding principles and market movements.

### 2.3 Elements of Remuneration

#### 2.3.1. Fixed remuneration

Executive fixed remuneration is competitively structured and comprises the fixed component of the remuneration package. The fixed component may include cash, superannuation, and non-financial benefits to comprise the employee's total employee cost. Non-financial benefits generally consist of items to enable the effective discharge of the executive's duties and may include the provision of motor vehicles, mobile phones and notebooks.

Fixed remuneration is designed to reward the Executive for:

- The scope of the executive's role;
- The executive's skills, experience and qualifications; and
- Individual performance.

#### 2.3.2. Short-term incentives (STI's)

The Company has implemented a short-term incentive plan during the 2021 financial year. Executives had the opportunity to earn a discretionary annual incentive award, delivered in the form of cash.

The objective of a variable STI remuneration is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The Company's STI objectives are to:

- Motivate senior executives to achieve the short-term annual objectives linked to Company success and shareholder value creation
- Create a strong link between performance and reward
- Share Company success with the executives that contribute to it
- Create a component of the employment cost that is responsive to short and medium term changes in the circumstances of the Company

Short-term incentives currently take the form of a cash bonus. The key STI measures for the Company in the 2021 financial year consist of a number of targets tied to the performance on SRG Global's major contracts - namely safety performance, financial performance, scheduling performance, and customer satisfaction. The STI is currently a discretionary 'bonus' arrangement and its quantum is determined by the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee is responsible for determining the achievement of targets and assessing as to whether a bonus amount is paid. The committee also has the discretion to adjust short-term incentives downwards or make no payments in response to unexpected or unintended circumstances and where market issues dictate such a decision. Any STI payments to KMP during the 2021 financial year were based on achieving strategic and / or business objectives.

#### 2.3.3. Long-term incentives (LTI's)

The LTI offered to the Executives forms a key part of their remuneration and assists to align their interest with the long-term interest of shareholders. The purpose of the LTI is to reward the Executives for attaining results over a long measurable period and for staying with the organisation. The LTI is a share based plan consisting of Performance Rights and / or Options (collectively "Rights and Options") which have pre-determined vesting conditions. The LTI was approved by Shareholders at the Annual General Meeting on 27 November 2018.

Under the LTI, Rights and Options may be offered to eligible persons as determined by the Board and are an entitlement to receive ordinary shares in the Company. Subject to satisfaction by eligible persons of specific criteria set by the Board, the Rights and Options are granted at no cost. Upon vesting of the Rights and Options, shares will be automatically issued or transferred to the participant unless the Company is in a "Blackout Period" (as defined in the Company's Securities Trading Policy) or the Company determines in good faith that the issue or transfer of shares may breach the insider trading provisions of the Corporations Act or the Securities Trading Policy, in which case, the Company will issue or transfer the shares as soon as reasonably practical thereafter.

The LTI scheme is designed to create a strong link between the Company's performance and the KMPs' performance.





# Directors' Report (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

## 3. HOW REMUNERATION IS GOVERNED

### 3.1 Remuneration and Nomination Committee

The objective of the Remuneration and Nomination Committee is to make recommendations on policies, strategies, and structures on compensation arrangements for directors and Executives. The committee is charged with the development and review of the Company's remuneration framework which:

- Recommends remuneration levels for directors and Executives
- Proposes non-executive director fees
- Establishes incentive plans which apply to executives
- Devises key performance indicators to align remuneration and incentives to performance and achievement
- Formulates identification of talent, development, retention, and succession planning strategies for key executives

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee and benchmarked against a number of indicators and market data.

Refer to the Corporate Governance Statement on the Company's website for further information on the role of the Nomination and Remuneration Committee.

### 3.2 Remuneration consultants

During the year ended 30 June 2021, the Company did not engage the services of a remuneration consultant in respect of its remuneration matters. The Company reserves the right to engage with a remuneration consultant to provide market analysis and benchmarking guidelines.

### 3.3 Voting and comments made at the Company's last Annual General Meeting

The Company received 96.03% of 'yes' votes on its Remuneration Report for the financial year ended 30 June 2020. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

### 3.4 Securities trading policy

The Company's Securities Trading Policy applies to all non-executive directors and executives. The Securities Trading Policy prohibits KMP from dealing in the Company's securities while in possession of non-publicly available information relevant to the Company.

The Company's Securities Trading Policy is available on the Corporate Governance section of the Company's website.

# Directors' Report (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

## 3.5 Executive employment / service agreements

Each KMP has entered into an employment contract with the Company. All KMP are entitled to receive payment in lieu of notice of any accrued statutory entitlement (i.e. annual and long service leave) on cessation of their employment. In addition, all KMP are entitled to participate in the STIP and LTIP that has been disclosed in Note 2.3 of the remuneration report.

The following table outlines the contractual terms of the employment contracts:

| Component | Managing Director | Senior Executives |
|---|---|---|
| Fixed Remuneration | $926,500 | Range between $432,306 and $572,250 |
| Contract Term | Ongoing | Ongoing |
| Notice Period | 6 months | 1-6 months |
| Annual Leave | 20 days per annum | 20-30 days per annum |

## 4. OVERVIEW OF NON-EXECUTIVE DIRECTOR REMUNERATION

The Board seeks to set aggregate fees paid to a level which reflects the responsibilities and demands made on non-executive directors and provides the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Remuneration and Nomination Committee reviews non-executive directors' remuneration annually against comparable companies. The Remuneration and Nomination Committee may also consider advice from external advisors if deemed necessary.

Non-executive director fees are determined within an aggregate non-executive director fee pool limit of $900,000 per annum. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst non-executive directors is evaluated by the Remuneration and Nomination Committee annually.

The remuneration of non-executive directors for the year ended 30 June 2021 is detailed in section 7.2 of this report.

## 5. SHARE-BASED COMPENSATION

### Performance Rights

Performance Rights may be granted under the Company Performance Rights Plan. The plan is designed to align the interest of employees to shareholders in the Company and for staff retention purposes. The terms of the plan are disclosed in note 29 to the financial statements

There were no performance rights issued during 2021 financial year. There are also no unissued ordinary shares of the Company under option at the date of this report.

## 6. OVERVIEW OF COMPANY PERFORMANCE

The table below sets out information about the Group's earnings and movements in shareholder wealth for the past five years up to and including the current financial year. The following information relates to SRG Global Limited (SRG Global) for the comparative periods.

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Profit / (loss) for the year attributable to owners ($'000) | 10,874 | 13,623 | 9,839 | (29,403) | 12,053 |
| Share price at end of the year (cents) | 0.60 | 0.71 | 0.50 | 0.21 | 0.51 |
| Basic EPS (cents) | 5.4 | 6.4 | 2.3 | (6.7) | 2.7 |
| Total dividends (cents per share) | 4.00 | 4.50 | 1.5 | 1.0 | 2.0 |





# Directors' Report (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

## 7. DETAILS OF REMUNERATION

## 7.1 Executive KMP remuneration for the years ended 30 June 2021 and 30 June 2020

| | | Short-term benefits | | | Post-employment | Long-term benefits | Share based payments | | |
|---|---|---|---|---|---|---|---|---|---|
| | Financial Year | Cash salary and fees | Short-term incentives[1] | Non-monetary benefits[2] | Super-annuation | Long service leave | Performance rights | Total remuneration | Performance related |
| | | $ | $ | $ | $ | $ | $ | $ | % |
| **Executive Directors** | | | | | | | | | |
| D Macgeorge | **2021** | **888,385** | **681,126** | **-** | **21,694** | **23,714** | **50,236** | **1,665,155** | **44** |
| | 2020 | 812,401 | - | - | 21,003 | - | 14,463 | 847,867 | 2 |
| E Gullotti[3] | **2021** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| | 2020 | 700,110 | - | - | 6,250 | 6,768 | - | 713,128 | - |
| **Senior Executives** | | | | | | | | | |
| R Lee | **2021** | **536,084** | **300,496** | **-** | **25,000** | **28,443** | **21,530** | **911,553** | **35** |
| | 2020 | 493,539 | - | - | 25,000 | - | 6,198 | 524,738 | 1 |
| N Combe | **2021** | **522,945** | **200,000** | **-** | **25,000** | **-** | **-** | **747,945** | **27** |
| | 2020 | 537,401 | - | - | 25,000 | - | - | 562,401 | - |
| J Thomas | **2021** | **407,486** | **217,300** | **-** | **25,000** | **19,801** | **-** | **669,587** | **32** |
| | 2020 | 385,623 | - | - | 35,720 | - | - | 421,343 | - |
| D Williamson | **2021** | **488,380** | **309,375** | **-** | **25,000** | **-** | **17,941** | **840,696** | **39** |
| | 2020 | 392,946 | 150,000 | - | 25,000 | - | 5,165 | 573,111 | 27 |
| P Dawson[4] | **2021** | **531,510** | **175,000** | **-** | **25,000** | **23,331** | **(124,044)** | **630,797** | **8** |
| | 2020 | 379,851 | - | - | 17,708 | - | 38,496 | 436,055 | 9 |
| G Edmonds[5] | **2021** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| | 2020 | 341,382 | - | - | 12,917 | - | - | 354,299 | - |
| **Total Executive KMP** | **2021** | **3,374,790** | **1,883,297** | **-** | **146,694** | **95,289** | **(34,337)** | **5,465,733** | **34** |
| | 2020 | 4,043,253 | 150,000 | - | 168,598 | 6,768 | 64,322 | 4,432,942 | 5 |

(1.) Short-term incentives relate to discretionary cash bonuses.
(2.) Non-monetary benefits relate to the provision of motor vehicles and motor vehicle related expenses.
(3.) Resigned on 2 October 2019. Cash salary and fees includes annual leave cashed out during the 2020 year of $49,529.
(4.) Appointed on 11 October 2019. The negative amount of share based payments is due to performance rights lasped during the year that were previously expensed.
(5.) Appointed on 20 March 2019 and ceased on 15 April 2020.

## 7.2 Non-executive remuneration for the years ended 30 June 2021 and 30 June 2020

| | | Short-term benefits | Post-employment | |
|---|---|---|---|---|
| | Financial Year | Cash salary and fees | Superannuation | Total Remuneration |
| | | $ | $ | $ |
| P McMorrow | **2021** | **170,000** | **-** | **170,000** |
| | 2020 | 157,458 | - | 157,458 |
| P Brecht | **2021** | **115,068** | **10,932** | **126,000** |
| | 2020 | 110,089 | 10,335 | 120,424 |
| M Atkins | **2021** | **115,068** | **10,932** | **126,000** |
| | 2020 | 113,630 | 10,795 | 124,425 |
| P Wade[1] | **2021** | **-** | **-** | **-** |
| | 2020 | 68,218 | - | 68,218 |
| J Derwin[2] | **2021** | **-** | **-** | **-** |
| | 2020 | 101,308 | 8,323 | 109,631 |
| **Total Non-Executive KMP** | **2021** | **400,136** | **21,864** | **422,000** |
| | 2020 | 550,703 | 29,453 | 580,156 |

(1.) Resigned on 26 November 2019.
(2) Resigned on 3 April 2020.

# Directors' Report (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

## 7.3 Shareholdings of KMP

The number of shares in the Company held directly or indirectly during the financial year by each director and KMP of the Group, including their related parties, are set out below. There were no shares granted during the reporting period as compensation.

| | Balance as at 30 June 2020 | Received on exercise of rights | Purchased | Net change other | Balance as at 30 June 2021 |
|---|---|---|---|---|---|
| **Non-Executive Directors** | | | | | |
| P McMorrow | 11,835,727 | - | 500,000 | - | **12,335,727** |
| P Brecht | 1,900,541 | - | 250,000 | - | **2,150,541** |
| M Atkins | 1,000,000 | - | - | - | **1,000,000** |
| **Executive Directors** | | | | | |
| D Macgeorge | 6,071,389 | - | 500,000 | - | **6,571,389** |
| **Senior Executives** | | | | | |
| R Lee | 3,503,451 | - | 150,000 | - | **3,653,451** |
| N Combe | 1,099,933 | - | - | - | **1,099,933** |
| J Thomas | 739,123 | - | - | - | **739,123** |
| D Williamson | 10,000 | - | 42,000 | - | **52,000** |
| P Dawson | 5,691,945 | - | - | - | **5,691,945** |

The number of performance rights held directly or indirectly during the financial year by each director and KMP of the Group are set out below.

| | Balance as at 30 June 2020 | Granted in the year | Lapsed in the year | Net change other | Balance as at 30 June 2021 |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| D Macgeorge | 1,400,000 | - | - | - | **1,400,000** |
| **Senior Executives** | | | | | |
| R Lee | 600,000 | - | - | - | **600,000** |
| D Williamson | 500,000 | - | - | - | **500,000** |
| P Dawson | 1,400,000 | - | (700,000) | - | **700,000** |

No other KMP's have been granted performance rights in the current financial year except as disclosed above.

## 7.4 Other transactions with KMP

The following transactions occurred and were outstanding at reporting date in relation to transactions with related parties:

| | Transactions 2021 $ | Receivables 2021 $ | Payables 2021 $ |
|---|---|---|---|
| • Properties from which the Group's operations are performed are rented from Portovenere Investments Pty Ltd, a company related to Paul Dawson | **(39,824)** | **-** | **(6,884)** |

**End of Audited Remuneration Report**





# Directors' Report (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

## INDEMNITY AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

## INDEMNITY AND INSURANCE OF AUDITORS

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

## NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 7 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 7 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

## ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financials / Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in this report have been rounded off to the nearest thousand dollars, unless otherwise stated.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 28.

This directors' report is made in accordance with a resolution of directors, pursuant to Section 298(2)(a) of the *Corporations Act 2001*.

**Peter McMorrow**
Non-Executive Chairman
24 August 2021

# Auditor's Independence Declaration

FOR THE YEAR ENDED 30 JUNE 2021

BDO

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

**DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF SRG GLOBAL LIMITED**

As lead auditor of SRG Global Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of SRG Global Limited and the entities it controlled during the period.

**Phillip Murdoch**

**Director**

**BDO Audit (WA) Pty Ltd**

Perth, 24 August 2021

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# Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2021

**SRG GLOBAL LIMITED ABN 81 104 662 259**
**AND CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:
   (a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (b) give a true and fair view of the Group's financial position as at 30 June 2021 and of the performance for the year ended on that date of the Group.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. At the date of this declaration there are reasonable grounds to believe that the members of the extended closed group identified in note 25 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 described in note 25.
4. Note 1 to the financial statements confirms that the financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.
5. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

**Peter McMorrow**
Non-Executive Chairman
24 August 2021

# Independent Auditor's Report

FOR THE YEAR ENDED 30 JUNE 2021

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

**INDEPENDENT AUDITOR'S REPORT**

To the members of SRG Global Limited

## Report on the Audit of the Financial Report

**Opinion**

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

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *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 also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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# Independent Auditor's Report (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

**Revenue Recognition**

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| The Group has several material revenue streams in the form of construction revenue, services revenue, products revenue and rental revenue - all of which have different revenue recognition timings and are subject to different legal and contractual frameworks given the geographical dispersion.<br><br>The core principle of AASB 15: ***Revenue from contracts with customers***, is that an entity should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled for those goods or services.<br><br>As disclosed in Note 1(b), the principles under AASB 15 involve significant judgment and estimates and thus, there is a risk that revenue has not been recognised in accordance with the standard. | Our procedures included, but were not limited to the following:<br><br>• Assessing the appropriateness of management's revenue recognition policy, ensuring that the policy is in accordance with the five step model adopted by the relevant Australian Accounting Standard, AASB 15;<br>• Understanding and documenting the processes and controls used by the Group in recognising construction contract costs and for estimating the costs to complete construction projects;<br>• Testing the operating effectiveness of internal controls designed by the Group in recognising revenue over time;<br>• Evaluating management's ability to accurately forecast construction costs and estimate costs to complete projects by assessing the accuracy of historic forecast against actual results;<br>• Enquiring with management on the progress of the Group's major projects to gain an understanding of the projects' stage of completion, any material contract variations and the remaining forecast financial performance of the project against management's initial assessment;<br>• Performing analytical procedures on contracting revenue recorded during the year by setting expectations based upon each project's stage of completion and the respective contract price;<br>• Agreeing a sample of costs incurred to supporting documentation, including testing the appropriate allocation to the correct project. We also evaluated payments made subsequent to reporting date to assess whether costs were accrued in the correct period; and<br>• Assessing the adequacy of the related disclosures in Note 2 and 28. |

# Independent Auditor's Report (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

**Impairment of intangible assets and property, plant and equipment**

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| At 30 June 2021, the Group has recognised intangible assets and property, plant and equipment as disclosed in Notes 12 and 13 of the financial report. Note 1(k) and 1(l) of the financial report discloses the accounting policies for impairment testing of intangible assets and property, plant and equipment.<br><br>As detailed in Note 1, management's assessment of the recoverability of intangible assets and property, plant and equipment requires significant judgement, in particular estimation of future cash flows, future growth rates of the business (cash generating ("CGUs"), discount rates applied to future cash flows and sensitivities of inputs and assumptions used in the cash flow models. | Our procedures included, but were not limited to the following:<br>• Assessing the appropriateness of the Group's identification of CGUs and management's allocation of assets to the carrying value of CGUs based on our understanding of the Group's business and internal reporting;<br>• Evaluating the methodology applied by the Group in allocating corporate assets and costs across the CGUs;<br>• Evaluating management's ability to accurately forecast cash flows by assessing the accuracy of the historic forecasts against actual results;<br>• Challenging the key inputs used in the value in use model including the following:<br>  • Comparing the discount rate utilised by management to those calculated by our internal valuation experts;<br>  • Comparing growth rates with economic and industry forecasts;<br>  • Comparing the Group's forecast cash flows to the board approved budgets;<br>  • Performing sensitivity analyses on the key assumptions used, including future growth rates and discount rates; and,<br>• Assessing the adequacy of the related disclosures in Notes 12 and 13. |





# Independent Auditor's Report (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

**Responsibilities of the directors for the Financial Report**

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

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

**Auditor's responsibilities for the audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

FOR THE YEAR ENDED 30 JUNE 2021

BDO

### Report on the Remuneration Report

**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in paragraphs 1 to 7.4 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of SRG Global Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit (WA) Pty Ltd**

BDO

**Phillip Murdoch**

Director

Perth, 24 August 2021





# Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| Revenue | 2 | 569,541 | 551,168 |
| Other income | 3 | 1,119 | 2,414 |
| Construction, servicing and contract costs | | (277,368) | (293,724) |
| Employee benefits expense | | (226,942) | (207,463) |
| Other expenses | | (19,292) | (35,346) |
| Equity accounted investment results | | (6) | (6) |
| Depreciation expense | 4 | (21,922) | (19,119) |
| Amortisation expense | 4 | (4,013) | (5,082) |
| Impairment expense | 13 | - | (24,761) |
| Finance expenses | 3 | (2,499) | (2,962) |
| **Profit / (loss) before income tax** | | **18,618** | (34,881) |
| Income tax (expense) / benefit | 5 | (6,565) | 5,194 |
| **Net profit / (loss) for the period** | | **12,053** | (29,687) |
| **Other comprehensive income** | | | |
| Exchange differences arising on translation of foreign operations | | (41) | 284 |
| Fair value movement of cash flow hedging | | 209 | - |
| **Total comprehensive income for the year, net of tax** | | **12,221** | (29,403) |

| | | 2021 | 2020 |
|---|---|---|---|
| **Earnings per share attributable to members of the parent entity** | | | |
| Basic earnings / (loss) per share (cents per share) | 9 | 2.7 | (6.7) |
| Diluted earnings / (loss) per share (cents per share) | 9 | 2.7 | (6.7) |

*The above statement should be read in conjunction with the notes to the financial statements.*

# Consolidated Statement of Financial Position

AS AT YEAR ENDED 30 JUNE 2021

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 23 | 46,236 | 28,106 |
| Trade and other receivables | 10 | 86,501 | 87,450 |
| Contract assets | 10 | 55,726 | 41,275 |
| Inventories | 11 | 14,868 | 15,568 |
| Other current assets | | 2,799 | 4,092 |
| Derivative financial instrument asset | | 342 | 86 |
| Equity accounted investments | 25(c) | 121 | 139 |
| **Total current assets** | | **206,593** | **176,716** |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 81,542 | 79,255 |
| Right of use assets | 15 | 20,339 | 25,972 |
| Intangible assets | 13 | 104,587 | 107,250 |
| Contract assets | 10 | 1,869 | - |
| Deferred tax assets | 17 | 27,999 | 33,668 |
| **Total non-current assets** | | **236,336** | **246,145** |
| **Total assets** | | **442,929** | **422,861** |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 106,484 | 88,609 |
| Contract liabilities | 10 | 20,571 | 15,886 |
| Borrowings | 16 | 15,347 | 12,714 |
| Right of use liabilities | 15 | 8,253 | 8,412 |
| Current tax liabilities | | 503 | 2,477 |
| Provisions | 18 | 26,087 | 24,516 |
| **Total current liabilities** | | **177,245** | **152,614** |
| **Non-current liabilities** | | | |
| Borrowings | 16 | 18,640 | 23,857 |
| Right of use liabilities | 15 | 13,096 | 18,324 |
| Provisions | 18 | 7,147 | 6,638 |
| **Total non-current liabilities** | | **38,883** | **48,819** |
| **Total liabilities** | | **216,128** | **201,433** |
| **Net assets** | | **226,801** | **221,428** |
| **Equity** | | | |
| Issued capital | 19 | 218,096 | 218,096 |
| Reserves | 20 | 8,149 | 8,141 |
| Retained earnings / (Accumulated losses) | | 556 | (4,809) |
| **Total Equity** | | **226,801** | **221,428** |

*The above statement should be read in conjunction with the notes to the financial statements.*





# Consolidated Statement of Financial Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2021

| | Share capital $'000 | Reverse acquisition reserve $'000 | Total issued capital $'000 | Retained earnings $'000 | Share based payments reserve $'000 | Asset revaluation reserve $'000 | Foreign currency translation reserve $'000 | Hedging Reserve $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2019** | **304,376** | **(88,480)** | **215,896** | **28,628** | **8,235** | **682** | **(713)** | **-** | **252,728** |
| Loss for the year | - | - | - | (29,687) | - | - | - | - | (29,687) |
| Other comprehensive income | - | - | - | - | - | - | 284 | - | 284 |
| **Total comprehensive income** | **-** | **-** | **-** | **(29,687)** | **-** | **-** | **284** | **-** | **(29,403)** |
| **Transactions with owners in their capacities as owners** | | | | | | | | | |
| Issue of ordinary shares, net of transaction costs | 2,200 | - | 2,200 | - | - | - | - | - | 2,200 |
| Share based payments | - | - | - | - | 335 | - | - | - | 335 |
| Dividends paid | - | - | - | (4,432) | - | - | - | - | (4,432) |
| Transfer to retained earnings | - | - | - | 682 | - | (682) | - | - | - |
| **Balance at 30 June 2020** | **306,576** | **(88,480)** | **218,096** | **(4,809)** | **8,570** | **-** | **(429)** | **-** | **221,428** |
| **Balance at 1 July 2020** | **306,576** | **(88,480)** | **218,096** | **(4,809)** | **8,570** | **-** | **(429)** | **-** | **221,428** |
| Profit /(Loss) for the year | - | - | - | 12,053 | - | - | - | - | 12,053 |
| Other comprehensive income | - | - | - | - | - | - | (41) | 209 | 168 |
| **Total comprehensive income** | **-** | **-** | **-** | **12,053** | **-** | **-** | **(41)** | **209** | **12,221** |
| **Transactions with owners in their capacities as owners** | | | | | | | | | |
| Issue of ordinary shares, net of transaction costs | - | - | - | - | - | - | - | - | - |
| Share based payments | - | - | - | - | (160) | - | - | - | (160) |
| Dividends paid | - | - | - | (6,688) | - | - | - | - | (6,688) |
| Transfer to retained earnings | - | - | - | - | - | - | - | - | - |
| **Balance at 30 June 2021** | **306,576** | **(88,480)** | **218,096** | **556** | **8,410** | **-** | **(470)** | **209** | **226,801** |

*The above statement should be read in conjunction with the notes to the financial statements.*

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| Receipts from customers | | 618,218 | 555,792 |
| Interest received | | 9 | 92 |
| Payments to suppliers and employees | | (558,065) | (546,485) |
| Interest paid | | (2,508) | (3,055) |
| Income tax paid | | (2,483) | (566) |
| **Cash inflow from operating activities** | 23(a) | **55,171** | **5,778** |
| Payments for property, plant and equipment | | (18,086) | (20,561) |
| Proceeds from sale of property, plant and equipment | | 2,184 | 4,029 |
| Payment of software development costs | | (1,416) | - |
| **Cash (outflow) / inflow from investing activities** | | **(17,318)** | **(16,532)** |
| Proceeds from borrowings | | 23,831 | 28,028 |
| Repayment of borrowings | | (34,598) | (45,286) |
| Payment of dividends | | (8,918) | (2,202) |
| **Cash (outflow) / inflow from financing activities** | | **(19,685)** | **(19,460)** |
| **Net cash increase / (decrease) in cash and cash equivalents held** | | **18,168** | **(30,214)** |
| Effect of exchange rates on cash and cash equivalent holdings | | (38) | 40 |
| Cash and cash equivalents at beginning of financial year | | 28,106 | 58,280 |
| **Cash and cash equivalents at end of financial year** | 23 | **46,236** | **28,106** |

*The above statement should be read in conjunction with the notes to the financial statements.*





# Notes to the Financial Statements

## NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

**General information**

SRG Global Limited (the Company) is a for-profit public company listed on the Australian Securities Exchange Limited (ASX) and is incorporated in Australia. The Company is primarily involved in engineering, mining, maintenance and construction contracting.

The consolidated financial statements of the Company comprise the Company and its controlled entities ('Consolidated Group' or 'Group') and the Consolidated Entity's interest in associates and joint arrangements. The separate financial statements of the parent entity, SRG Global Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The consolidated financial statements were authorised for issue by the Board of Directors on the date of signing the accompanying Directors' Declaration.

**Basis of preparation**

These financial statements are general purpose financial statements and have been prepared in accordance with applicable Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the *Corporations Act 2001*. The consolidated financial statements also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Any new, revised or amended Accounting Standards and Interpretations that have been issued but not yet mandatory have not been early adopted. Details of these new, revised or amended Accounting Standards and Interpretations that have been issued but not yet mandatory are set out in Note 1(u).

*Historical Cost Convention*

The financial statements have been prepared on an accruals basis with the exception of cash flow information, and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

*Presentation*

The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency. All values presented in the financial statements have been rounded to the nearest thousand dollars ('$000) unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

**Comparative Information**

The comparative balances for the year ending 30 June 2021 relating to a number of joint arrangements the Group have entered into have been restated to proportionately consolidate the financial position and profit or loss and other comprehensive income of these arrangements in accordance with AASB 11 Joint Arrangements. Previously, the Group had been applying the equity accounting method in recognising these arrangements.

The change arises because of a reassessment of the joint arrangements to determine if joint control is present.

As a result of the change to the comparatives:

- No change to the profit for the year ended 30 June 2020.
- No change to the net asset position.
- Revenue for the year ended 30 June 2020 has increased by $31.211 million with a corresponding increase in Construction and servicing costs of $28.426 million.
- Share of net profits of joint ventures accounted for using the equity method has decreased by $2.785 million.
- Investments accounted for using the equity method of $4.478 million has been reclassified into Trade and Other Receivables as at 30 June 2020.
- Cashflow from operating activities for the year ending 30 June 2020 has decreased by $1.681 million with a corresponding increase in Cashflow from investing activities.

The effect of the change was not considered to be material with respect to AASB108: Accounting Policies, Changes in Accounting Estimates and Errors.

**Foreign currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into Australian dollars using the exchange rates at the reporting date and the income statements are translated at the average exchange rates for the year. Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when the fair values were determined.

Exchange differences arising on the translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income, in the period when the operation is disposed.

**Key accounting estimates and judgements**

In applying Australian Accounting Standards, management is required to make judgements, estimates and form assumptions that affect the application of accounting policies and reported amounts presented herein. On an ongoing basis, management evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated group.

The following key estimates and judgements were relevant to the Group for the financial year:

- Estimation of allowance for expected credit losses on financial assets and liabilities (Note 31(e))
- Assessment and impairment of intangible assets (Note 13)
- Employee long-term entitlements (Note 18)
- Recovery of deferred tax assets (Note 17)
- Determination of variable consideration on revenue (Note 1(b))

**Accounting policies**

This note provides all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) Principles of consolidation**

*Subsidiaries*

Subsidiaries are all entities (including structured entities) controlled by the Company. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The consolidated financial statements are prepared by consolidating the financial statements of all entities within the Group as defined in AASB 10 *Consolidated Financial Statements*. The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. The acquisition method of accounting is used to account for business combinations by the Group.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profits and losses resulting from intra-Group transactions have been eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

*Associates*

Associates are entities over which the Group has significant influence but not control or joint control. Significant influence is presumed to exist when the Group owns between 20% and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method, after initially being recognised at cost.

*Joint arrangements*

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined to have both joint operations and joint ventures.

- Joint operations - The Group recognises its direct right, and its share of, jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings. Details of joint operations are set out in Note 25(b).
- Joint ventures - Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost. Details of joint ventures are set out in Note 25(c).





# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. 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. Dividends received or receivable from associates reduce the carrying amount of the investment.

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

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity with adjustments made to the 'Investments accounted for using the equity method' and 'Share of profit of equity accounted investees' accounts. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting policies of the equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 1(p).

*Changes in ownership interests*

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

**(b) Revenue**

The Group operates two main revenue streams throughout various geographical locations – Construction and Services.

*Construction Revenue*

The Group derives revenue from construction of buildings and civil projects globally. The construction of each project is generally taken as one performance obligation. Where contracts are entered with several performance obligations, the total transaction price is allocated to each performance obligation based on stand-alone selling prices.

As per normal practice, the transaction price of a project is fixed at the start containing bonus and penalty elements based on performance construction criteria known as variable consideration.

The performance obligation is fulfilled over time and as such revenue is recognised over time. As work is performed on the assets being constructed, they are controlled by the customer and have no alternative use for the Group.

Revenue earned is recognised on the measured input of each process based on resources consumed per appraisals that are agreed with the customer on a regular basis.

*Services Revenue*

Maintenance and other services are performed by the Group for a variety of industries. Contracts entered into can cover services which may involve various different processes or servicing of related assets. Where these processes and activities are highly interrelated, and the Group provides a significant service of integration for these activities, they are taken as one performance obligation.

The transaction price is allocated across each performance obligation based on contracted prices. Variable consideration may be included in the transaction price.

The performance obligation is fulfilled over time as the Group enhances the assets which the customer controls, for which the Group has no alternative use and has a right to payment for performance to date.

Revenue is recognised in the accounting period in which services are rendered. Customers are in general invoiced for an amount that is calculated based on agreed contract terms in accordance with stand-alone selling prices for each performance obligation.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Variable Consideration*

Contracts may include performance bonuses or penalties assessed against the timeliness or cost effectiveness of work completed or other performance related KPIs. Revenue recognition of variable consideration is only satisfied when there are no uncertainties to its entitlement, this is known as the "constraint" requirements.

The Group assess the constraint requirements on a periodic basis when estimating the variable consideration to be included in the transaction price. The estimate is based on all available information including historic performance.

Where modifications to contracts are made, the transaction price is updated to reflect these. Where the modification price is not confirmed, an estimate is made of the amount of revenue to recognise whilst also considering the constraint requirement.

**(c) Finance costs**

Finance costs are recognised as expenses in the period in which they are incurred, except where they are directly attributable to the acquisition, construction or production of an asset. The capitalisation rate used to determine the amount of finance costs to be capitalised is the weighted average interest rate on the Group's borrowings outstanding during the period.

**(d) Income tax**

The Group is subject to income taxes in Australia and other jurisdictions around the world in which the entities within the Group operates.

*Income tax expense (income)*

The income tax expense (income) on profit or loss for the year comprises current and deferred tax expense (income). Current income tax expense (income) is the tax payable (receivable) on the taxable income for the period, using tax rates enacted at the reporting date, and any adjustments to tax payable in respect of previous years. Deferred income tax expense (income) reflects movements in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, as well as unused tax losses.

Current and deferred tax expense (income) are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax expense (income) are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax expense (income) arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination

*Deferred tax assets (liabilities)*

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where the amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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

Where temporary differences exist in relation to investments, subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. In addition to its own current and deferred tax amounts, the head entity also recognised current tax liabilities (assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Members of the Group have entered into a tax funding agreement. Under the funding agreement, the allocation of tax within the Group is based on a group allocation. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-company receivable (payable) which is at call.





# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(e) Goods and services tax (GST)**

Revenue, expenses and assets are recognised net of the amount of GST, except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of the asset, or as an expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST 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 cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

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

**(f) Earnings per share**

*Basic earnings per share*

Basic earnings per share is determined by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for bonus elements in ordinary shares issued during the period.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares outstanding plus the weighted average number of ordinary shares that would be issued on the conversion of all potential ordinary shares into ordinary shares.

**(g) Fair value of assets and liabilities**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly (i.e. unforced) transaction between market participants at the measurement date. It assumes that the transaction will take place either in the principal market or in the absence of a principal market, in the most advantageous market.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market date (unobservable inputs).

**(h) Cash and cash equivalents**

Cash and cash equivalents are measured and carried at amortised cost. Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts with original maturities of three months or less.

**(i) Trade and other receivables**

Trade and other receivables are initially recognised at transaction price and subsequently measured and carried at amortised cost. Collectability of trade receivables is made on an ongoing basis and when there is objective evidence that the Group will not be able to collect the receivable, allowances for credit losses are recognised. These losses are recognised in the income statement. The simplified approach is used.

**(j) Inventories**

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

*Cost*

Cost includes direct materials, direct labour, other direct variable costs and allocation production overheads necessary to bring inventories to their present location and condition, based on normal operating capacity of the production facilities. The cost of manufacturing inventories and work-in-progress are assigned to inventories using the weighted average cost method. Costs arising from exceptional wastage are expensed as incurred.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Net realisable value*

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Allowances are recorded for inventory considered to be excess or obsolete.

**(k) Property, plant and equipment**

Land is measured at cost. Buildings and all other property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset and may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

*Subsequent costs*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to profit or loss during the reporting period in which they are incurred.

*Depreciation*

Land is not depreciated. Depreciation of major mining equipment is calculated on machine hours worked over their estimated useful life. Leasehold improvements and leased assets are depreciated over the shorter of the lease terms or their useful lives. Items in the course of construction or not yet in service are not depreciated. Depreciation on the other assets are recognised in profit or loss on a straight-line basis over the estimated useful life of the asset.

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

| | | | |
|---|---|---|---|
| - | Buildings and leasehold improvements | 3 – 50 | years |
| - | Office and computer equipment | 3 – 10 | years |
| - | Motor vehicles | 3 – 8 | years |
| - | Plant and rental equipment | 3-40 | years |

The depreciation methods, assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

*Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the statement of profit or loss and other comprehensive income in the year that the item is derecognised. Any revaluation reserve relating to sold assets is transferred to retained earnings.

**(l) Intangibles**

*Goodwill*

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is not amortised but is assessed annually for impairment or more frequently if the facts or circumstances indicate a potential impairment and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment assessment. Information about impairment assessment of intangibles is set out in Note 13. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

*Customer Relationships*

Customer relationships are acquired as part of the business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.





Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(m) Trade and other payables**

Trade creditors and other payables are non-interest bearing and are initially recognised at fair value and subsequently carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that remained unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Settlement of these liabilities are in line with normal commercial terms.

**(n) Interest bearing liabilities**

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. Subsequently, interest bearing liabilities are then stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit and loss over the period of the borrowings on an effective interest basis.

All interest bearing liabilities 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.

**(o) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation that can be estimated reliably as a result of past event, for which it is probable that an outflow of economic benefits will result and be required to settle the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

*Employee Benefits*

The provision for employee entitlements to wages, salaries and annual and long service leave represents the amount which the Group has a present obligation to pay resulting from employees' services provided up to the reporting date.

- Short-term Employee Benefits - Employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.
- Long-term Employee Benefits - Employee benefits which are not expected to settle within 12 months are measured at the present value of the estimated future cash flows to be made of those benefits. Information about long-term employee benefits measurement is set out in Note 18(b).

*Onerous Contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are less than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

**(p) Financial instruments**

Financial instruments are recognised when the Group becomes a party to the contractual provisions to the instrument. Financial instruments for the Group include cash and cash equivalents, trade and other receivables, trade and other payables, interest-bearing financial liabilities and equity investments not held for trading. The initial recognition and classification of subsequent measurement are set out within the relevant accounting policy.

*Impairment*

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of profit or loss. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired.

The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**(q) Share capital**

*Ordinary share capital*

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Dividends*

A provision for dividends is not recognised as a liability unless the dividends are declared on or before the reporting date.

**(r) Equity-settled compensation**

Share-based compensation benefits are provided to employees in the form of options and performance rights in exchange for the rendering of services under an employee share plan. The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period.

**(s) Government grants**

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**(t) Leases**

The Group leases various offices, warehouses, equipment and cars. Lease contracts are typically made for fixed periods of 3 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date using the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect these payments.

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment loss.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset of the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.





# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment" policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other Expenses" in profit or loss.

**(u) Derivative Financial Instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

*Cash flow hedges*

Cash flow hedges are used to cover the consolidated group's exposure to variability in cash flows that are attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

**(v) New Accounting Standards and Interpretations Adopted**

The Group has adopted all of the new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. The adoption of the standards and interpretations has no material impact on the financial report.

**(w) New Accounting Standards and Interpretations Issued but not yet Effective**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2021. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

The following new or amended Accounting Standards and Interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2020-3 Amendments to Australian Accounting Standards: Business Combinations
- AASB 2020-3 Amendments to Australian Accounting Standards: Financial Instruments
- AASB 2020-3 Amendments to Australian Accounting Standards: Property, Plant and Equipment
- AASB 2020-3 Amendments to Australian Accounting Standards: Provisions, Contingent Liabilities and Contingent Assets
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 2. REVENUE

Revenue from contracts with customers is disaggregated by major service lines and is in line with the Group's reportable segments (See Note 28).

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Construction revenue | 291,741 | 327,585 |
| Services revenue | 277,800 | 223,583 |
| | **569,541** | **551,168** |

## NOTE 3. OTHER INCOME / FINANCE EXPENSES

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Other income** | | |
| Property rental income | 264 | 68 |
| Freight and other income | 855 | 2,346 |
| | **1,119** | **2,414** |
| **Finance Expenses** | | |
| Interest on right of use liabilities | 778 | 986 |
| Other finance expenses | 1,721 | 1,976 |
| | **2,499** | **2,962** |

## NOTE 4. DEPRECIATION AND AMORTISATION

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Depreciation** | | |
| Buildings and leasehold improvements | 319 | 280 |
| Office and computer equipment | 1,051 | 629 |
| Motor vehicles | 3,004 | 2,045 |
| Plant and rental equipment | 9,117 | 7,675 |
| | **13,491** | **10,629** |
| Right of use assets | 8,431 | 8,490 |
| **Total depreciation expense** | **21,922** | **19,119** |
| **Amortisation** | | |
| Customer relationships | 4,013 | 5,082 |

Depreciation and amortisation rates are set out in Note 1(k), 1(l) and 1(t).





# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 5. INCOME TAX EXPENSE

This note provides all analysis of the Group's income tax expense:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **(a) Income tax expense** | | |
| Current tax expense | 799 | 2,182 |
| Deferred tax expense / (benefit) (see Note 17) | 5,892 | (5,509) |
| (Over) / under provision in respect to prior year | (126) | (1,867) |
| **Income tax benefit** | **6,565** | **(5,194)** |
| **(b) Numerical reconciliation of income tax benefit to prima facie tax payable** | | |
| Profit for the year | 18,618 | (34,881) |
| Tax at the Australian rate of 30% (2020 - 30%) | 5,585 | (10,464) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| - Increase in income tax expense due to non-tax deductible items | 287 | 6,526 |
| - Non-deductible losses on overseas entities | 45 | 241 |
| - Derecognition of capital tax losses | - | 366 |
| - Difference in overseas tax rate | 774 | 12 |
| - Sundry items | - | (8) |
| Amount (over) / under provided in prior year | (126) | (1,867) |
| **Income tax expense / (benefit) attributable to entity** | **6,565** | **(5,194)** |

**(c) Amounts recognised directly in equity**

Aggregate current and deferred tax arising in the financial year and not recognised in the net profit or loss but directly credited (debited) to equity is as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Share based payments | - | - |

## NOTE 6. KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration disclosures of directors and other members of KMP during the year are provided in Section 7 of the Remuneration Report designated as audited and forming part of the Directors' Report.

| | 2021 $ | 2020 $ |
|---|---|---|
| Short-term employee benefits | 5,658,223 | 4,743,957 |
| Long service leave | 95,289 | 6,768 |
| Post-employment benefits | 168,558 | 198,051 |
| Share-based payments | (34,337) | 64,322 |
| | **5,887,733** | **5,013,098** |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 7. AUDITORS' REMUNERATION

During the year, the following fees were paid or payable for services provided by the auditors of the parent entity, its related practices and non-related audit firms:

| | 2021 $ | 2020 $ |
|---|---|---|
| **Remuneration of the auditor of the parent entity**[(1)] | | |
| Audit or review of the financial statements | 302,500 | 290,000 |
| Non-assurance related services | | |
| - tax compliance | - | 10,270 |
| | **302,500** | **300,270** |
| **Remuneration of parent entity auditor's network firms**[(1)] | | |
| Audit or review of the financial statements | 78,313 | 76,522 |
| | **78,313** | **76,522** |
| **Remuneration of other auditors of subsidiaries** | | |
| Audit or review of the financial statements | 13,785 | 28,017 |
| Non-assurance related services | | |
| - tax compliance | 3,628 | 4,759 |
| - other advisory services | - | 2,350 |
| | **17,413** | **35,126** |

(1) The auditor of the parent entity is BDO Audit (WA) Pty Ltd (2020: BDO Audit (WA) Pty Ltd).



Notes to the Financial Statements



# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021



## NOTE 8. CAPITAL MANAGEMENT

**(a) Risk Management**

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. The Group is not subject to any externally imposed capital requirements, except for *Corporations Act 2001* Chapter 6 in relation to take over provisions and ASX listing rules Chapter 7 on 15% placement capacity on new equity raising.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Net cash / (debt) | 12,249 | (8,465) |

Net cash / (debt) is calculated as the total secured borrowings less cash and cash equivalents.

**(b) Dividends**

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Distributions paid** | | |
| The amounts paid, provided or recommended by way of dividend by the parent entity are: | | |
| - Final fully franked ordinary dividend for the year ended 30/06/2019 of 0.5 cents per share paid on 21/10/2019 franked at the tax rate of 30% | - | 2,202 |
| - Interim fully franked ordinary dividend for the year ended 30/06/2020 of 0.5 cents per share paid on 30/07/2020 franked at the tax rate of 30% | - | 2,230 |
| - Final fully franked ordinary dividend for the year ended 30/06/2020 of 0.5 cents per share paid on 21/10/2020 franked at the tax rate of 30% | 2,230 | - |
| - Interim fully franked ordinary dividend for the year ended 30/06/2021 of 1.0 cent per share paid on 28/04/2021 franked at the tax rate of 30% | 4,458 | - |
| | **6,688** | **4,432** |
| **Dividends declared after 30 June 2021** | | |
| (i) The Directors have resolved to declare a final fully franked ordinary dividend of 1.0 cent per share payable on 21/10/2021, franked at the tax rate of 30%. | 4,458 | - |
| | **4,458** | **-** |
| **Franking account balance** | | |
| (ii) Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax, dividends recognised as receivables and franking debits arising from payment of dividends and franking credits that may be prevented from distribution in subsequent financial years. | 16,936 | 18,456 |
| Subsequent to year end, the franking account would be reduced by the proposed dividend as follows: | | |
| - Dividend declared post year end | (1,911) | (955) |
| - Dividend paid post year end | - | (955) |
| | **15,025** | **16,546** |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 9. EARNINGS PER SHARE

| | 2021 | 2020 |
|---|---|---|
| Profit / (Loss) attributable to members of the parent entity | 12,053 | (29,687) |
| WANOS used in the calculation of basic EPS (shares) | 445,796,415 | 444,399,625 |
| WANOS used in the calculation of diluted EPS (shares) | 450,096,415 | 450,099,625 |
| **Earnings per share** | | |
| Basic (cents per share) | 2.7 | (6.7) |
| Diluted (cents per share) | 2.7 | (6.7) |

## NOTE 10. TRADE AND OTHER RECEIVABLES

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Trade receivables[a] | 90,400 | 94,853 |
| Other receivables[b] | 1,569 | 1,792 |
| ECL allowance | (5,468) | (9,195) |
| | **86,501** | **87,450** |
| **Net balance sheet position for ongoing construction contracts:** | | |
| Contract assets[c] | 57,595 | 41,275 |
| Contract liabilities[c] | (20,571) | (15,886) |
| | **37,024** | **25,389** |
| | **123,525** | **112,838** |

**(a) Trade receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Collection of the amounts is expected within one year or less and therefore have been classified as current assets.

**(b) Other receivables**

These amounts generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained.

**(c) Contract assets and contract liabilities**

Contract assets are balances due from customers as work is performed and therefore a contract asset is recognised over the period in which the performance obligation is fulfilled. This represents the entity's right to consideration for the goods and services transferred to date. Amounts are generally reclassified to trade receivables when these have been certified or invoiced to a customer. Contract liabilities arise when payment is received prior to work being performed.

**(d) Risk exposure**

Information about the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 31.





# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 11. INVENTORIES

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Raw materials and stores at cost | 5,185 | 5,250 |
| Finished goods | 5,351 | 5,915 |
| Work in progress and materials on site | 4,332 | 4,403 |
| | **14,868** | **15,568** |

Provision for obsolete stock was included in this amount of $nil (2020: $53,202).

## NOTE 12. PROPERTY, PLANT AND EQUIPMENT

| | Land $'000 | Building & Leasehold Improvements $'000 | Office & Computer Equipment $'000 | Motor Vehicles $'000 | Plant & Rental Equipment $'000 | Capital Work in Progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Year Ended 30 June 2021** | | | | | | | |
| Opening net book amount | 1,885 | 2,576 | 2,348 | 10,559 | 60,715 | 1,172 | 79,255 |
| Additions | - | 384 | 205 | 4,301 | 13,646 | 68 | 18,604 |
| Disposals | (328) | (387) | (29) | (599) | (1,108) | (345) | (2,796) |
| Depreciation charge | - | (319) | (1,051) | (3,004) | (9,117) | - | (13,491) |
| Foreign exchange differences | - | 6 | (3) | (11) | (22) | - | (30) |
| **Closing net book amount** | **1,557** | **2,260** | **1,470** | **11,246** | **64,114** | **895** | **81,542** |
| **As at 30 June 2021** | | | | | | | |
| Cost | 1,557 | 4,375 | 6,952 | 23,741 | 127,204 | 895 | 164,724 |
| Accumulated depreciation | - | (2,115) | (5,482) | (12,495) | (63,090) | - | (83,182) |
| Accumulated impairment | - | - | - | - | - | - | - |
| **Net book amount** | **1,557** | **2,260** | **1,470** | **11,246** | **64,114** | **895** | **81,542** |

| | Land $'000 | Building & Leasehold Improvements $'000 | Office & Computer Equipment $'000 | Motor Vehicles $'000 | Plant & Rental Equipment $'000 | Capital Work in Progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Year Ended 30 June 2020** | | | | | | | |
| Opening net book amount | 2,788 | 1,865 | 1,129 | 7,639 | 55,593 | 2,439 | 71,453 |
| Additions | - | 1,185 | 1,882 | 4,941 | 14,892 | (295) | 22,605 |
| Disposals | (903) | (197) | (42) | 51 | (1,923) | (972) | (3,986) |
| Depreciation charge | - | (280) | (630) | (2,045) | (7,674) | - | (10,629) |
| Foreign exchange differences | - | 3 | 8 | (27) | (172) | - | (188) |
| **Closing net book amount** | **1,885** | **2,576** | **2,347** | **10,559** | **60,716** | **1,172** | **79,255** |
| **As at 30 June 2020** | | | | | | | |
| Cost | 1,885 | 4,415 | 6,918 | 21,447 | 127,975 | 1,172 | 163,812 |
| Accumulated depreciation | - | (1,839) | (4,570) | (10,888) | (67,260) | - | (84,557) |
| Accumulated impairment | - | - | - | - | - | - | - |
| **Net book amount** | **1,885** | **2,576** | **2,348** | **10,559** | **60,715** | **1,172** | **79,255** |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 13. INTANGIBLES

| | Goodwill $'000 | Customer Relationships $'000 | Software $'000 | Total $'000 |
|---|---|---|---|---|
| **Year ended 30 June 2020** | | | | |
| Opening net book amount | 114,990 | 22,566 | - | 137,556 |
| Impairment charge | (24,761) | - | - | (24,761) |
| Amortisation charge | - | (5,082) | - | (5,082) |
| Foreign exchange differences | (343) | (120) | - | (463) |
| **Closing net book amount** | **89,886** | **17,364** | **-** | **107,250** |
| **As at 30 June 2020** | | | | |
| Cost | 114,655 | 29,160 | - | 143,815 |
| Accumulated amortisation and impairment | (24,769) | (11,796) | - | (36,565) |
| **Net book amount** | **89,886** | **17,364** | **-** | **107,250** |
| **Year ended 30 June 2021** | | | | |
| Opening net book amount | 89,886 | 17,364 | - | 107,250 |
| Additions | - | - | 1,416 | 1,416 |
| Impairment charge | - | - | - | - |
| Amortisation charge | - | (4,013) | - | (4,013) |
| Foreign exchange differences | (59) | (7) | - | (66) |
| **Closing net book amount** | **89,827** | **13,344** | **1,416** | **104,587** |
| **As at 30 June 2021** | | | | |
| Cost | 114,596 | 29,153 | 1,416 | 145,165 |
| Accumulated amortisation and impairment | (24,769) | (15,809) | - | (40,578) |
| **Net book amount** | **89,827** | **13,344** | **1,416** | **104,587** |







# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021


## NOTE 13. INTANGIBLES (CONTINUED)

**Impairment disclosures of non-financial assets**

At the end of each reporting period, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill is allocated to cash-generating units which are based on the Group's reporting segments:

**Allocation of intangible assets to Cash-Generating Unit (CGU) groups**

| | Asset Services $'000 | Mining Services $'000 | Construction $'000 | Total $'000 |
|---|---|---|---|---|
| **30 June 2021** | 43,542 | 1,178 | 58,451 | 103,171 |
| **30 June 2020** | 47,195 | 1,178 | 58,877 | 107,250 |

The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. These calculations use discounted cash flow projections based on financial budgets approved by management covering a three year period.

The discount rate used is the Group's weighted average cost of capital.

The same growth rate is applied across all CGU's and reflect the long-term average growth rate and management's outlook on growth.

**Significant estimate: Key assumptions used for value-in-use calculations**

| | Long-term growth rate | | Pre-tax discount rate | |
|---|---|---|---|---|
| | 2021 % | 2020 % | 2021 % | 2020 % |
| **Asset Services** | 2.00% | 2.00% | 12.29% | 13.89% |
| **Mining Services** | 2.00% | 2.00% | 12.29% | 13.89% |
| **Construction** | 2.00% | 2.00% | 12.29% | 13.89% |

**Sensitivity**

Management believe that any reasonably possible change in the key assumptions on which the recoverable amount based in all the CGU's would not cause the remaining carrying amount to exceed its recoverable amount.

**Impairment expense**

The Group performs its impairment test on an annual basis. The Group considers the relationship between its market capitalisation and its book value, among other factors when reviewing indicators of impairment. As a result of the impairment testing process, no impairment is recognised for the year ended 30 June 2021 (2020: impairment in the Construction Segment of $24,761,000).

## NOTE 14. TRADE AND OTHER PAYABLES

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Current** | | |
| Trade payables | 63,231 | 54,558 |
| Other payables and accrued expenses | 43,253 | 34,051 |
| | **106,484** | **88,609** |

Information about the Group's exposure to currency and liquidity risks is included in Note 31.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 15. LEASES

The recognised right of use liabilities are as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Current right of use liability | 8,253 | 8,412 |
| Non-current right of use liability | 13,096 | 18,324 |
| **Total right of use liabilities** | **21,349** | **26,736** |

The recognised right of use assets relate to the following types of assets:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Properties | 19,852 | 24,955 |
| Equipment and vehicles | 487 | 1,017 |
| **Total right of use assets** | **20,339** | **25,972** |

*Extension Options*

Certain leases contain extension options exercisable by the Group. These extension options are exercisable only by the Group and not by the lessors. The Group assesses, at lease commencement, whether it is reasonably certain to exercise the extension options, and where it is reasonably certain, the extension period has been included in the lease liability. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

## NOTE 16. BORROWINGS

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Current** | | |
| Secured borrowings - Term facility | 3,000 | 500 |
| Secured borrowings - Asset financing | 10,941 | 10,461 |
| Other borrowings - Insurance premium funding | 1,406 | 1,753 |
| | **15,347** | **12,714** |
| **Non-current** | | |
| Secured borrowings - Term facility | 5,250 | 8,250 |
| Secured borrowings - Asset Financing | 13,390 | 15,607 |
| | **18,640** | **23,857** |
| **The carrying amount of non-current assets pledged as first security are:** | | |
| Plant, motor vehicles and equipment over which hire purchase contracts apply | 31,916 | 31,134 |
| | **31,916** | **31,134** |

**(a) Hire purchase finance**

Hire purchase liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

**(b) Fair value**

The fair value of borrowings is not materially different from the carrying value since interest payable on these borrowings are either close to current market rates or the borrowings are of a short term nature.





# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 17. DEFERRED TAX BALANCES

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **(a) Deferred tax assets** | | |
| The balance comprises temporary differences attributed to: | | |
| Property, plant and equipment | - | 3,798 |
| Provisions | 9,551 | 8,915 |
| Share based payments | 55 | - |
| Payables | 1,219 | 1,414 |
| Tax losses | 22,810 | 24,380 |
| Other | 2,345 | 1,598 |
| **Total deferred tax assets** | **35,980** | **40,105** |
| **(b) Deferred tax liabilities** | | |
| The balance comprises temporary differences attributed to: | | |
| Property Plant and Equipment | 3,142 | - |
| Debtors retention | 871 | 1,179 |
| Intangible assets | 3,968 | 4,387 |
| Accrued revenue | - | 799 |
| Prepayments | - | 37 |
| Other | - | 35 |
| **Total deferred tax liabilities** | **7,981** | **6,437** |
| **Net deferred tax assets/(liabilities)** | **27,999** | **33,668** |

**(c) Reconciliations**

| | Opening Balance $'000 | Recognised in Profit or Loss $'000 | (Over)/Under Previous Years $'000 | Foreign exchange differences $'000 | Closing Balance $'000 |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Deferred tax assets / (liabilities) in relation to: | | | | | |
| Property, plant and equipment | **3,798** | (5,679) | (1,322) | 61 | **(3,142)** |
| Provisions | **8,915** | (526) | 1,223 | (61) | **9,551** |
| Share based payments | **-** | 54 | 1 | - | **55** |
| Intangibles | **(4,387)** | 443 | - | (24) | **(3,968)** |
| Debt retention | **(1,179)** | 308 | - | - | **(871)** |
| Prepayments | **(37)** | 37 | - | - | **-** |
| Payables | **1,414** | (195) | - | - | **1,219** |
| Tax losses | **24,380** | (1,177) | (366) | (27) | **22,810** |
| Accrued Revenue | **(799)** | - | 747 | 52 | **-** |
| Other | **1,563** | 843 | (15) | (46) | **2,345** |
| | **33,668** | **(5,892)** | **268** | **(45)** | **27,999** |
| **2020** | | | | | |
| Deferred tax assets / (liabilities) in relation to: | | | | | |
| Property, plant and equipment | **8,006** | (4,735) | 527 | | **3,798** |
| Provisions | **5,796** | 1,891 | 1,228 | | **8,915** |
| Share based payments | **-** | - | - | | **-** |
| Intangibles | **(6,786)** | 2,018 | 381 | | **(4,387)** |
| Debt retention | **(1,108)** | (71) | - | | **(1,179)** |
| Prepayments | **(39)** | 2 | - | | **(37)** |
| Payables | **804** | 610 | - | | **1,414** |
| Tax losses | **19,461** | 5,866 | (947) | | **24,380** |
| Accrued revenue | **(799)** | - | - | | **(799)** |
| Other | **1,842** | (72) | (207) | | **1,563** |
| | **27,177** | **5,509** | **982** | | **33,668** |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 17. DEFERRED TAX BALANCES (CONTINUED)

**Significant judgment: recoverability of deferred tax assets**

The deferred tax assets include an amount of $22,810,000 which relates to carried-forward tax losses. The group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. The losses can be carried forward indefinitely and have no expiry date.

## NOTE 18. PROVISIONS

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Current** | | |
| Employee benefit provisions[a] | 20,606 | 17,388 |
| Lease provisions[c] | 1,604 | 1,982 |
| Other | 3,877 | 5,146 |
| | **26,087** | **24,516** |
| **Non-current** | | |
| Employee benefit provisions[b] | 3,394 | 1,769 |
| Lease provisions[c] | 2,223 | 3,519 |
| Other | 1,530 | 1,350 |
| | **7,147** | **6,638** |

**(a) Employee benefit provisions**

The employee benefit provisions cover the Group's liability for long service leave and annual leave.

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the current provision of $20,606,000 (2020: $17,388,000) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

**(b) Significant estimate: Provision for long-term employee benefits**

In determining the employee entitlements relating to long service leave, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on Government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

**(c) Lease provisions**

$3,381,000 (2020: 5,113,000) of the liability is assumed as part of the business combination in a prior period for the fair valuation of GCS' lease agreements due to the leases' terms being unfavourable relative to market terms. The market value of rentals for these properties are lower than the rental terms agreed by GCS to lease the properties and therefore a liability is recognised.

$446,000 (2020: 388,000) of onerous lease provisions assumed as part of the business combination in the prior period for discount provided for a sub-lease, as the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.





# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 19. ISSUED CAPITAL

| | 2021 Shares | 2021 $'000 | 2020 Shares | 2020 $'000 |
|---|---|---|---|---|
| **Share capital** | | | | |
| Ordinary shares fully paid | 445,796,415 | 218,096 | 445,796,415 | 218,096 |

| | Number of shares | Total $'000 |
|---|---|---|
| **Balance as at 1 July 2019** | **440,415,099** | **215,896** |
| Shares issued in relation to payments of contingent consideration | 5,381,316 | 2,200 |
| **Balance as at 30 June 2020** | **445,796,415** | **218,096** |
| **Balance as at 30 June 2021** | **445,796,415** | **218,096** |

**(a) Ordinary shares**

Fully paid ordinary shares carry one vote per share and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Ordinary shares have no par value and the Company does not have a limit on the amount of authorised capital.

**(b) Options**

No new options were issued in the current financial year.

**(c) Performance rights**

There were no performance rights issued in the current financial year. In the prior financial year, 5,700,000 performance rights were issued. See Note 29 for further discussions on share based payments.

## NOTE 20. RESERVES

**Nature and purpose of reserves**

**(a) Share based payment reserve**

The share based payment reserve is used to recognise the value of the vesting of equity-settled share based payments provided to employees, including key management personnel, as part of their remuneration.

**(b) Asset revaluation surplus**

The asset revaluation surplus includes the net revaluation increments and decrements arising from the revaluation of non-current assets in accordance with Australian Accounting Standards.

**(c) Foreign currency translation reserve**

The foreign currency translation reserve records exchange differences arising on the translation of foreign operations with functional currencies other than those of the presentation currency of these financial statements. Refer to accounting policy Note 1.

**(d) Reverse acquisition reserve**

As a result of reverse acquisition accounting, a new equity account is created as a component of equity. This account called 'Reverse acquisition reserve' is similar in nature to share capital. The Reverse acquisition reserve is not available for distribution. This equity account represents a net adjustment for the replacement of the legal parent's (SRG Global) equity with that of the deemed acquirer (SRG Limited).

**(e) Hedging Reserve - cash flow hedges**

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 21. COMMITMENTS

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Capital commitments** | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| - Plant and equipment | 1,102 | 755 |
| **Total capital commitments** | **1,102** | **755** |

## NOTE 22. CONTINGENT ASSETS AND LIABILITIES

Certain claims arising out of construction and services contracts have been made by controlled entities in the ordinary course of business. These claims are confidential in nature and may involve adjudication, arbitration or litigation. In accordance with Australian Accounting Standards, due to the uncertainty in relation to the quantum and timing of the resolution of these claims, no amounts have been recognised in the financial statements in relation to these matters.

The Group's bank guarantees and bond facilities' limits and drawdowns are disclosed in Note 30.

## NOTE 23. CASH AND CASH EQUIVALENTS

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Cash at bank and in hand | 46,236 | 28,106 |
| | **46,236** | **28,106** |

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **(a) Reconciliation of profit / (loss) for the year to net cash from operating activities** | | |
| Profit / (loss) for the year | 12,053 | (29,687) |
| Depreciation and amortisation | 25,935 | 24,201 |
| Share based payments | (160) | 335 |
| Earnings from equity accounted investment | 6 | 6 |
| (Gain) / loss on disposal of property, plant and equipment | (174) | (1,700) |
| Unrealised foreign exchange | 374 | 566 |
| Impairment expense | - | 24,761 |
| **Changes in assets** | | |
| - (Increase) / decrease in trade and other receivables | 948 | (16,855) |
| - (Increase) / decrease in contract assets | (16,319) | 6,187 |
| - (Increase) / decrease in inventories | 652 | (2,727) |
| - (Increase) / decrease in other assets | 1,292 | (103) |
| - (Increase) / decrease in deferred tax assets | 5,669 | (6,491) |
| **Changes in liabilities** | | |
| - (Decrease) / increase in trade and other payables | 20,104 | 3,210 |
| - (Decrease) / increase in contract liabilities | 4,685 | 294 |
| - (Decrease) / increase in provisions | 2,080 | 3,050 |
| - (Decrease) / increase in tax liability | (1,974) | 731 |
| **Cash inflow from operating activities** | **55,171** | **5,778** |





# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 23. CASH AND CASH EQUIVALENTS (CONTINUED)

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **(b) Non-cash financing and investing activities** | | |
| Right of use assets recognised under AASB 16 | **2,797** | **31,792** |

**(c) Reconciliation of liabilities arising from financing activities**

| | Opening Balance $'000 | Net Financing Cash Flows $'000 | New / Extended Leases $'000 | Closing Balance $'000 |
|---|---|---|---|---|
| **2021** | | | | |
| Borrowings | 10,498 | (847) | - | **9,651** |
| Asset financing liabilities | 26,073 | (1,736) | - | **24,337** |
| Lease liabilities | 26,736 | (8,184) | 2,797 | **21,349** |
| | **63,307** | **(10,767)** | **2,797** | **55,337** |
| **2020** | | | | |
| Borrowings | 24,739 | (14,241) | - | **10,498** |
| Asset financing liabilities | 21,363 | 4,710 | - | **26,073** |
| Lease liabilities (brought in at 1 July) | 31,792 | **(7,727)** | 2,671 | **26,736** |
| | **77,894** | **(17,258)** | **2,671** | **63,307** |

## NOTE 24. PARENT ENTITY FINANCIAL INFORMATION

The table represents the legal parent entity, which is SRG Global Limited.

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Financial Position** | | |
| **Assets** | | |
| Current assets | 14,364 | 6,600 |
| Non-current assets | 119,176 | 125,857 |
| **Total assets** | **133,540** | **132,457** |
| **Liabilities** | | |
| Current liabilities | 35,039 | 30,903 |
| Non-current liabilities | 11,275 | 11,692 |
| **Total liabilities** | **46,314** | **42,595** |
| **Net assets** | **87,226** | **89,862** |
| **Equity** | | |
| Issued capital | 158,010 | 158,010 |
| Reserves | 17,470 | 17,162 |
| Profit reserve | 56,623 | 46,794 |
| Accumulated losses | (144,877) | (132,104) |
| **Total equity** | **87,226** | **89,862** |
| **Financial Performance** | | |
| Loss for the year | 3,857 | 46,794 |
| Other comprehensive income | - | - |
| **Total comprehensive loss for the year** | **3,857** | **46,794** |

With the exception of matters noted in Notes 21 and 22, there were no contingent liabilities, guarantees or capital commitments of the parent entity not otherwise disclosed in these financial statements.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 25. PARTICULARS RELATING TO CONTROLLED ENTITIES

**(a) Group accounts include a consolidation of the following:**

| Entity | Country of Incorporation | Principal Activity | Ownership Interest Held by the Group 2021 | 2020 |
|---|---|---|---|---|
| SRG Global Limited(1) | Australia | Corporate Services | 100% | 100% |
| **Controlled companies** | | | | |
| CASC Contracting Pty Ltd | Australia | Construction | 100% | 100% |
| SRG Global Assets Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global CASC Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global Facades (NSW) Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global Facades (QLD) Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global Facades (VIC) Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global Facades (WA) Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global Facades (Western) Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global Facades Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global Industrial Services Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global Integrated Services Pty Ltd(1) | Australia | Asset Services | 100% | 100% |
| SRG Global Investments Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global Structures (VIC) Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global Structures (WA) Pty Ltd(1) | Australia | Construction | 100% | 100% |
| Red Ore Drill and Blast Pty Ltd | Australia | Dormant | 50% | 50% |
| Structural Systems Middle East LLC(2) | UAE | Construction | 49% | 49% |
| NASA Structural Systems LLC(2) | UAE | Construction | 49% | 49% |
| SRG Contractors US, Inc. | USA | Construction | 100% | 100% |
| SRG Employee Share Trust | Australia | Trust | 100% | 100% |
| SRG Global (Australia) Limited(1) | Australia | Corporate Services | 100% | 100% |
| SRG Global Building (Northern) Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global Building (Southern) Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global Building (Western) Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global Civil Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global Corporate (Australia) Pty Ltd(1) | Australia | Corporate Services | 100% | 100% |
| SRG Global International Holdings Pty Ltd(1) | Australia | Dormant | 100% | 100% |
| SRG Global IP Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global Mining (Australia) Pty Ltd(1) | Australia | Mining Services | 100% | 100% |
| SRG Global Products Pty Ltd(1) | Australia | Construction | 100% | 100% |
| SRG Global Services (Australia) Pty Ltd(1) | Australia | Asset Services | 100% | 100% |
| SRG Global Services (Western) Pty Ltd(1) | Australia | Asset Services | 100% | 100% |
| SRG Hong Kong Limited | Hong Kong | Construction | 100% | 100% |
| SRG International Holdings Pte. Ltd. | Singapore | Construction | 100% | 100% |
| SRG Global Group (NZ) Ltd | New Zealand | Asset Services | 100% | 100% |
| SRG Global (NZ) Ltd | New Zealand | Asset Services | 100% | 100% |
| SRG Global Asset Services (NZ) Ltd | New Zealand | Asset Services | 100% | 100% |
| SRG Global Remediation Services (NZ) Ltd | New Zealand | Asset Services | 100% | 100% |
| SRG Global Refractory Services (NZ) Ltd | New Zealand | Asset Services | 100% | 100% |
| SRG Global Asset Services (Taranaki) Ltd | New Zealand | Asset Services | 100% | 100% |
| Total Bridge Services Limited | New Zealand | Asset Services | 50% | 50% |
| Bugarrba PJV Pty Ltd | Australia | Asset Services | 49% | 49% |
| SRG Global Contracting Pty Ltd(1) | Australia | Deregistered | - | 100% |
| GCS Hire Pty Ltd | Australia | Deregistered | - | 100% |
| GCS Personnel Services Pty Ltd | Australia | Deregistered | - | 100% |
| GCS Secured Pty Ltd | Australia | Deregistered | - | 100% |
| GCS Summit Pty Ltd | Australia | Deregistered | - | 100% |
| Gallery Facades (SA) Pty Ltd | Australia | Deregistered | - | 100% |
| Paragon Glass Pty Ltd | Australia | Deregistered | - | 100% |
| Paragon Glass (VIC) Pty Ltd | Australia | Deregistered | - | 100% |
| Meridian Concrete Australia Pty Ltd | Australia | Deregistered | - | 100% |
| Structural Systems (Bridge Maintenance) Pty Ltd | Australia | Deregistered | - | 100% |
| Structural Systems (Construction) Pty Ltd | Australia | Deregistered | - | 100% |
| Rock Engineering (Aust) Pty Ltd | Australia | Deregistered | - | 100% |
| Rock International Mining & Civil Pty Ltd | Australia | Deregistered | - | 100% |
| Total Fire Protection Pty Ltd | Australia | Deregistered | - | 100% |
| SRG Global (Structures) Pty Ltd | Australia | Deregistered | - | 100% |
| SRG South Africa (Pty) Ltd | South Africa | Deregistered | - | 100% |
| Structural Rock Group Canada Limited | Canada | Deregistered | - | 100% |
| **The following entities are in the process of deregisteration** | | | | |
| SRG Contractors Doha LLC(2) | Qatar | Dormant | 49% | 49% |
| SRG Contractors Muscat LLC(2) | Oman | Dormant | 49% | 49% |

(1) Controlled entities subject to ASIC Corporation (Wholly-owned Companies) Instrument 2016/785.
(2) In accordance with current foreign ownership restrictions in the United Arab Emirates (UAE), these entities have a 51% participation by UAE Nationals. This participation incurs a fixed fee and has no right to the profits or liability for the debts of the entity.





# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 25. PARTICULARS RELATING TO CONTROLLED ENTITIES (CONTINUED)

Pursuant to ASIC Corporation (Wholly-owned Companies) Instrument 2016/785, relief has been granted to these controlled entities of SRG Global Limited from the *Corporations Act 2001* requirements for preparation, audit and publication of accounts. As a condition of the ASIC Corporation (Wholly-owned Companies) Instrument 2016/785, SRG Global Limited and the controlled entities should become parties to a Deed of Cross Guarantee, also known as “The Closed Group”. The effect of the deed is that SRG Global Limited has guaranteed to pay any deficiency in the event of winding up of these controlled entities. The controlled entities have also given a similar guarantee in the event that SRG Global Limited is wound up. The deed was made on 21 June 2019. A revocation deed was also made on 21 June 2019 for parties that were in the previous Deed of Cross Guarantee prior to the GCS and SRG merger.

The following are the consolidated totals for the Closed Group relieved under the deed:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Financial information in relation to:** | | |
| **Statement of profit or loss and other comprehensive income:** | | |
| Profit / (Loss) before income tax | 20,717 | (28,425) |
| Income tax (expense) / benefit | (6,755) | 5,948 |
| **Profit / (Loss) for the year** | **13,962** | **(22,477)** |
| Other comprehensive income | - | - |
| **Total comprehensive income / (loss) for the year** | **13,962** | **(22,477)** |
| **Statement of financial position:** | | |
| **Current assets** | | |
| Cash and cash equivalents | 37,468 | 20,210 |
| Trade and other receivables | 73,004 | 68,109 |
| Contract assets | 52,782 | 36,411 |
| Inventories | 14,003 | 14,583 |
| Other current assets | 2,624 | 3,432 |
| Derivative financial instrument asset | 342 | 86 |
| Equity accounted investments | - | 4,478 |
| **Total current assets** | **180,223** | **147,309** |
| **Non-current assets** | | |
| Property, plant and equipment | 73,752 | 70,605 |
| Right of use assets | 17,720 | 23,891 |
| Intangible assets | 87,716 | 99,047 |
| Non-current contract assets | 1,869 | - |
| Deferred tax assets | 27,337 | 33,475 |
| Related party loan receivables | 18,639 | 19,938 |
| Investments | 36,658 | 36,657 |
| **Total non-current assets** | **263,691** | **283,613** |
| **Total assets** | **443,914** | **430,922** |
| **Current liabilities** | | |
| Trade and other payables | 98,891 | 80,694 |
| Contract liabilities | 18,378 | 14,702 |
| Borrowings | 15,189 | 12,563 |
| Right of use liabilities | 7,289 | 7,448 |
| Current tax liabilities | 125 | 1,265 |
| Provisions | 24,168 | 22,308 |
| Derivative financial instrument liability | - | - |
| **Total current liabilities** | **164,040** | **138,980** |
| **Non-current liabilities** | | |
| Borrowings | 18,348 | 23,405 |
| Right of use liabilities | 11,407 | 17,153 |
| Provisions | 7,147 | 6,638 |
| Related party loan payables | - | - |
| **Total non-current liabilities** | **36,902** | **47,196** |
| **Total liabilities** | **200,942** | **186,176** |
| **Net assets** | **242,972** | **244,746** |
| **Equity** | | |
| Issued capital | 218,096 | 218,096 |
| Reserves | 8,617 | 8,581 |
| Retained earnings | 16,259 | 18,069 |
| **Total equity** | **242,972** | **244,746** |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 25. PARTICULARS RELATING TO CONTROLLED ENTITIES (CONTINUED)

**(b) Joint operations**

The Company's subsidiary, TBS Farnsworth, has a 50% share of Total Bridge Services, a joint operation with WSP New Zealand Ltd and Fulton Hogan Ltd. The principal activity of which is maintaining the Auckland Harbour Bridge.

The Company's subsidiary, SRG Global Civil Pty Ltd, has a 50% share of an unincorporated joint operation with Georgiou Group Pty Ltd. The principal activitiy of which is upgrading the New England Highway - Bolivia Hill Upgrade in New South Wales.

The Company's subsidiary, SRG Global Civil Pty Ltd, has a 50% share of an unincorporated joint operation with WBHO Infrastructure Pty Ltd. The principal activity of which is constructing a grade-separated interchange at Wanneroo Road and Ocean Reef Road.

The Company's subsidiary, SRG Global Integrated Services Pty Ltd, has a 49% share of Bugarrba PJV Pty Ltd, a joint operation with Walganbung Services Group Pty Ltd. The principal activity of which is for the provision of asset services on the land and for the benefit of the Njamal Traditional Owners.

**(c) Joint ventures**

Set out below are the joint ventures of the Group as at 30 June 2021.

| | Place of business | % of ownership interest | Measurement method | Carrying amount 2021 $'000 | Carrying amount 2020 $'000 |
|---|---|---|---|---|---|
| Traylor SRG, LLC[a] | United States | 50% | Equity Method | 121 | 139 |

[a] Incorporated Joint Venture in United States.

## NOTE 26. RELATED PARTY INFORMATION

**(a) Subsidiaries**

Interest in subsidiaries are set out in Note 25.

**(b) Key Management Personnel compensation**

Key Management Personnel compensation is disclosed in Note 6.

In addition during the financial year, the following type of transactions have also been entered into with key management personnel of the Group.

**(c) Transactions with related parties**

| | 2021 $ | 2020 $ |
|---|---|---|
| Sales of goods and services to entities controlled by key management personnel | - | 287,120 |
| Purchase of goods and services from entities controlled by key management personnel | 39,824 | 28,682 |

**(d) Outstanding balances arising from sales / purchases of goods and services with related parties as at reporting date**

| | 2021 $ | 2020 $ |
|---|---|---|
| Current receivables (sales of goods and services) | - | 6,180 |
| Current payables (purchases of goods and services) | 6,884 | - |

In prior year, no provisions have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.





# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 27. EVENTS SUBSEQUENT TO REPORTING DATE

On 24 August 2021 the Company declared a final fully franked dividend of 1.0 cents per share. The record date of the dividend is 9 September 2021 and the payment is scheduled for 21 October 2021.

Other than the matters described above, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## NOTE 28. SEGMENT RESULTS

**Description of segments**

Management has determined that strategic decision making is facilitated and enhanced by evaluation of operations on the customer segments of Asset Services, Mining Services and Construction. For each of the strategic operating segments, the Managing Director reviews internal management reports on a regular basis.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations have inherently different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

The following summary describes the operation in each of the Group's reportable segments:

**Asset Services segment**

Our operations in the Asset Services segment consist of supplying integrated services to customers across the entire asset life cycle. Services provided span multiple sectors including oil and gas, energy, major infrastructure, offshore, mining, power generation, water treatment plants, commissioning, decommissioning, shutdowns, and civil works. Contracts vary in length from short to long term.

**Mining Services segment**

The Mining Services segment services mining clients and provides comprehensive ground solutions including production drilling, ground and slope stabilisation, design engineering and monitoring services. Contracts vary in length from short to long term.

**Construction segment**

Our operations in the Construction segment consist of supplying integrated products and services to customers involved in the construction of complex infrastructure. These typically include bridges, dams, office towers, high rise apartments, shopping centres, hotels, car parks, recreational buildings, and hospitals. Contracts are typically medium to long term.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 28. SEGMENT RESULTS (CONTINUED)

The Managing Director assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement excludes certain non-recurring expenditures which are of an isolated nature such as equity settled share based payments and corporate activities pertaining to the overall Group including the treasury function which manages the cash and funding arrangements of the Group. During the financial year, no customer has contributed more than 10% of the total revenue for the Group.

Segment information provided to the Managing Director for the year ended 30 June 2021 is as follows:

**Segment revenues and results**

| | Asset Services $'000 | Mining Services $'000 | Construction $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|---|
| **30 June 2021** | | | | | |
| Construction revenue | - | - | 291,741 | - | 291,741 |
| Services revenue | 186,944 | 90,856 | - | - | 277,800 |
| Revenue from external customers | 186,944 | 90,856 | 291,741 | - | 569,541 |
| EBITDA | **22,028** | **20,029** | **18,943** | **(13,942)** | **47,058** |
| Depreciation | (6,983) | (6,663) | (6,353) | (1,923) | (21,922) |
| Amortisation | (3,587) | - | (426) | - | (4,013) |
| Finance costs | (479) | (471) | (493) | (1,056) | (2,499) |
| Equity accounted investment results | - | - | (6) | - | (6) |
| **Profit before income tax** | **10,979** | **12,895** | **11,665** | **(16,921)** | **18,618** |
| Income tax expense | | | | | (6,565) |
| **Profit after income tax** | | | | | **12,053** |
| **30 June 2020** | | | | | |
| Construction revenue | - | - | 327,585 | - | 327,585 |
| Services revenue | 151,870 | 71,713 | - | - | 223,583 |
| Revenue from external customers | 151,870 | 71,713 | 327,585 | - | 551,168 |
| EBITDA | **18,638** | **13,898** | **(27,262)** | **(13,131)** | **(7,857)** |
| Depreciation | (5,623) | (5,420) | (6,533) | (1,543) | (19,119) |
| Amortisation | (3,593) | - | (1,489) | - | (5,082) |
| Finance costs | (482) | (591) | (578) | (1,311) | (2,962) |
| Equity accounted investment results | - | - | 139 | - | 139 |
| **Profit before income tax** | **8,940** | **7,887** | **(35,723)** | **(15,985)** | **(34,881)** |
| Income tax benefit | | | | | 5,194 |
| **Profit after income tax** | | | | | **(29,687)** |





# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 28. SEGMENT RESULTS (CONTINUED)

**Segment assets and liabilities**

| | Asset Services $'000 | Mining Services $'000 | Construction $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|---|
| **30 June 2021** | | | | | |
| Segment assets | 149,108 | 50,199 | 189,646 | 53,976 | 442,929 |
| Segment liabilities | 57,900 | 29,051 | 109,621 | 19,556 | 216,128 |
| **30 June 2020** | | | | | |
| Segment assets | 127,594 | 48,920 | 189,748 | 56,599 | 422,861 |
| Segment liabilities | 50,653 | 29,544 | 93,125 | 28,111 | 201,433 |

| | Australia | | International | | Group | |
|---|---|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| Revenue from external customers | 507,457 | 479,413 | 62,084 | 71,755 | 569,541 | 551,168 |

## NOTE 29. SHARE BASED PAYMENTS

The SRG Global Performance Rights Plan (the "Plan") was approved by shareholders at the AGM held on 27 November 2018 and provides for the issue of performance rights to assist in the recruitment, retention and motivation of eligible persons of the Company. Under the Plan, the Board may issue eligible persons with performance rights to acquire shares in the future. The vesting of all performance rights is subject to performance hurdles and service conditions being met. A 24-month escrow period restricting the conversion of the performance rights to fully paid ordinary shares has been imposed at the discretion of the board of directors. Vested performance rights expire on 30 June 2025.

On 26 November 2019, a total of 5,700,000 performance rights (convertible into one ordinary share per right) were approved to be issued subject to the terms of the Plan. Of the approved amount, only 4,250,000 were granted with the remainder 1,450,000 yet to be granted. During the current financial year no new performance rights were issued or granted; 1,400,000 performance rights have lapsed. The performance rights are subject to the satisfaction of performance hurdles which are based on achieving agreed profit targets and an increase in the earnings per share and shareholder return targets. The performance rights are also subject to a continuous service requirement.

The following share-based payment arrangements were in existence during the current year:

| Performance rights series | Number | Grant date | Expiry date | Method of valuation | Fair value at grant date (AUD) |
|---|---|---|---|---|---|
| Tranche 1a | 725,000 | 26-Nov-19 | 30-Jun-25 | Black-Scholes | 0.325 |
| Tranche 1b | 725,000 | 26-Nov-19 | 30-Jun-25 | Monte Carlo Simulation | 0.048 |
| Tranche 1c | 725,000 | 26-Nov-19 | 30-Jun-25 | N/A | N/A |
| Tranche 1d | 725,000 | 26-Nov-19 | 30-Jun-25 | N/A | N/A |
| Tranche 2a | 700,000 | 26-Nov-19 | Lapsed in current year | Black-Scholes | 0.359 |
| Tranche 2b | 700,000 | 26-Nov-19 | Lapsed in current year | Black-Scholes | 0.342 |
| Tranche 2c | 700,000 | 26-Nov-19 | 30-Jun-25 | Black-Scholes | 0.325 |
| Tranche 2d | 700,000 | 26-Nov-19 | 30-Jun-25 | Black-Scholes | 0.309 |

The valuation was performed using the Black-Scholes model for Rights that are subject to non-market conditions and for Rights that are subject to an Absolute Shareholder Return (ASR), the Monte Carlo Simulation model was utilised. The following assumptions were utilised:

| Input | Value |
|---|---|
| Dividend yield (%) | 5% |
| Expected volatility (%) | 45% |
| Risk free interest rate (%) | 0.74% - 0.88% |
| Expected life of performance rights (years) | 0.59 - 3.59 years |
| Rights exercise price (A$) | - |
| Discount for lack of marketability (%) | 0% - 10% |

No performance rights were exercised during the year.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 30. FINANCING ARRANGEMENTS

**The consolidated Group has access to the following lines of credit:**

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Total facilities available** | | |
| Bank overdraft [(1)] | 1,500 | 1,500 |
| Hire purchase facility [(1)] | 50,000 | 40,000 |
| Other facilities [(1)] | 52,158 | 53,003 |
| Bank guarantee facility [(1)] | 20,000 | 20,000 |
| Surety bond facility [(2)] | 125,663 | 178,402 |
| | **249,321** | **292,905** |
| **Facilities used at the end of the reporting period:** | | |
| Bank overdrafts [(1)] | - | - |
| Hire purchase facility [(1)] | 22,329 | 26,067 |
| Other facilities [(1)] | 11,945 | 10,503 |
| Bank guarantee facility [(1)] | 10,717 | 14,550 |
| Surety bond facility [(2)] | 71,135 | 70,543 |
| | **116,126** | **121,663** |
| **Facilities not used at the end of the reporting period:** | | |
| Bank overdrafts [(1)] | 1,500 | 1,500 |
| Hire purchase facility [(1)] | 27,671 | 13,933 |
| Other facilities [(1)] | 40,213 | 42,500 |
| Bank guarantee facilities [(1)] | 9,283 | 5,450 |
| Surety bond facility [(2)] | 54,528 | 107,859 |
| | **133,195** | **171,242** |

[(1)] **Multi-option facility**
As at reporting date, the Group has used $44,991,000 of its multi-option facility limit of $123,658,000. The multi-option facility is a comprehensive borrowing facility which includes bank overdraft, hire purchase, letter of credit, corporate credit card and bank guarantees.

[(2)] **Surety bonds**
The Group has a $125,663,000 insurance bond facility with various parties (30 June 2020: $178,402,000). This facility has been utilised to provide security in connection with certain projects. The amount of insurance bonds issued under this facility as at 30 June 2021 is $71,135,000 (30 June 2020: $70,543,000).





# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 31. FINANCIAL INSTRUMENTS

**Significant accounting and risk management policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

**Treasury risk management**

The Group's activities expose it to a variety of financial risk, market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Management, consisting of senior executives of the Group meet on a regular basis to analyse risk exposure, and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. Risk management is carried out by the Board of Directors, who evaluate and agree upon risk management policies and objectives.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and aging analysis for credit risk.

**(a) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group's financial arrangements are disclosed in Note 30. Maturity of the Group's financial liabilities are as follows:

| | 1 year or less $'000 | 1 - 2 years $'000 | 2 - 5 years $'000 | More than 5 years $'000 | Total cash flow $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| Borrowings | 4,406 | 5,424 | - | - | 9,830 | 9,656 |
| Hire purchase liabilities | 9,238 | 8,493 | 8,351 | - | 26,082 | 24,331 |
| Lease liabilities | 8,513 | 9,174 | 4,956 | - | 22,643 | 21,349 |
| Trade and other payables | 63,231 | - | - | - | 63,231 | 63,231 |
| | **85,388** | **23,091** | **13,307** | **-** | **121,786** | **118,567** |
| **2020** | | | | | | |
| Borrowings | 2,253 | 8,537 | - | - | 10,790 | 10,503 |
| Hire purchase liabilities | 10,461 | 7,738 | 8,412 | - | 26,611 | 26,068 |
| Lease liabilities | 8,412 | 7,046 | 11,864 | - | 27,322 | 26,736 |
| Trade and other payables | 88,609 | - | - | - | 88,609 | 88,609 |
| | **109,735** | **23,321** | **20,276** | **-** | **153,332** | **151,916** |

**(b) Price risk**

The Group is exposed to commodity price risk through its consumption of steel its operations use for post-tensioning, and to a lesser degree in the mining services business. The Group monitors forward steel prices and endeavours to lock in agreed prices on a project by project basis prior to formalising bid prices wherever possible. As at 30 June 2021, the Group held no financial instruments that could vary according to changes in the price of steel (2020: Nil).

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 31. FINANCIAL INSTRUMENTS (CONTINUED)

**(c) Foreign exchange risk**

Foreign currency risk is the risk that the value of a financial commitment, a recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group is exposed to foreign exchange risk in abroad projects executed by local subsidiaries. In managing exposure to foreign exchange risk, the group has entered into a number of forward foreign exchange contracts. At 30 June 2021, the fair value of these contracts was $342,000 (2020: $86,000).

There is a natural hedge in place to the extent project costs are materially of the same foreign currency.

The major exchange rates relevant to the Group are as follows:

| | Average year ended 30/06/2021 | As at 30/06/2021 | Average year ended 30/06/2020 | As at 30/06/2020 |
|---|---|---|---|---|
| AUD$ / USD$ | 0.75 | 0.75 | 0.67 | 0.69 |
| AUD$ / AED$ | 2.74 | 2.76 | 2.46 | 2.53 |
| AUD$ / CNH$ | 4.94 | 4.85 | 4.72 | 4.86 |
| AUD$ / NZD$ | 1.07 | 1.07 | 1.05 | 1.07 |

The Group's exposure to material foreign exchange risk at reporting date was as follows, based on carrying amounts in AUD$'000:

| 2021 | USD$ $'000 | AED$ $'000 | CNH$ $'000 | NZD$ $'000 | Total $'000 |
|---|---|---|---|---|---|
| Cash and cash equivalents | 1,887 | 2,289 | - | 6,447 | 10,623 |
| Trade and other receivables | 1,541 | 2,953 | - | 9,003 | 13,497 |
| Trade and other payables | (501) | (799) | (9,200) | (6,240) | (16,740) |
| | **2,927** | **4,443** | **(9,200)** | **9,210** | **7,380** |

| 2020 | USD$ $'000 | AED$ $'000 | CNH$ $'000 | NZD$ $'000 | Total $'000 |
|---|---|---|---|---|---|
| Cash and cash equivalents | 496 | 2,192 | - | 5,516 | 8,204 |
| Trade and other receivables | 1,800 | 5,299 | - | 7,743 | 14,842 |
| Trade and other payables | (1,056) | (1,909) | (2,143) | (5,117) | (10,225) |
| | **1,240** | **5,582** | **(2,143)** | **8,142** | **12,821** |

Based on the carrying amounts exposed to foreign currencies, had the Australian dollar weakened by 5%/strengthened by 5% against these foreign currencies with all other variables held constant, the Group's profit or loss would have been $359,180 lower/$396,989 higher (2020: $630,489 lower/$696,856 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last financial year and the spot rate at each reporting date.





# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 31. FINANCIAL INSTRUMENTS (CONTINUED)

**(d) Interest rate risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations that have floating interest rates. The Group has a mixture of variable and fixed interest rate financial instruments to manage its interest cost.

The Group's exposure to interest rate risk, effective weighted average interest rate, contractual settlement terms of a fixed period of maturity as well as management's expectation of settlement period for financial instruments are set out below.

| | Weighted Average Interest Rate | Floating Interest Rate | Fixed Interest Rate Maturing Within | | | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | | | 1 year or less | Over 1 year to 5 years | More than 5 years | | |
| | % | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2021** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | 0.10% | 46,236 | - | - | - | - | 46,236 |
| Trade and other receivables | - | - | - | - | - | 86,501 | 86,501 |
| Derivative | - | - | - | - | - | 342 | 342 |
| | | **46,236** | **-** | **-** | **-** | **86,843** | **133,079** |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | - | - | - | - | - | (63,231) | (63,231) |
| Borrowings | 3.32% | (10,252) | (10,345) | (13,390) | - | - | (33,987) |
| Lease liabilities | 3.15% | - | (8,253) | (13,096) | - | - | (21,349) |
| | | **(10,252)** | **(18,598)** | **(26,486)** | **-** | **(63,231)** | **(118,567)** |

| | Weighted Average Interest Rate | Floating Interest Rate | Fixed Interest Rate Maturing Within | | | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | | | 1 year or less | Over 1 year to 5 years | More than 5 years | | |
| | % | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2020** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | 0.25% | 28,106 | - | - | - | - | 28,106 |
| Trade and other receivables | - | - | - | - | - | 87,450 | 87,450 |
| Derivative | - | - | - | - | - | 86 | 86 |
| | | **28,106** | **-** | **-** | **-** | **87,536** | **115,642** |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | - | - | | - | - | (88,609) | (88,609) |
| Borrowings | 3.47% | (8,750) | (12,214) | (15,606) | - | - | (36,570) |
| Lease liabilities | 3.20% | - | (8,412) | (18,324) | - | - | (26,736) |
| | | **(8,750)** | **(20,626)** | **(33,930)** | **-** | **(88,609)** | **(151,915)** |

As at 30 June 2021 a sensitivity analysis has not been disclosed in relation to the floating interest deposits for the Group, as the net results of a reasonable possible change in interest rates have been determined to be immaterial to the statement of profit or loss and other comprehensive income.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 31. FINANCIAL INSTRUMENTS (CONTINUED)

### (e) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

As a result of the diverse range of services and geographical spread covered by the Group, the Group does not have a concentration of credit risk to any one customer. Whilst the Group does have a broad risk to lead contractors in the construction industry generally, this is managed on a 'customer by customer' basis, taking into account ratings from credit agencies, trade references and payment history where there is a pre-existing relationship with that entity. The compliance with credit limits by customers is regularly monitored by management. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has established a loss allowance of trade receivables at an amount equal to lifetime expected credit losses (ECL). The ECL's on trade receivables are estimated using a provision matrix based on historical credit loss experience and any available forward-looking estimates as at reporting date.

Set out below is the information about the credit risk exposure at 30 June 2021 on the Group's trade receivables for which lifetime expected credit losses are recognised:

| | | Aging | | | |
|---|---|---|---|---|---|
| **30 June 2021** | **Current** | **<31 Days** | **31-60 Days** | **61-90 Days** | **Total** |
| Trade and other receivables and contract assets ($,000) | 118,449 | 19,020 | 4,124 | 7,971 | **149,564** |
| ECL allowance | (31) | (90) | (352) | (4,995) | **(5,468)** |
| **30 June 2020** | | | | | |
| Trade and other recievables and contract assets ($,000) | 118,260 | 8,869 | 3,251 | 7,629 | **137,939** |
| ECL allowance | (99) | (14) | (1,453) | (7,629) | **(9,195)** |

The reconciliation in ECL allowance is as follows:

| | **2021 $'000** | **2020 $'000** |
|---|---|---|
| **Movement in ECL allowance provided for receivables** | | |
| Opening loss allowance - calculated under AASB 9 | (9,195) | (3,524) |
| Net movement of expected credit loss | 1,893 | (6,271) |
| Receivables written off during the period as uncollectable | 1,834 | 600 |
| **Closing balance as at 30 June 2021** | **(5,468)** | **(9,195)** |





# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 31. FINANCIAL INSTRUMENTS (CONTINUED)

### (f) Fair value

Net fair values of financial assets and liabilities are determined by the Group on the following basis:

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows or amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of cash flows. With the exception of the fair value differences arising on the Group's fixed interest rate financial liabilities, as discussed in the analysis of interest rate risk above, the carrying amounts of all financial instruments disclosed above are at their approximate net fair values.

AASB 9 *Financial Instruments*: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2)

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

The following table presents the Group's financial assets and liabilities measured and recognised at fair value.

| **2021** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Derivative | 342 | - | - | **342** |
| **Financial liabilities** | | | | |
| Provisions | - | - | (2,235) | **(2,235)** |
| | **342** | | **(2,235)** | **(1,893)** |

| **2020** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Derivative | 86 | - | - | **86** |
| **Financial liabilities** | | | | |
| Provisions | - | - | (3,217) | **(3,217)** |
| | **86** | **-** | **(3,217)** | **(3,131)** |

There were no transfers between levels during the period. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

# Shareholder Information

FOR THE YEAR ENDED 30 JUNE 2021

**Additional ASX Information**

This additional ASX information is required to be included in this Annual Report by ASX under Listing Rule 4.10. This information is not provided elsewhere in this report and is applicable as at 19 August 2021.

**Ordinary share capital**

SRG Global Limited's issued share capital is comprised of 445,796,415 fully paid ordinary shares, held by 3,722 individual shareholders. At any meeting of shareholders fully paid ordinary shares carry one vote per share and the rights to dividends.

**Distribution of shareholders and their holdings**

| | Size of holding | | | | | |
|---|---|---|---|---|---|---|
| | 1 to 1,000 | 1,001, to 5,000 | 5,001 to 10,000 | 10,001 to 100,000 | 100,001 to (MAX) | Total |
| Number of holders | 339 | 932 | 579 | 1,544 | 328 | **3,722** |
| Ordinary shares | 97,658 | 2,669,179 | 4,573,925 | 53,111,503 | 385,344,150 | **445,796,415** |

There were 307 holders with less than a marketable parcel of fully paid ordinary shares.

**Substantial holders**

The number of shares held by substantial holders, as disclosed in substantial shareholding notices provided to the Company are set out below:

| Shareholder | Number of ordinary shares |
|---|---|
| Perennial Value Management Limited | 66,812,463 |
| Mitsubishi UFG Financial Group, Inc | 31,993,621 |
| | **98,806,084** |

| Twenty largest shareholders | Percentage of issued capital | Number of ordinary shares |
|---|---|---|
| CITICORP NOMINEES PTY LIMITED | 9.66 | 43,067,254 |
| NATIONAL NOMINEES LIMITED | 9.45 | 42,133,907 |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 6.80 | 25,871,695 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 5.25 | 23,384,955 |
| BNP PARIBAS NOMS PTY LTD <DRP> | 3.80 | 16,928,592 |
| SANDHURST TRUSTEES LTD <WENTWORTH WILLIAMSON A/C> | 3.05 | 13,605,235 |
| PRIMETOWN PTY LTD <MCMORROW SUPER FUND A/C> | 2.38 | 10,612,086 |
| BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C> | 1.95 | 8,706,595 |
| DEAKIN PLACE PTY LTD <DEAKIN PLACE A/C> | 1.67 | 7,441,945 |
| MR DAVID WILLIAM MACGEORGE + MRS JACQUELINE AMANDA MACGEORGE <MACGEORGE FAMILY A/C> | 1.47 | 6,571,389 |
| CASC SERVICES PTY LTD <THE CHIARI USED UNIT A/C> | 1.41 | 6,297,612 |
| CUTTERS 1 PTY LTD <CUTTERS 1 A/C> | 1.33 | 5,941,945 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 1.22 | 5,424,982 |
| CERTANE CT PTY LTD <CHARITABLE FOUNDATION> | 1.11 | 4,927,011 |
| WESTOR ASSET MANAGEMENT PTY LTD <VALUE PARTNERSHIP A/C> | 0.98 | 4,366,811 |
| EQUITAS NOMINEES PTY LIMITED <PB - 601484 A/C> | 0.90 | 4,017,518 |
| CERTANE CT PTY LTD <BIPETA> | 0.87 | 3,857,855 |
| EQUITAS NOMINEES PTY LIMITED <PB - 601485 A/C> | 0.79 | 3,543,874 |
| LUFORM PTY LTD <USED FAMILY NO 2 A/C> | 0.78 | 3,486,444 |
| AWBEG NOMINEES PTY LTD <THE O'CONNOR FAMIY A/C> | 0.77 | 3,413,580 |
| DAJCO ENTERPRISES PTY LTD <THE MCGRANE FAMILY A/C> | 0.77 | 3,413,580 |

**Unlisted Equity Securities**

There are 4,300,000 unlisted Performance Rights on issue.

**Voting rights**

Shareholders are encouraged to attend the Annual General Meeting. However, when this is not possible, they are encouraged to use the form of Proxy by which they can express their views on matters being brought forward at the meeting. Every shareholder, proxy or shareholder's representative has one vote on a show of hands. In the case of a poll, each share held by every shareholder, proxy or representative is entitled to one vote for each fully paid share.

**Dividend reinvestment plan**

The company does not have a dividend reinvestment plan.



# Corporate Directory

FOR THE YEAR ENDED 30 JUNE 2021

**Directors**

| | |
|---|---|
| Peter McMorrow | Non-Executive Chairman |
| David Macgeorge | Managing Director |
| Peter Brecht | Non-Executive Director |
| Michael Atkins | Non-Executive Director |

**Company secretary**

The company secretary is Roger Lee.

**Registered office**

The registered office of the Company is:
Level 1, 338 Barker Road, Subiaco, Western Australia 6008
Telephone: +61 8 9267 5400
Facsimile: +61 8 9267 5499
Website: www.srgglobal.com.au

**Stock exchange listing**

SRG Global shares are listed on the Australian Securities Exchange. Home exchange is Perth.

**Share register**

If you have any questions in relation to your shareholding, please contact our share registry:
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace, Perth, Western Australia 6000
Telephone: +61 3 9415 4631
Facsimile: +61 3 9473 2500
Please include your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) in all correspondence to the share registry.

**Incorporation**

SRG Global is incorporated in the state of Western Australia

**Auditors**

BDO Audit (WA) Pty Ltd

**Bankers**

National Australia Bank
Commonwealth Bank of Australia

srgglobal.com.au

**CORPORATE HEAD OFFICE**
Level 1, 338 Barker Rd
Subiaco WA 6008

+61 8 9267 5400
info@srgglobal.com.au

MAKING THE COMPLEX SIMPLE