McCONNELL DOWELL
CREATIVE CONSTRUCTION™

2020
Annual Review

Contents

Message from our CEO	04
A year of achievements	08
The McConnell Dowell Group	10
Group Structure	11
Strategy	12
Vision, Purpose and Values	13
60 years of creative construction	14
The new normal	16
Meet our leaders	18
Creative construction	22
2020 Project Highlights	24
Financial Statements	44

McConnell Dowell is Creative Construction

From ambitious resource projects in remote locations to large-scale, city-changing infrastructure, for 60 years customers have been coming to McConnell Dowell with complex projects that require creative solutions.

So we've built a culture of progressive thinking and inspired engineering. It's an approach that looks for opportunities and embraces change to solve technical and execution challenges creatively.

We successfully deliver complex infrastructure with our customers and the community

McConnell Dowell is founded on a proud heritage of innovation and pioneering spirit. In collaboration with our customers and partners, we have a proven track record of building better communities through safe, smart and efficient infrastructure.

Since the early 1960's our reputation has been forged by finding innovative solutions and delivering creative construction outcomes that contribute positively to the communities we work in. Our long term commitment, and on-going culture of creativity and innovation is what sets us apart. It's why our projects consistently win industry awards and why so many of our customers keep coming back to us.

Improving communities through better infrastructure

We care deeply about the people we work with: our customers, our employees, our partners, investors and the communities we serve around the world. We foster a safe, high quality, systematic and structured approach that allows people to challenge ideas, find hidden insights, look for optimal outcomes and deliver infrastructure that improves the quality of life and benefits all stakeholders.

Message from our CEO

'The 2020 financial year saw our business deliver operational profit for a sixth consecutive 6-month period'

Key Highlights

- Underlying operational profit of $10 million
- Work in hand up 60% to $1.84 billion
- Strong liquidity position with $140 million cash in bank and minimal debt
- Non cash impairment <$19 million > recognised to settle legacy issues and build liquidity resilience
- Revenues impacted by COVID-19 however strong, proactive and coordinated response helped mitigate profit impacts
- Preferred positions on prospects worth over $1.4 billion
- Solid pipeline of tenders
- Strong foundation for significant revenue growth in FY21.

The 2020 financial year was one of continued success with our business delivering an operational profit for the third consecutive year and effectively dealing with the complexities and challenges imposed by the COVID-19 pandemic. We have built a solid platform for growth and are confident about our future.

Operational Performance

Disciplined and consistent project delivery has been crucial to our results, with approximately 80% of projects meeting or exceeding financial and delivery expectations defined at time of project award. Coupled with proactive cost management, this mitigated some of the impacts of the COVID-19 induced revenue decline in the final quarter.

A strong focus on business development and tendering resulted in new contract awards amounting to AUD1.65 billion. These new awards increased the Group's work in hand by 60% to AUD1.84 billion with more than 90% of the portfolio made up of Government projects across all selected markets.

The diverse nature of our business, across both geographies and disciplines, has also helped mitigate the impact of COVID-19, but there were instances of COVID-19 related delays in the award of some contracts late in the year. We expect these to come back to the market in the first half of financial year 2021, which augers well for future performance.

Our proactive approach to the management and mitigation of COVID-19 impacts ensured liquidity resilience through this period. This included the settlement of some legacy commercial issues at a discount to our book position to release cash, resulting in a <AUD19 million> non-cash impairment. As a result, the balance sheet has been significantly de-risked and the operating group ended FY20 in a strong liquidity position, with cash reserves of approximately $140 million, minimal debt and undrawn credit lines available.

Scott Cummins
CEO

‘McConnell Dowell has continued to build on the solid foundation established over the recent years’

Business Unit Overview

Australia

The Australian construction sector remained operational, despite various state-based lockdowns and revenue for our Australian business unit increased by 6% to AUD470 million. Operating earnings benefited from improved execution of the majority of projects.

To mitigate delays in the award of several preferred status contracts, our Australian operations increased bidding activity and secured significant additional work on alliance projects, such as the long-term Western Program Alliance in Victoria and the South Australia (SA) Water Framework in Adelaide. The latter project is a four year agreement between the SA government and construction partners to deliver major water and sewerage infrastructure projects across the state. With the opportunity to build a new long-term customer partnership and revenue stream, this is an exciting opportunity for our Australian business.

Other new awards included the Mordialloc Bypass and Echuca Moama Bridge, which are both part of Victoria's major roads programme; the HMAS Coonawarra Marine Works in the Northern Territory; and the Agnew Gas Pipeline in Western Australia.

South East Asia

Our South East Asia business unit saw a reduction in revenue due to uncertain market conditions and COVID-19 related lockdowns across the region. All our projects have now been remobilised.

The business unit successfully secured new projects across the region, including the Jurong Regional Line (J108) project for Singapore's Land Transport Authority; the New Bang Phra Pump Station for Thai Oil in Thailand; and the Palembang Wastewater Treatment Plant in Indonesia. We will continue to be selective in our bidding and we have reduced our cost base to support lower levels of revenue resulting from on-going market volatility and uncertainty in the region.

New Zealand and Pacific Islands

Our New Zealand and Pacific Islands business unit increased revenue by 24% to AUD263 million, despite a five-week project lockdown in April due to COVID-19. All our New Zealand projects are now fully operational.

Our focus on sectors where our record is strong resulted in a number of new awards, including the strategic Papakura to Pukekohe Rail Electrification project for state-owned KiwiRail; the Westland Milk Outfall project; Old Mangere Bridge replacement and the Agasi Bridge project. Repeat work was also secured with Watercare with the award of the Mangere Tarp and Warkworth to Snells Pipeline Transfer projects.

Built Environs

Built Environs, McConnell Dowell's commercial building operation, reported an 83% increase in revenue with strong delivery performance on all current projects. The business successfully delivered an Australian first, with a new luxury hotel integrated into the iconic Adelaide Oval, and continued its excellent delivery track record in the health sector with the successful Modbury Hospital upgrade in Adelaide.

Built Environs' entry into New Zealand continued in line with our plan to expand its geographic footprint. Building on the ongoing successful execution of the Auckland City Mission HomeGround project, the business secured the Puhinui Station upgrade in Auckland in joint venture with McConnell Dowell's New Zealand operation.

We will continue to focus on expanding Built Environs' markets by exploring opportunities in larger markets like Victoria and New South Wales.

Health, Safety & Environmental Performance

McConnell Dowell's LTIFR of 0.1 reflected five LTIs reported across the business. McConnell Dowell maintained its focus on safety and health performance with project teams across all business units conducting hazard reporting and finding better ways to manage safety on our work sites. Compliance with safety systems remained high and lessons learnt continue to inform future performance as the group's health, safety, environment and quality (HSEQ) database provides access to HSEQ data trends and internal HSEQ auditing, allowing automatic tracking and monitoring of action close-outs.

The organisation's response to COVID-19 has also been outstanding, with each business unit embracing and adapting to the various government imposed virus management protocols and processes to keep our teams and the community safe.

Our focuses on employee wellbeing and mental health continues, with an emphasis on work life balance, flexibility and mental health support systems and programs. This focus has been particularly important with many staff working from home through the latter part of 2020 due to the COVID-19 pandemic.

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

People and Leadership

Talent and succession planning, with a focus on attraction, retention and development of core capability, remained a key priority. The significant growth in new work has also provided opportunities to promote internally and recruit several outstanding new employees.

Michael Clemenger was appointed Managing Director of Built Environs and under his experienced leadership the business will focus on entering the significantly larger building markets of Victoria and New South Wales. Former Built Environs' Managing Director Daryl Young was appointed General Manager, Queensland and Northern Territory for our Australia business unit. Greg Ford was appointed General Manager of Built Environs in New Zealand.

Tom Dockray was appointed as Managing Director for South East Asia, and his new leadership has brought immediate results with the securing of a number of new projects.

In response to the growth in our Australian business unit, a series of appointments have been made to fill the newly created regional general manager positions. Appointments have included both internal and external candidates, providing the opportunity to both promote our emerging leaders and augment our leadership ranks with new capabilities and skills.

McConnell Dowell's human resources management was strengthened by the implementation of a single 'human capital' information system across the Group.

Looking ahead

The Group enters the 2021 financial year with confidence and cautious optimism.

We have a strong order book, a healthy balance sheet and minimal debt. Our projects are performing well, supported with proven governance and management systems and underpinned by a strong, values-driven culture.

Our core market sectors in Australia and New Zealand continue to grow at a steady pace, driven largely by transport infrastructure investment, and with increased activity anticipated in the resources market.

In response, we have boosted our investment in business development capability to maintain the momentum of our increased order book, and remain confident that our diversity in geography, customers and capabilities will support future growth.

We are well placed, despite the challenges of 2020, to continue our momentum into FY21 and beyond.

'McConnell Dowell enters the 2021 financial year with a strong balance sheet and minimal debt'

Group Highlights from FY20

Cash Balance

$140 Million

As at 30 June 2020

Work in Hand

$1.84 Billion

Up 60% from 30 June 2019

Preferred Status

$1.4 Billion

Preferred contractor status on AUD$1.4 billion worth of prospects

A year of achievements

New Work Won

23%

Increase to $1.65 Billion

Cash in Hand

50%

Increase to $140 Million

Work in Hand

60%

Increase to $1.8 Billion

Tender Success Rate

40%

In Australia

Project Portfolio

80%

Delivering greater than as bid margin

Preferred & ECI Contract Status

17%

Increase to $1.4 Billion

Built Environs

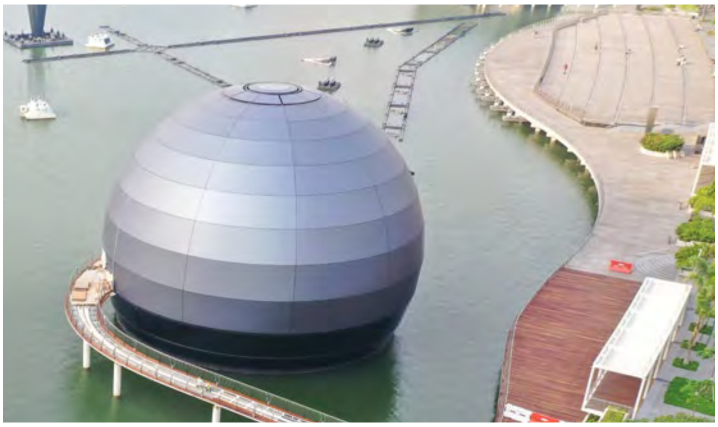
5 years LTI free

Top Decile Employee Engagement & Alignment In-sync Surveys

World record

broken for longest direct pipe drive

Snells Algies, Auckland



World's 1st

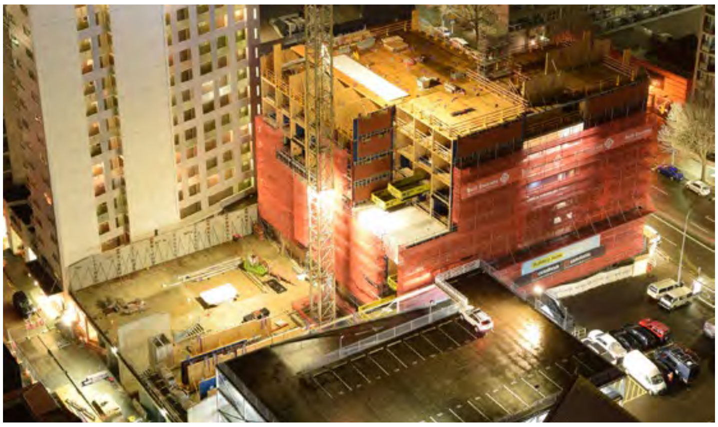
'floating' Apple Store

Retail Store Conversion,
Marina Bay Sands, Singapore

Australia's 1st

Stadium Hotel

Oval Hotel, Adelaide



Tallest

CLT building in the Southern Hemisphere

Auckland City Mission,
HomeGround Project, Auckland

The McConnell Dowell Group

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

Progressive culture

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

Creative construction

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

Local people, international expertise

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

Specialist Capabilities

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

Group Structure

Business Units

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

Group Functions

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

Strategy

McConnell Dowell is creative construction. Successfully delivering complex infrastructure with our customers and the community.

Our strategy helps unlock opportunities by focusing on:

1. Engineering excellence and innovation
2. Premium design and construction
3. Market leading safety performance, leadership & culture
4. Leveraging our specialised experience within the Group
5. Listening to customers and delivering strong project execution performance
6. Sustained growth and profitability across all Business Units
7. Realising scale and efficiency objectives while balancing risk, agility and process
8. Talent acquisition, retention, capability development and leadership succession across all areas of operations
9. Continued future growth with a well-diversified business portfolio

Vision, Purpose and Values

Purpose

Providing a better life

Vision

To be a leader in the delivery of infrastructure, building and resource solutions

Values

Safety & Care

Honesty & Integrity

Customer Focus

Working Together

Performance Excellence

60 years of creative construction

In 1961 two young entrepreneurial New Zealand engineers sat down with a vision to do things better than the company they worked for.

In that moment McConnell Dowell was born.

Since then, innovation and creative construction have remained at the heart of everything we do.

For 60 years now, this progressive mindset has taken the Company on a journey of growth and innovation with no shortage of milestones along the way. Taking on ambitious projects in the sixties and seventies, and delivering them successfully, quickly set the Company on a path to international expansion. The eighties and nineties saw McConnell Dowell reinforce its position as a serious international contractor by delivering some of the most complex and demanding projects throughout Australia and Asia.

The 21st century has seen further growth across all our operating regions. An integral part of innovative approach, we have put our stamp on everything from city changing infrastructure projects to vital resource projects that provide both economic and environmental benefits to local communities - on a truly international scale.

Today, operating across Australia, New Zealand, the Pacific Islands and South East Asia employing several thousand people, McConnell Dowell has a proud history, a proud culture and a positive outlook for an exciting future.

The new normal

Technology in a pandemic

As the COVID-19 pandemic swept across the world, working from home quickly became the 'new normal' for many organisations, including the McConnell Dowell Group.

Fortunately, having already embraced proven technologies and platforms like video conferencing and Microsoft Teams, it took less than a week for the majority of our workforce to make a seamless shift to this new working environment.

But of course, projects are the lifeblood of our company and you can't deliver a project from home. So while our project teams remained on site, our executive teams were cloistered at home, unable to provide that all-important visible leadership and strong governance.

The answer? The Virtual Site Walk.

By bringing together Microsoft Teams, mobile gimbals and wireless headsets our site teams have taken our executives and other internal stakeholders on many virtual, and often self-guided, tours of our sites in real time. That means we've retained that all importance visible leadership on site and provided our executive teams with the ongoing opportunity to both witness and initiate safety and productivity improvements on our projects.

'We didn't need ground-breaking innovations to survive and thrive during the pandemic.

We needed simple innovations that we could mobilise quickly to keep the business moving forward.

The Virtual Site Walk is a great example of that.'

Heinrich Kukkuk
Group Information Technology Manager

The upgraded office is ready for our team and visitors as restrictions ease in Singapore and the business progresses towards working in the 'new normal'

Regional Head office in Singapore
Tom Dockray, Managing Director for South East Asia (right)
Ryan McDonough (Left), General Manager New Business and Strategy for South East Asia

Refreshed Regional Head office for South East Asia

McConnell Dowell is pleased to share a view of our refreshed, upgraded and expanded Regional Head office in Chai Chee, Singapore. A contemporary office established with state of the art technology in preparation for expansion throughout the region. The office is the central hub for the South East Asia Business Unit of the Group and plays an integral part in the streamlining of the operations across Asia.

The upgraded office is ready for our team and visitors as restrictions ease in Singapore and the business progresses towards working in the 'new normal'.

McConnell Dowell Managing Director for South East Asia, Tom Dockray said the new office marks a continuation of McConnell Dowell's presence in South East Asia 'McConnell Dowell has a long and proud history working across South East Asia having first commenced in Singapore in 1971'.

'We recognise these are complex times in the region, but our commitment to the region has not changed and we look forward to continuing to develop our business across South East Asia and eventually being able to see our colleagues and customers face to face in our refreshed office'.

General Manager New Business and Strategy for South East Asia Ryan McDonough said he is excited to launch the redeveloped office space 'We are here in South East Asia for the long term. I am proud of our team's ability to continue living our value of Customer Focus throughout this time of uncertainty and adapting to the changed ways of working.

'We will continue to seek opportunities where we can add value to our customers across South East Asia through our permanent offices in Singapore, Malaysia, Thailand, Indonesia and the Philippines'.

(From top)
Tom Dockray
Managing Director
South East Asia

Steve Collett
Executive General Manager
People & Group Strategy

Meet our leaders

FY20 saw some exciting leadership appointments for the group.

We talk with them about their new roles and plans for the future.

Michael Clemenger

Managing Director
Built Environs

Tell us a bit about your background?

I recently joined Built Environs after spending 25 years with the Icon/Cockram business. I have been fortunate to work on projects in China, Puerto Rico and across Australia and New Zealand. I was heavily involved in the formation of a JV business with Leighs Construction in NZ and we completed a very successful large health project together in Christchurch and successfully led the Victorian Icon business through a merger as it experienced significant growth, with 20+ projects and turnover exceeding $700M.

What does creative construction mean to you in within Built Environs?

Creative construction to me means being attracted to working on challenging & complex projects that others would prefer to bypass. It means having a point of difference from our competitors, having the expertise & innovation in our teams that our clients actively seek out to deliver them successful projects.

What is the outlook / future plans for Built Environs?

We will be entering the Victorian market shortly which will be an exciting venture. We will be refreshing our approach in South Australia with new leadership in place. This business has exceptional delivery capability and we will be ensuring that we have the pipeline of projects to grow our turnover and cement our place in the Adelaide market. The more I learn about the upcoming opportunities in New Zealand the more excited I get about the future ability to grow this business.

‘I am excited to lead the Built Environs team in Australia and New Zealand. I look forward to working with the diverse and talented team to grow the project portfolio in new and existing markets’

Tom Dockray

Managing Director
South East Asia

‘McConnell Dowell has a long and proud history working across South East Asia having first commenced in Singapore in 1971.

We recognise these are complex times in the region, but our commitment has not changed and we look forward to continuing to develop our business across South East Asia’

Tell us a bit about your background?

I joined the McConnell Dowell Group in 2017 and am currently based in Singapore where I’m focused on growing and expanding our operations across South East Asia.

I kicked off my career in engineering consulting in Queensland, before moving into the construction industry to work on large civil infrastructure projects across Australia.

I spent over 12 years working for Leighton Asia, living and working Malaysia, India, China and Singapore and focusing on the mining and oil & gas Industries. Following this, I worked for Clough where I was responsible for their Global EPC Business, which involved the development and execution of large-scale LNG projects.

I’ve always had a passion for construction and delivering projects that improve the standard of living and contribute to the world we live in.

What does creative construction mean to you in South East Asia?

McConnell Dowell has a long and proud history of delivering ‘creative solutions’ to our customers across the entire project lifecycle. For me, the term ‘creative constructions’ means innovative, consistency in application, value for money and technology-driven solutions.

What is the outlook / future plans for South East Asia?

McConnell Dowell is positioned well in South East Asia to take advantage of the ever-increasing demand for infrastructure and energy. The demand is expected to remain high over the long term and will present strong economic growth prospects for the business. Technical advancements and ability to adapt to changing economies are more critical than ever, but we must continue to raise the bar with every project that we deliver. It will be vital to retain and further strengthen our engineering and construction capabilities, introduce the latest methods of construction and apply project delivery mechanisms that generate cost, schedule and delivery efficiencies, which in turn adds value to our clients.

Steve Collett

Executive General Manager
People & Group Strategy

Tell us a bit about your background?

I joined the McConnell Dowell Group in 2016 after spending 10 years in the mining industry. Initially, I was engaged to lead the Human Resources function across the Group, in late 2019 my portfolio expanded to include Strategy, Marketing and Communications

My wife, two sons and I relocated from Perth to Melbourne in 2010.

What are the opportunities for the McConnell Dowell Group?

McConnell Dowell is well positioned in its key markets to take advantage of increased public investment in infrastructure to stimulate the economy post COVID. We will undoubtedly see subdued activity in some sectors of the market, particularly those driven by private sector development, but we are seeing increasing capital investment in transport, social and resources-based infrastructure.

McConnell Dowell's differentiated market position as a provider of creative, premium design and construction services, as well as our exceptional experience in collaborative contracting models such as ECIs and Alliances, means we are well placed to continue our growth into FY22 and beyond.

What does creative construction mean to you?

Creative Construction is the core DNA of the McConnell Dowell brand. It is about innovation, quality, listening to our customers and helping them achieve their objectives. Creative construction means not just that we create infrastructure and built environments, it also means we create opportunities, we create jobs, we create connections.

Every day I see commitment from our people to develop the best possible solution for our customers given constraints of design, program and cost, as well as the commitment to improving people's lives through access to well paid, secure work and long lasting, productivity-generating infrastructure.

What is the outlook / future plans for the Group?

Despite a challenging 2020, I am optimistic about the near term outlook for the McConnell Dowell Group. There will be further challenges to overcome – some within our control and some not – but we should be confident in our ability to successfully navigate these challenges, and to take advantage of emerging opportunities in all our markets, in order to continue to develop world class infrastructure and built environments for our customers and communities, and do so safely and profitably.

'We are well placed to continue our growth into FY22 and beyond'

Creative Construction

Innovation in sustainable building materials

Cross Laminated Timber, Auckland City Mission and Adelaide Oval Hotel

The use of CLT on two of our projects is providing both cost and time savings for our customers while delivering a more sustainable project.

Leveraging the power of Digital Engineering to drive productivity

Digital Visualisation of Construction Programme, Western Program Alliance, Melbourne

The Western Program Alliance will use 4D planning software to generate detailed planning information to simulate and visualise the construction progress based on design information.

An Australian first sliding a bridge into place on wheels

Jane St Bridge, Sydney

This is the first time in Australia a complete bridge (abutments and deck) have been constructed offline and moved into place using self-propelled modular transporters (SPMT).

Trusted by customers to deliver innovative technical solutions

CRISP subsea pipeline, Singapore

McConnell Dowell was engaged by ExxonMobil in Singapore to construct a subsea pipeline between the existing refinery and the new CRISP development on Jurong Island.

The project involved a 1.8 km high temperature subsea insulated pipe-in-pipe configuration, with 12.75" electrically heated inner pipe and a 18" outer pipe.

Longest Direct Pipe Drive in history

Snells Algies World Record drive, New Zealand

The Snells Algies project broke McConnell Dowell's own previous world record, set at the Army Bay project in NZ, by 92 m.

The outfall section consists of 2021 m of trenchless installation of a 1220 mm OD steel pipe which is linked to the seabed.

The project included the challenging marine recovery of the TBM.

2020 Project Highlights


East Gate
Adelaide Oval

Retail Store Conversion

Construction of the world's first spherical Apple store that 'floats' on water'

Location: Singapore
Customer: Marina Bay Sands

Building works include underwater and underground land path to shopping complex

The Marina Bay Sands (MBS) project involved the demolition and reconstruction of the existing south crystal pavilion including significant structural alterations to the Basement 2 of the Shoppes Mall.

A large rectangular water retaining piled cofferdam had to be constructed before the structure could be demolished and rebuilt from the seabed up, along with the construction of the underwater tunnel connection to the Shoppes at Marina Bay.

Location: Adelaide, Australia
Customer: Adelaide Oval

Oval Hotel

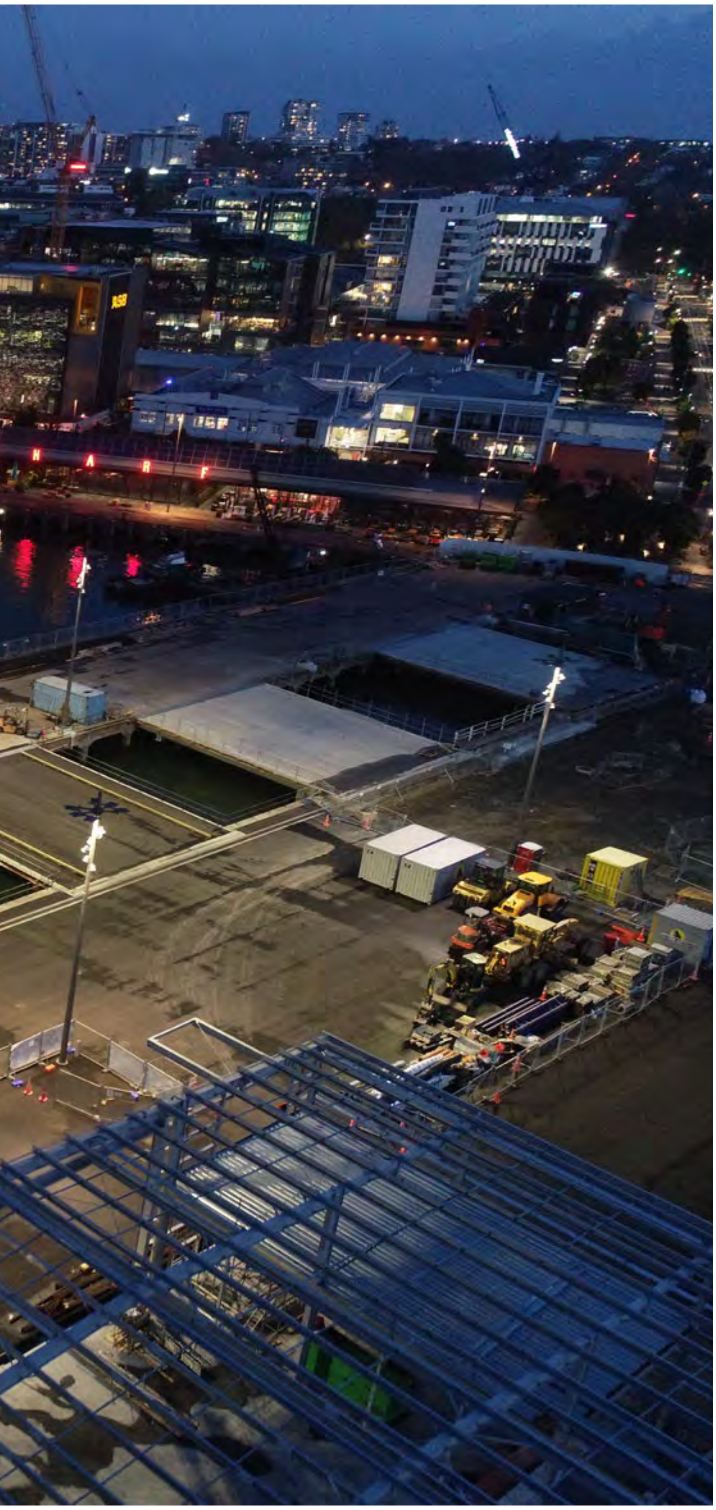
Design & construction of the first hotel in Australia to be wrapped around a sports stadium

Building works include a 138 room boutique hotel with two wings

The hotel was built on two elevated pods that follow the external curves of the eastern façade of the stadium and therefore will not encroach on the parklands or the plaza. None of the stadium's existing access/egress, including the plaza and atrium entry, are affected by the development and neither is the seating bowl.

Wynyard Edge Alliance

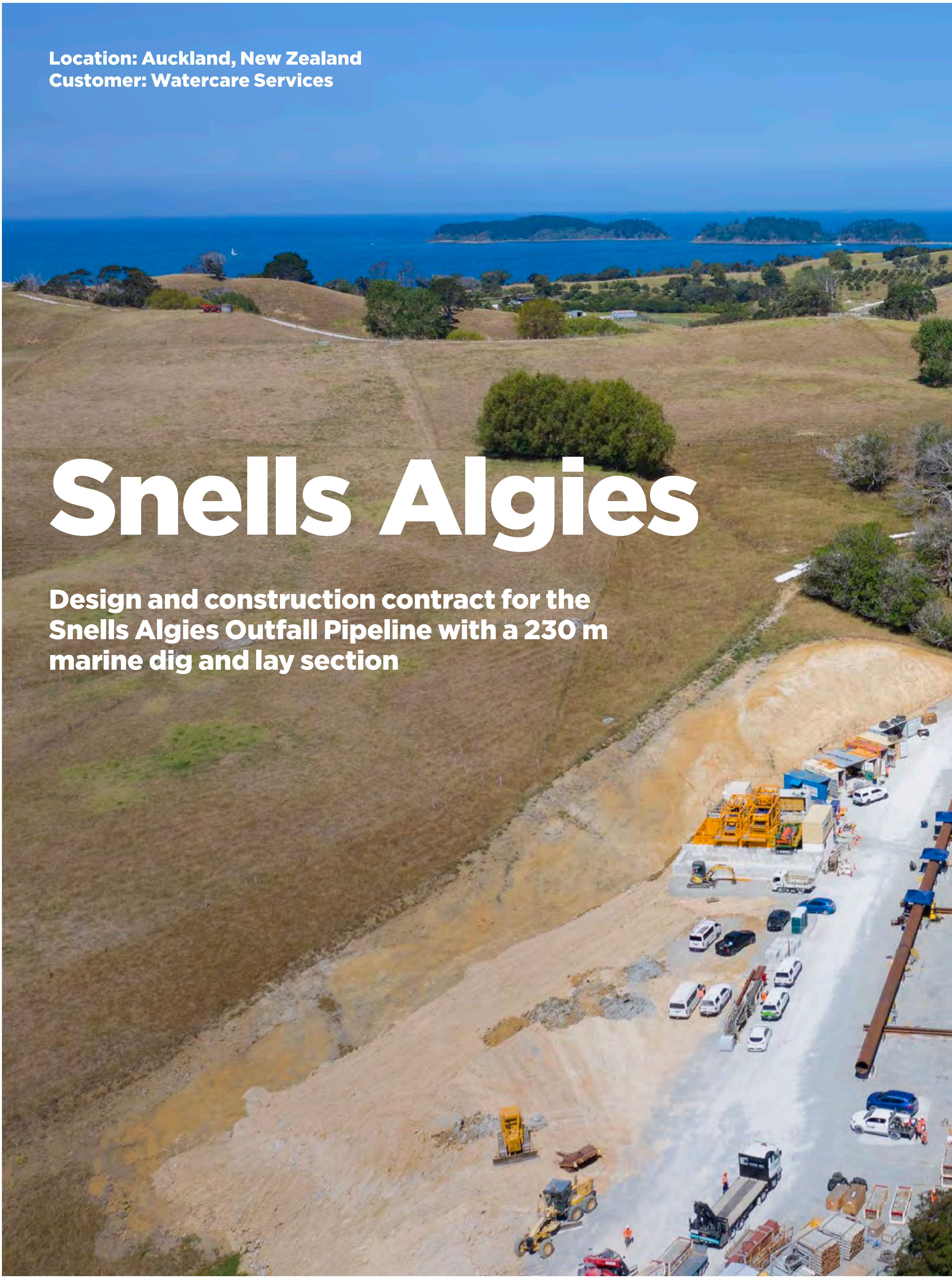
Location: Auckland, New Zealand
Customer: Wynyard Edge Alliance



Construction includes repairs and extension to the existing wharf

7 breakwaters to support the launching of yachts

Dredging over 70,000 cubic metres of material



Location: Auckland, New Zealand
Customer: Watercare Services

Snells Algies

Design and construction contract for the Snells Algies Outfall Pipeline with a 230 m marine dig and lay section

The Snells Algies wastewater pipe and outfall construction project is the first phase of a three stage scheme to supply the Warkworth and Mahurangi East communities with reliable wastewater services to cater for population growth. The scheme will improve water quality in the Mahurangi Harbour and deliver an upgraded wastewater system.

Setting a new world record for the longest direct pipe drive

Western Program Alliance

Location: Victoria, Australia
Customer: LXRP

McConnell Dowell is the constructor within the Western Program Alliance, part of the Victorian State government's ambitious level crossing removal program.

The Alliance brings together the Level Crossing Removal Project, MTM (network operator), and Arup and Mott Macdonald as design partners. In its first two years, the Alliance successfully completed three level crossing removals in Melbourne's western and south eastern suburbs:

- Kororoit Creek Road in Williamstown North – a rail over road bridge and duplication of 800 metres of track on the Altona Loop.
- Abbots Road in Dandenong South – a rail over road bridge in an industrial zone
- Aviation Road in Laverton – a rail over road bridge within a busy shopping precinct

Due to their excellent delivery performance, the Alliance was also awarded and completed the design and construction of a new train stabling facility in Wyndham Vale for V/Line.

The Alliance is now focused on delivering the next three level crossings between Werribee and Hoppers Crossing, and on the Cranbourne Line Upgrade in Melbourne's south east. The latter project involves multiple level crossings, signalling works and 8 km of track duplication.

Public Transport Projects Alliance

Location: Adelaide, South Australia
Customer: DIT

Design & Construction of new Oaklands Rail Station and Overpass

Alliance delivery model with McConnell Dowell sole construction contractor

Puhuini Station Interchange

Location: Auckland, New Zealand
Customer: Auckland Transport

— McConnell Dowell and Built Environs Joint Venture
— Demolition of existing Puhuinui Station footbridge
— Construction of high-quality fit out at-grade bus area
— Rail Safety innovation – New Zealand first

Old Mangere Bridge Replacement

Location: Auckland, New Zealand
Customer: New Zealand Transport Agency

- A new bridge to be over 260 m long and eight metres wide
- The new bridge provides up to 8 m clearance for vessels

Jurong Regional Line (J108)

Location: Singapore
Customer: Land Transport Authority

- Construction of three new elevated railway stations
- The stations will be linked by 2.3 km of elevated twin track viaducts

Mordialloc Freeway Upgrade

Location: Victoria, Australia
Customer: MRPV

- Construction of bridges over freeways
- Upgrade freeway interchange, entry & exit ramps
- New shared walking path
- Alliance delivery model with McConnell Dowell sole construction contractor

HMAS Coonawarra Marine Works

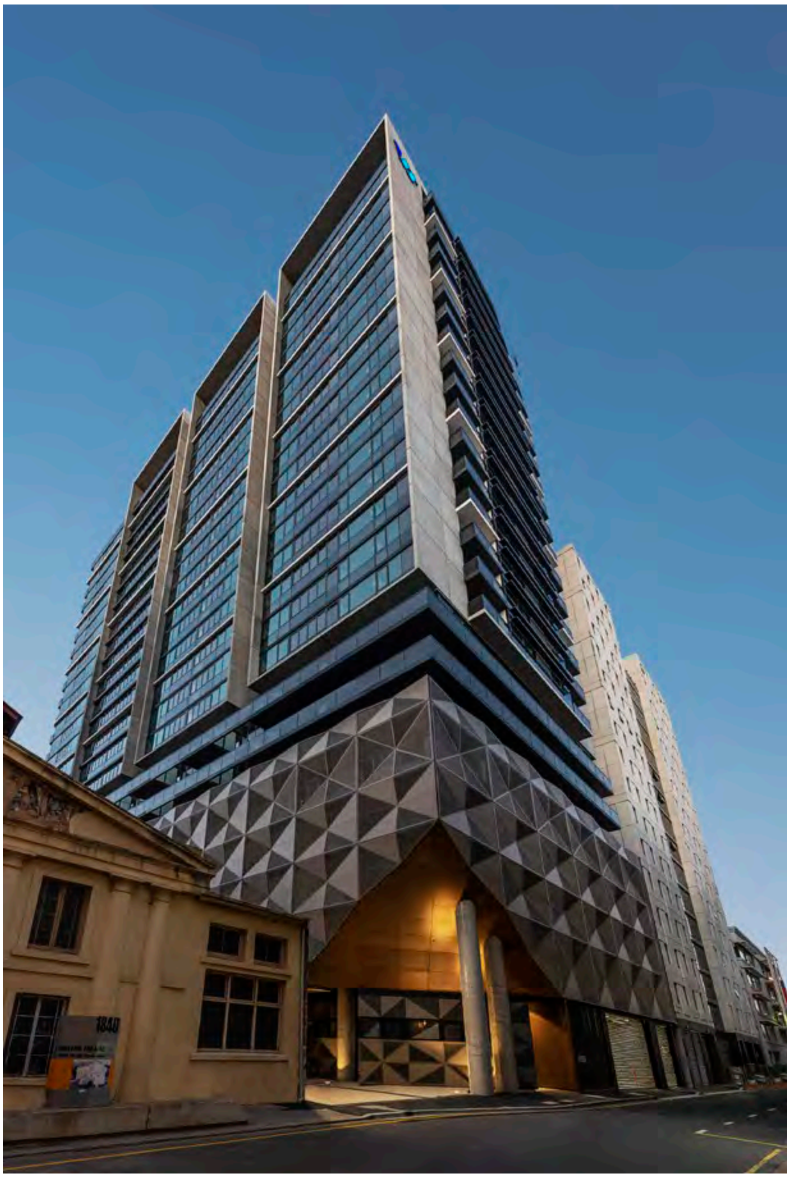
Location: Darwin, Australia Customer: Laing O'Rourke

- Construction of a new outer wharf consisting of 250 m long x 25 m wide in-situ reinforced concrete wharf deck on tubular steel piles and;
- 40 m long x 8 m wide in-situ concrete entry and 49 m long x 8 m wide exit ramps

Tangguh Export Facility

Location: Indonesia
Customer: PT Saipem

- A 1056 m long access Trestle, including decks for the local control room, substation and sea water intake
- 29 m x 42.5 m Loading Platform for the Jetty with 2 Gangways



Wingfold Tower

Location: Adelaide, Australia
Customer: Wingfold Holdings

- Construction of a 27 level building
- 257 apartments with fitness studio, aquatic facilities and outdoor lounge and BBQ
- Commercial retail and restaurants on ground level

Echuca Moama Bridge Project

Location: Victoria, Australia
Customer: MRPV

- Construction of new roads and bridges
- 550 piles to be driven to form the foundations for the new bridges
- Indigenous engagement and participation

Waste Line Replacement

Location: Queensland, Australia
Customer: Queensland Alumina Limited (QAL)

- Design of the new Waste Line Removal of the existing pipeline
- Augmentation of the support structures, including approximately 1400 piles within tidal & marine zones

Jane Street & Mulgoa Road

NSW, Australia
Customer: TfNSW

- Widening existing rail bridge
- Minimal disruption to rail network by constructing new bridge offsite
- In an Australian first, the new bridge structure was constructed offline and moved into place via truck
- Widening of roads, upgrading signalling, building new pedestrian/ cycle paths and realigning existing utility services

Papakura to Pukekohe electrification

Location: Auckland, New Zealand
Customer: KiwiRail

- Extending the overhead power system from Papakura to Pukekohe
- A new substation and train stabling facilities
- Future proofing the rail corridor and enabling works for new stations

Regency to Pym Street

Location: Adelaide, South Australia
Customer: DIT

— At-grade motorway from the existing motorway infrastructure to the north (South Road Superway);
— Overpass of the motorway over Regency Road
— Motorway will deliver travel time savings of up to 8 minutes during peak periods (or 4.5 minutes on average)

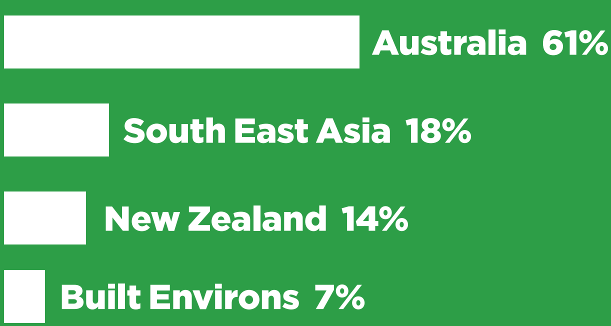
McConnell Dowell Corporation Limited

Financial Statements 2020

Consistent project execution performance, diversity and technical capability continues to position the company well. Australia will drive FY21 growth which currently, with the exception of one project, all others are at or above bid margin.

Revenue by Business Unit

Business Unit Work in Hand



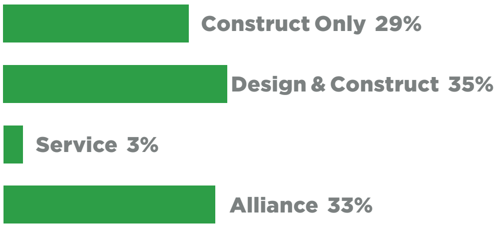
Work in Hand increased by 60%

91% of work in hand is with government customers.

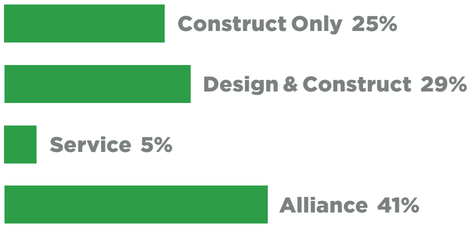
46% in alliance or service type contract models.

A high percentage are in ECI / early works or collaborative tender arrangements which de-risks execution performance.

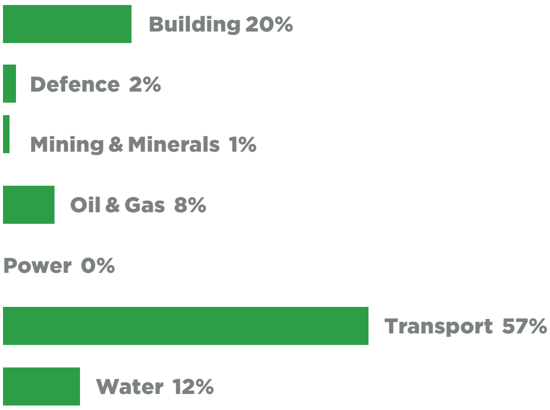
Revenue Type — Revenue



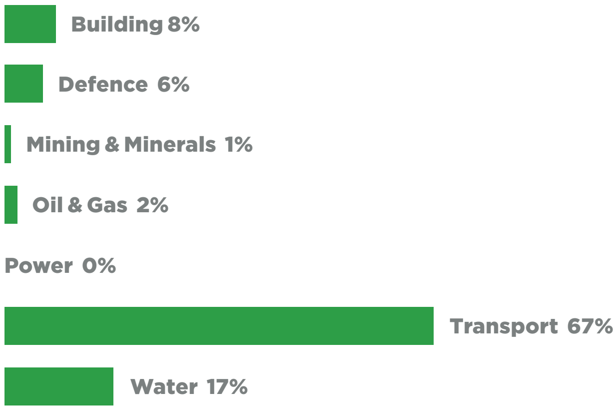
Revenue Type — Work in Hand



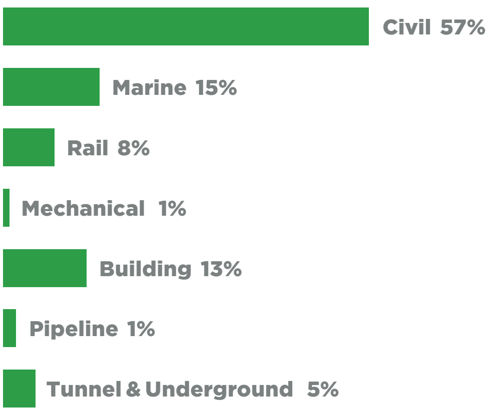
Market Sector — Revenue



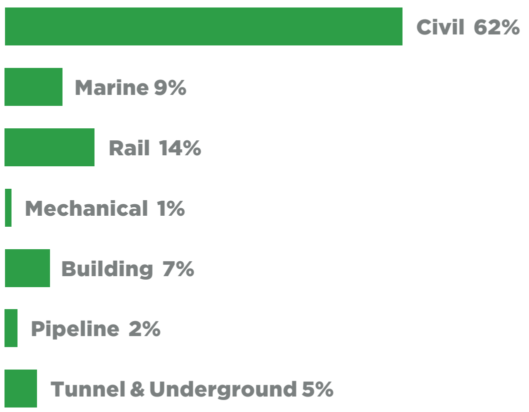
Market Sector — Work in Hand



Specialist Capability — Revenue



Specialist Capability — Work in Hand



Directors' Report

The Directors present their report on the consolidated entity consisting of McConnell Dowell Corporation Limited (the Company) and its controlled entities for the year ended 30 June 2020.

Directors and Company Secretary

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

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

Resignations:
E.K. Diack

Company Secretary
D.J. Morrison

Principal activities

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

Consolidated result

McConnell Dowell had a solid year of operational performance however COVID-19 impacts significantly reduced the expected revenue in H2. Despite this, McConnell Dowell's diversity both geographically and in the nature of work undertaken helped mitigate the impact of the pandemic on the business and overall FY20 revenue grew 4% to AUD $979 million.

New Work Won performance has improved to $1.65 billion, notwithstanding the impact in Q4 caused by delays in some projects coming to market and awards for some key tenders. The improved performance in winning work increased Work in Hand by 60% to $1.85 billion, with more than 90% of the portfolio represented by Government clients across the operating footprint of the business and 40% in collaborative alliances.

A proactive approach to the management of both upstream and downstream COVID-19 impacts was taken to ensure liquidity resilience through this period. This included the settlement of some legacy commercial issues at a discount to our book position to release cash, resulting in a $19.17 million non-cash impairment. As a result, the balance sheet has been significantly de-risked and the operating group ended FY20 in a strong liquidity position with cash reserves of approximately $140million, minimal debt and undrawn credit lines available.

The consolidated result for the year attributable to the members of McConnell Dowell Corporation Limited after taking the $19.17 million non-cash impairment was a loss after tax of $16.49 million. The underlying performance of the group was profitable.

	Year Ended 30 June 20	Year Ended 30 June 19
Reported (loss) / profit after tax	(16,494)	7,785
Add back: Non-cash impairment	19,169	-
Underlying profit after tax	**2,675**	**7,785**

Dividends

No dividend (2019 – nil) was declared or paid during the year ended 30 June 2020 to the parent company shareholder.

Significant changes in the state of affairs

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

Indemnification and insurance of directors and officers

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

During the financial year the company paid an insurance premium insuring directors and officers of the consolidated entity for costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company or a related body corporate.

The directors and officers of the consolidated entity covered by the insurance policy included the directors listed in this report and all other executive officers and other officers of the consolidated entity. The contract of insurance prohibits disclosure of the amount of the premium.

Indemnification of auditors

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

Safety and environmental regulations

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

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

The consolidated entity is subject to various environmental and safety regulations under either Commonwealth, state or other international legislation. The Board believes the consolidated entity has adequate systems in place for the management of its environmental and safety policies and is not aware of any breach of these requirements as they apply to the consolidated entity.

Likely developments and expected results of consolidated entity

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

Events subsequent to balance date

No significant events have occurred subsequent to balance date.

Rounding

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

Non-audit services

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

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

Auditor independence declaration

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

The annual financial statements which appear on pages 51 to 100 were approved by the directors by resolution dated 27th November 2020 and are signed on their behalf.

Going concern and liquidity

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

The Company enters the 30 June 2021 financial year with increased levels of work in hand of $1.85 billion compared with $1.15 billion as at 30 June 2019 following significant project wins in Australia, New Zealand and Singapore. The company also has more than $1.4 billion of opportunities (based on current contract value) that are in sole source negotiations or in Early Contractor Involvement stage and therefore it is probable these will be converted into contracted projects. In addition there are approximately $1.2 billion of submitted tenders currently pending award, and a further $2.3 billion of tenders currently in progress.

The Directors have reviewed business plans and detailed financial budgets for the year ending 30 June 2021 and beyond which indicate significant construction opportunities ahead. With additional government investment likely to be injected into infrastructure projects the construction markets of Australia, New Zealand and South East Asia remain healthy, and the Company expects to continue winning work in the coming years to further grow the order book.

The detailed financial budgets and business plans that are being implemented by management indicate that the Group will have sufficient cash resources for the foreseeable future without the need to draw on credit lines.

The Company has met its banking covenants for 30 June 2020 and forecasts indicate no breaches in the upcoming financial quarters.

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

The Directors have considered the business plans and detailed financial budgets, including all available information, and whilst significant estimates and judgements including the impacts of the wider economic environment are always required, the Directors are of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

S. V. Cummins
Director
27th November 2020

D. J. Morrison
Director
27th November 2020

Auditor's Independence Declaration

Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

As lead auditor for the audit of the financial report of McConnell Dowell Corporation Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

Ernst & Young

David Shewring
Partner
27 November 2020

Statement of Profit or Loss

for the year ended 30 June 2020

All figures are in A$ 000's	Note	Consolidated 2020	2019
Revenue	2	**997,743**	938,645
Less: revenue impact relating to non-cash impairment	2	**(19,169)**	-
Net Revenue		**978,574**	938,645
Other income	2	**15,256**	7,637
Total Income		**993,830**	946,282
Operating expenses	3	**(975,629)**	(919,632)
Depreciation	9(a), 9(b)	**(26,255)**	(12,440)
Share of loss of an associate	10	**(1,216)**	(3,656)
Finance income	4	**482**	671
Finance costs	4	**(4,296)**	(1,915)
(Loss) / Profit before tax		**(13,084)**	9,310
Income tax expense	5	**(3,410)**	(1,525)
(Loss) / Profit after tax for the year		**(16,494)**	7,785
Attributable to:			
Members of the parent entity	23	**(16,503)**	**7,946**
Non-controlling interest	24	**9**	(161)
(Loss) / Profit after tax for the year		**(16,494)**	7,785

The above Statement of Profit or Loss is to be read in conjunction with the accompanying notes

Statement of Comprehensive Income

for the year ended 30 June 2020

All figures are in A$ 000's	Note	Consolidated 2020	2019
(Loss) / Profit for the year after tax		**(16,494)**	7,785
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss in subsequent period (net of tax)			
Foreign currency translation	22	**(1,272)**	3,733
Other comprehensive (loss) / income for the year, net of tax		**(1,272)**	3,733
Total comprehensive (loss) / profit for the year, net of tax		**(17,766)**	11,518
Attributable to:			
Members of the parent entity		**(17,769)**	11,699
Non-controlling interest	24	**3**	(181)
Total comprehensive (loss) / profit for the year, net of tax		**(17,766)**	11,518

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

Statement of Financial Position

as at 30 June 2020

All figures are in A$ 000's	Note	Consolidated 2020	2019
Assets			
Current assets			
Cash & cash equivalents	8	**139,204**	102,843
Inventories	6	**1,295**	4,019
Trade and other receivables	7	**194,748**	242,651
Prepayments		**776**	638
Income tax receivable		**3,208**	3,349
Total current assets		**339,231**	353,500
Non-current assets			
Property, plant and equipment	9 (a)	**47,531**	51,569
Right of use assets	9 (b)	**22,421**	-
Investment in and loans to associates and others	10	**-**	-
Deferred tax assets	12	**52,590**	53,308
Total non-current assets		**122,542**	104,877
Total assets		**461,773**	458,377
Liabilities			
Current liabilities			
Trade and other payables	13	**240,351**	237,590
Interest bearing loans and borrowings	15	**6,090**	12,347
Lease liabilities	18	**8,300**	-
Provisions	16	**30,130**	30,007
Total current liabilities		**284,871**	279,944
Non-current liabilities			
Interest bearing loans and borrowings	15	**4,330**	5,687
Lease liabilities	18	**17,755**	-
Provisions	16	**3,436**	3,593
Total non-current liabilities		**25,521**	9,280
Total liabilities		**310,392**	289,224
Net assets		**151,381**	169,153
Equity			
Issued Capital	21	**267,765**	267,765
Reserves	22	**4,289**	5,561
Retained earnings	23	**(120,824)**	(104,321)
Parent interests		**151,230**	169,005
Non-controlling interests	24	**151**	148
Total equity		**151,381**	169,153

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

Statement of Changes in Equity

for the year ended 30 June 2020

Consolidated

All figures are in A$ 000's	Ordinary shares	Preference shares	Foreign currency translation reserve	Asset revaluation reserve	Capital reserves	Non-controlling interest	Retained earnings	Total equity
Balance as at 1 July 2018	**217,765**	**40,000**	**(1,368)**	**385**	**2,811**	**329**	**(112,267)**	**147,655**
Profit for the period	-	-	-	-	-	(161)	7,946	**7,785**
Other comprehensive income	-	-	3,733	-	-	(20)	-	**3,713**
Total comprehensive income for the period	-	-	**3,733**	-	-	**(181)**	**7,946**	**11,498**
Transactions with owners in their capacity as owners:								
Share Issue of 10m shares issued at $1 each	10,000	-	-	-	-	-	-	**10,000**
Balance as at 1 July 2019	**227,765**	**40,000**	**2,365**	**385**	**2,811**	**148**	**(104,321)**	**169,153**
Loss for the period	-	-	-	-	-	9	(16,503)	**(16,494)**
Other comprehensive loss	-	-	(1,272)	-	-	(6)	-	**(1,278)**
Total comprehensive income for the period	**-**	**-**	**(1,272)**	**-**	**-**	**3**	**(16,503)**	**(17,772)**
Balance as at 30 June 2020	**227,765**	**40,000**	**1,093**	**385**	**2,811**	**151**	**(120,824)**	**151,381**

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

Statement of Cash Flows

for the year ended 30 June 2020

All figures are in A$ 000's	Note	2020	Consolidated 2019
Cash flows from operating activities			
Receipts from customers		**1,034,557**	970,290
Payments to suppliers and employees		**(977,176)**	(999,612)
Interest received		**482**	671
Finance costs	4	**(4,296)**	(1,915)
Income tax and other taxes paid		**(2,673)**	(2,915)
Net cash inflows / (outflows) from operating activities	8	**50,894**	(33,481)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	**(12,015)**	(14,697)
Proceeds from the disposal of property, plant and equipment		**9,887**	7,105
Net cash used in investing activities		**(2,128)**	(7,592)
Cash flows from financing activities			
Proceeds from borrowings		**15,340**	9,474
Repayment of borrowings		**(22,954)**	(11,602)
Payment of principal portion of lease liabilities		**(4,249)**	-
Net cash used in financing activities		**(11,863)**	(2,128)
Net increase / (decrease) in cash and cash equivalents		**36,903**	(43,201)
Cash and cash equivalents at the beginning of the period		**102,843**	141,762
Exchange movements on cash		**(542)**	4,282
Cash and cash equivalents at the end of the period	8	**139,204**	102,843

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

Notes to the annual financial statements

for the year ended 30 June 2020

1. Accounting policies

Company details

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

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

Basis of preparation

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

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

The financial report was approved by a resolution of the Directors of the Company on 27th November 2020.

Going Concern

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

The Company enters the 30 June 2021 financial year with increased levels of work in hand of $1,845m compared with $1,153m as at 30 June 2019 following significant project wins in Australia, New Zealand and Singapore.

The Directors have reviewed business plans and detailed financial budgets for the year ending 30 June 2021 and beyond which indicate significant construction opportunities ahead. The construction markets of Australia, New Zealand and South East Asia are healthy, and the Company expects to continue significant winning work in the coming years to further grow the order book.

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

The Company has met its banking covenants for 30 June 2020 resulting in no breaches at year-end and forecasts indicate no breaches in the upcoming financial quarters.

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

The Directors have considered the business plans and detailed financial budgets, including all available information, and whilst significant estimates and judgements including the impacts of the wider economic environment are always required the Directors are of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

Statement of compliance

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

Basis of consolidation

The consolidated financial statements include the financial statements of McConnell Dowell Corporation Limited and its subsidiaries as at 30 June each year (the Group).

Control over a subsidiary is achieved when the Group is exposed or has the rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Specifically, the Group deems it controls a subsidiary if and only if the Group has:

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

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

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

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

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

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

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

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

Business combinations

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

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

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

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

Translation of group companies functional currency to group presentation currency

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

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

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

Financial instruments

Financial Assets

Initial recognition and measurement

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

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

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

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

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

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

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

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

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

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost.

Amounts due from contract customers

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

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

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

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

Cash and bank balances

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

Presentation of Impairment

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

Derecognition

A financial asset is derecognised when:

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

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

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

Impairment of financial assets

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

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

- 12 Month ECLs: those are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: those are ECLs that result from all possible default events over the expected life of the instrument.

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

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

- default or delinquency by a debtor in interest or principal payments;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy or other financial reorganisation;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

Initial recognition and measurement

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

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

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

Amounts due to contract customers

Where progress billings exceed the aggregate of costs plus margin less losses, the net amounts are reflected as a liability and is carried at amortised cost.

Borrowings and other liabilities

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

Trade and other payables

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

Bank overdraft

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

Offsetting of financial instruments

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

Derecognition

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

Inventories

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

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

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

Investments in associates

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

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

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

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

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

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

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

Interest in joint arrangements

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

Buildings	10 - 30 years
Leasehold improvements	1 - 5 years
Plant and equipment	2 - 15 years
Right-of-use assets	Shorter of lease period and asset's useful life

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

Leases

Transition approach

The Group has adopted AASB 16 Leases using the modified retrospective approach, with the effect of initially applying the standard recognised at the date of initial application (i.e. 1 July 2019). Accordingly, the information presented for 30 June 2019 has not been restated – i.e. it is presented, as previously reported under AASB 117 Leases (AASB 117), AASB Interpretation 4 Determining whether an Arrangement contains a Lease (AASB Interpretation 4) and related interpretations.

AASB 16 establishes a comprehensive framework for determining the recognition, measurement and disclosures of leases, and to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. It replaces AASB 116, AASB Interpretation 4 and related interpretations.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had been previously classified as 'operating leases' under the principles of AASB 117 as well as those contracts which may meet the definition of leases under AASB 16, not previously classified as 'operating leases' under AASB 117. The Group measured the lease liability (and corresponding right-of-use asset) at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 July 2019.

Transitional expedients

The Group as a lessee has elected to use the following optional transitional expedients on a lease-by-lease basis at the transition date:

- not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, the Group elects to not apply AASB 16 to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4;
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- to account for short-term leases with a lease term that ends within 12 months of the date of initial application as an expense on either a straight-line basis over the lease term or another systematic basis.

The lessee's weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was between 4,55% and 6,5%, based on the portfolio in which the lease was included.

Determining whether a contract is, or contains a lease

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group has applied this approach to contracts in existence, entered into, or modified on or after 1 July 2019.

Calculating the discount rate

The Group initially measures the lease liability at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Group's weighted average incremental borrowing rare per portfolio of leases with reasonably similar characteristics. Generally, the Group uses its weighted average incremental borrowing rate as the discount rate.

Year ended 30 June 2020

Group as a lessee

Determining the lease term

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

Short-term leases and leases of low value assets

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

Separation of lease components

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

Right-of-use assets

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

Right-of-use assets recognised under AASB 16 are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of use assets are determined on the same basis as those property, plant and equipment. Where significant components of an item have different useful lives to the item itself, these parts are depreciated separately if the component's cost is significant in relation to the cost of the remainder of the asset.

Lease payments

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

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

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

Remeasurement

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

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

Group as a lessor

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

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

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

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

Sub-leases

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

Group as a lessee

Determining whether an arrangement contains a lease

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

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

Leased assets

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

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

Lease payments

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

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

Sale and leaseback

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

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

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

Rent concessions

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

Goodwill and intangibles

Goodwill

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

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

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

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

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

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

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

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

Trade and other payables

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

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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

Borrowing costs

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

Provisions

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

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

Employee benefits

Short-term benefits

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

Long-term benefits

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

Issued capital

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

Revenue recognition

Construction Contracts

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

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

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

Amounts received before the related work is performed are included as a liability in the consolidated statement of financial position, as amounts received in advance under the amounts due from / (to) contract customers. Amounts billed for work performed but not collected from customers are included as contract receivables. Variations in contract work, claims and incentive payments are included as part of contract revenue as follows:

Claims impact on transaction price

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

Variations to a contract

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

Variable consideration

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

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

Significant financing component

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

Warranties and defect periods

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

Sale of Goods

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

Income tax

Current tax

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

Deferred tax

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

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

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

The effect on deferred tax of any changes in tax rates is recognised in the statement of profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is not probable that the related tax benefit will be realised.

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

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

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

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

Other taxes

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

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

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

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

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

Significant accounting judgements, estimates and assumptions

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

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

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

Significant Accounting Judgements

Contracting revenue and profit and loss recognition

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

- the determination of stage of completion,
- estimation of total contract revenue and total contract costs,
- assessment of the amount the client will pay for contract variations, and
- estimation of project production rates and program through to completion.

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

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

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

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

The Group will continue to focus on project execution and to reduce the financial impact of challenging contracts.

The Group continuously reassesses the position recognised on all its recorded uncertified revenue.

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

Amounts due from/ (to) contract customers

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

Taxation

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

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

Deferred taxation

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

Uncertainty over income tax treatments

In determining the taxable profit / (loss), tax bases, unused tax losses and tax rates, management assumes that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

In determining whether tax treatments should be considered independently or on a collective basis, the Group selects the approach that provides better predictions of the resolution of the uncertainty. The Group reassess the tax treatment if facts and circumstances change.

Joint Arrangements

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

Leases

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

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

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

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

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

Leases and sale and leaseback transactions

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

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

Impact of the COVID-19 on operations

At 30 June 2020, the impact and duration of the current COVID-19 outbreak and the related measures taken to control it, including the likelihood of a global recession, are not yet known. In preparing these financial statements, the short-term impact on items such as financial instruments, working capital, sales and provisions has been fully considered. The valuations of financial assets and liabilities carried at fair value reflect inputs at the balance sheet date. In assessing the carrying value of its other non-current assets, the Group has assumed that, despite a significant short-term impact, long-term market conditions remain unchanged, as the timing and scale of the economic impact and recovery remain uncertain.

Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

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

Useful lives of property, plant and equipment

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

Employee provisions

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

New accounting standards and interpretations

New Accounting Standards and Interpretations effective from 1 July 2019

Other than the AASB 16 and AASB Interpretation 23 described above, the Group has not adopted any new or amended Accounting Standards or Interpretations that have had a material impact on the Group for the year ended 30 June 2020.

AASB 16 Leases

AASB 16 supersedes AASB 117 Leases ('AASB 117'), AASB Interpretation 4 Determining whether an Arrangement contains a Lease (AASB Interpretation 4), AASB Interpretation 115 Operating Leases-Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under AASB 16 is substantially unchanged from accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The Group adopted AASB 16 using the modified retrospective method of adoption with a date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Upon adoption, the lease liability is measured at the present value of the outstanding lease payments at the transition date. Present value is calculated on the basis of the lessee's incremental borrowing rates as of 1 July 2019. Comparative period amounts were not restated. Right-of-use assets are measured at the amount of the related lease liability, adjusted for any prepaid or accrued lease payments.

The group elected to use the transition practical expedient whereby existing contracts were not reassessed at the date of initial application whether they contain a lease based on the AASB 16 criteria. Instead, contracts that were already classified as leases under AASB 117 or AASB Interpretation 4 continue to be classified as leases. Contracts that were not classified as leases under AASB 117 or AASB Interpretation 4 are also not classified as leases under AASB 16. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a remaining lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

a) Effect of adoption of AASB 16

The Group has lease contracts for various occupancy related items, motor vehicles, office machines and other equipment. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments, Trade and other payables or Provisions. Comparative amounts reflect this accounting.

The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under AASB 117). The requirements of AASB 16 was applied to these leases from 1 July 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- Relied on its assessment as to whether leases are onerous applying AASB 137 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

Based on the above, as at 1 July 2019:

- Right-of-use assets of $27.4 million were recognised and presented Property, Plant and Equipment in the statement of financial position.
- Additional lease liabilities of $27.4 million (included in Interest bearing liabilities) were recognised.

Reconciliation of lease commitments at 30 June 2019 to lease liabilities (excluding asset-backed financing arrangements) at 1 July 2019	A$ 000
Operating lease commitments disclosed as at 30 June 2019	**27,812**
Recognition exemption for:	
Short-term leases recognised on a straight-line basis as an expense	**(1,024)**
Low-value leases recognised on a straight-line basis as an expense	**(45)**
Contracts reassessed as lease contracts	**4,737**
Finance Lease Liabilities	**204**
Discounted using the lessee's weighted average incremental borrowing rate at the transition date	**(4,242)**
Lease liability recognised as at 1 July 2019	**27,442**
Of which are:	
Current lease liabilities	**12,517**
Non-current lease liabilities	**14,925**
	27,442

AASB Interpretation 23 - Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects AASB 112. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group previously presented uncertain income tax liabilities as part of provisions based on amounts expected to be paid to the tax authorities. Following the implementation of AASB Interpretation 23, the Group has adopted the treatment as set out in the IFRIC agenda and has classified uncertain income tax related liabilities to current tax liabilities in the consolidated annual statement of financial position.

No additional current or deferred tax liabilities were recognised as a result of AASB Interpretation 23. No significant judgements and estimates were applied in determining the uncertain tax positions.

The Group will review uncertain tax positions periodically based on any changes to the circumstances and legal precedent. A reassessment in future may be triggered due to a change in circumstances.

New accounting standards not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2020, and have not been applied in preparing these consolidated financial statements.

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

Impact of adopting the new standards on the statement

Standard/Interpretation		**Effective date Periods beginning on or after**
AASB 2019-1	Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 July 2020
AASB 2018-6	Amendments to Australian Accounting Standards – Definition of a Business	1 July 2020
AASB 2018-7	Amendments to Australian Accounting Standards – Definition of Material	1 July 2020
AASB 2019-3	Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform	1 July 2020
AASB 2019-5	Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	1 July 2020
AASB 2019-7	Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations	1 July 2020
AASB 2020-4	Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions	1 July 2020
AASB 17	Insurance Contracts	1 July 2021
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 July 2022
AASB 2020-3	Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments	1 July 2022
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 July 2022

All figures are in A$ 000's	Note	Consolidated 2020	2019

2. Revenue and income

	Note	2020	2019
Revenue			
Construction contract revenue		**997,743**	938,645
Less: revenue impact relating to non-cash impairment		**(19,169)**	-
Total revenue - Group		**978,574**	938,645
Other income			
Net gain on disposal of fixed assets		**7,038**	3,382
Other income		**8,218**	4,255
Other income - Group		**15,256**	7,637
Total revenue and income - Group		**993,830**	946,282
Geographical information			
Australia		**556,799**	516,535
New Zealand and Pacific Islands		**288,625**	211,607
South East Asia		**133,150**	210,503
Total construction contract revenue		**978,574**	938,645

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

	Note	2020	2019
Revenue and income - Group		**993,830**	946,282
Revenue - Associates	10	**49**	14,212
Revenue - Group and Associates		**993,879**	960,494

Contract balances

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

Remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2020 are, as follows:

	Note	2020	2019
Within one year		**1,200,049**	797,951
More than one year		**644,997**	355,520
Total performance obligations (unsatisfied or partially unsatisfied)		**1,845,046**	1,153,471

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

All figures are in A$ 000's	Note	Consolidated 2020	2019
3. Operating expenses			
Operating expenses include the following items:			
Salaries & wages		**(229,096)**	(222,987)
Subcontractors		**(519,298)**	(435,644)
Materials		**(98,495)**	(96,255)
Plant costs		**(36,340)**	(72,016)
Indirect project costs		**(54,187)**	(52,000)
Administrative expenses		**(20,565)**	(33,589)
Operating lease payments		**-**	(7,211)
Short term and low value lease charges		**(16,958)**	-
Foreign exchange (losses) / gains		**(690)**	70
Total operating expenses		**(975,629)**	(919,632)

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

4. Finance income and costs

		2020	2019
Finance income			
Interest income		**482**	671
Total finance income		**482**	671

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

		2020	2019
Finance costs			
Interest expense		**(1,047)**	(864)
Other finance costs		**(1,530)**	(1,051)
Finance costs on lease liabilities		**(1,719)**	-
Total finance costs		**(4,296)**	(1,915)

All figures are in A$ 000's	Note	Consolidated 2020	2019

5. Taxation

		2020	2019
Current income tax:			
Current tax expense		**2,563**	1,532
Adjustment in respect of current year income tax of previous year		**250**	72
Deferred tax:			
Relating to origination, reversal and impairment of temporary differences		**597**	(79)
Income tax expense reported in statement of profit or loss		**3,410**	1,525

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2020 and 2019 is as follows:

	2020	2019
Accounting (loss) / profit before income tax	**(13,084)**	9,310
Income tax (benefit) / expense at the statutory income tax rate of 30% (2019: 30%)	**(3,925)**	2,793
Adjusted for:		
Total construction contract revenue	**(726)**	786
Share of loss of associates	**365**	1,097
Withholding tax expensed	**2,052**	1,298
Utilisation of previously unrecognised losses	**(124)**	(4,425)
Tax losses not recognised	**5,362**	758
Adjustment in respect of current income tax of previous year	**250**	72
Effects of lower rates of tax on overseas income	**106**	(1,059)
Other items	**50**	205
Income tax expense reported in statement of profit or loss	**3,410**	1,525

5. Taxation (continued)

Tax consolidation

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

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

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

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

Nature of tax funding agreement

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

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

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

All figures are in A$ 000's	Note	Consolidated 2020	2019

6. Inventories

		2020	2019
Raw materials, components (at cost)		**1,295**	4,019
Total inventories		**1,295**	4,019

7. Trade and other receivables

	Note	2020	2019
Current			
Trade receivables	7(a)	**127,329**	**126,592**
Retentions		**2,506**	**3,479**
Contracts in progress	7(c)	**47,192**	**98,709**
Sundry receivables	7(b)	**13,719**	**9,339**
Deposits and bonds		**785**	**1,142**
Receivables from associates - Dutco McConnell Dowell (ME) LLC		**891**	**862**
Receivables from other related parties	17	**2,326**	**2,528**
Total current trade and other receivables		**194,748**	242,651

7(a) Trade receivables are non-interest bearing and are generally on 30 day terms. An allowance for impairment loss is made when there is objective evidence that a trade receivable is impaired.

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

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

	2020	2019
0-30 days	**119,577**	110,712
31-60 days*	**537**	5,826
61-90 days*	**954**	636
91+ days*	**6,261**	9,418
Total trade receivables	**127,329**	126,592

Expected credit losses on Trade and other receivables
As at 30 June 2020, the Group has trade and other receivables of $127.3 million (2019: $126.6 million). The provision for expected credit losses on trade receivables is, in whole dollars $16,080, (2019: $20,703) which is immaterial to the Group.

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

All figures are in A$ 000's	Note	Consolidated 2020	2019

7. Trade and other receivables (continued)

7(c) Construction work in progress			
Total work in progress		**47,192**	98,709
Total progress billings in advance	13	**(97,667)**	(65,142)
Net construction work in progress		**(50,475)**	33,567

As at 30 June 2020, the Group has amounts due from customers of $47.2 million (2019: $98.7 million) which is net of the provision for expected credit loss which is immaterial to the Group.

8. Statement of cash flows reconciliation

(i) Reconciliation of cash

Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash at bank		**110,096**	**67,663**
Cash in joint operations	8(a)	**29,031**	**35,086**
Cash on hand		**77**	**94**
Total cash and cash equivalents		**139,204**	102,843

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

(ii) Reconciliation of net cash flows from operating activities to operating profit after tax

Net (loss) / profit after tax from continuing operations		**(16,494)**	7,785
Revenue impact relating to non-cash impairment		**19,169**	-
Depreciation & impairment of property, plant & equipment	9 (a)	**12,941**	12,440
Depreciation of right of use assets	9 (b)	**13,314**	-
Share of associated companies losses		**1,216**	3,656
Effect of foreign exchange movements		**(5,684)**	(3,657)
Net gain on disposal of fixed assets		**(7,038)**	(3,382)
Decrease in receivables & other assets		**28,596**	27,390
Decrease / (Increase) in inventory		**2,724**	(2,079)
Decrease in deferred tax asset		**(718)**	(342)
Increase / (Decrease) in trade & other payables		**2,761**	(73,967)
(Decrease) / Increase in provisions		**(34)**	65
Decrease / (Increase) in income tax receivable		**141**	(1,390)
Net cash inflow / (outflow) from operating activities		**50,894**	(33,481)

All figures are in A$ 000's	Note	Land and buildings	Owned plant, equipment and vehicles	Capital work-in-progress	Consolidated Total 2020

9. (a) Property, plant and equipment

	Note	Land and buildings	Owned plant, equipment and vehicles	Capital work-in-progress	Total 2020
Cost 2020					
At 30 June 2019		15,485	207,031	70	**222,586**
Foreign exchange movements		114	99	-	**213**
Additions		-	12,000	15	**12,015**
Disposals		(4,043)	(27,137)	-	**(31,180)**
Transfer from asset held for sale	13	-	(28)	-	**(28)**
Reclassification of assets		-	-	(25)	**(25)**
At 30 June 2020		11,556	191,965	60	**203,581**
Accumulated depreciation 2020					
At 30 June 2019		9,010	162,007	-	**171,017**
Foreign exchange movements		78	87	-	**165**
Charge for period		196	12,745	-	**12,941**
Disposals		(3,402)	(24,671)	-	**(28,073)**
At 30 June 2019		5,882	150,168	-	**156,050**
Net book value at 30 June 2020		5,674	41,797	60	**47,531**
Cost 2019					**Total 2019**
At 30 June 2018		14,820	180,881	628	**196,329**
Foreign exchange movements		665	5,617	(33)	**6,249**
Additions		-	14,691	6	**14,697**
Disposals		-	(21,742)	-	**(21,742)**
Transfer to asset held for sale		-	27,053	-	**27,053**
Reclassification of assets		-	531	(531)	**-**
At 30 June 2019		15,485	207,031	70	**222,586**
Accumulated depreciation 2019					
At 30 June 2018		8,191	147,858	-	**156,049**
Foreign exchange movements		397	3,933	-	**4,330**
Charge for period		422	12,018	-	**12,440**
Disposals		-	(19,079)	-	**(19,079)**
Transfer asset to held for sale		-	17,277	-	**17,277**
Reclassification of assets		-	-	-	**-**
At 30 June 2019		9,010	162,007	-	**171,017**
Net book value at 30 June 2019		6,475	45,024	70	**51,569**

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

9 (b) . Right of use assets

All figures are in A$ 000's	Note	Land and buildings	Owned plant, equipment and vehicles	Capital work-in-progress	Consolidated Total 2020
Cost 2020					
At 30 June 2019		-	-		**-**
AASB 16 Adoption		19,474	7,968		**27,442**
Additions		6,277	1,843		**8,120**
Disposals		(266)	(168)		**(434)**
At 30 June 2020		25,485	9,643		**35,128**
Accumulated depreciation					
At 30 June 2019		-	-		**-**
AASB 16 Adoption		-	-		**-**
Foreign exchange movements		-	(177)		**(177)**
Charge for period		6,250	7,064		**13,314**
Disposals		(262)	(168)		**(430)**
At 30 June 2020		5,988	6,719		**12,707**
Net book value at 30 June 2020		19,497	2,924		**22,421**

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

10. Investments in and loans to associates and others

	Note	Consolidated 2020	2019
(a) Investment details			
Unlisted			
Investment in Dutco McConnell Dowell Middle East LLC		-	-
Loan to Dutco McConnell Dowell Middle East LLC		-	-
Net investment in and loans to associates and others		-	-

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

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

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

All figures are in A$ 000's	Consolidated 2020	2019

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

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

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

The Group' s share of bank guarantees issued by Dutco McConnell Dowell Middle East LLC is $2.4 million (2019: $3.8 million) for which no liabilities are expected to arise. There are no capital commitments as at balance date.

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

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

Unlisted	2020	2019
Carrying amount of the investment		
At the beginning of the year	**(3,188)**	1,066
Exchange difference adjustments	**-**	10
Share of results after taxation	**(1,216)**	(3,656)
AASB 15 adjustment to opening retained earnings	**-**	(608)
	(4,404)	(3,188)
Movement in Loan Receivable	**2,976**	1,941
Funding requirements for DMDME Contract Liabilities	**1,428**	1,247
At end of year	**-**	-

	2020	2019
The assets, liabilities and results of the operations of the associate are summarised below:		
Current assets	**1,187**	**8,045**
Non-current assets	**-**	**1,105**
Total assets	**1,187**	**9,150**
Current liabilities	**10,123**	**14,784**
Non-current liabilities	**189**	**934**
Total liabilities	**10,312**	**15,718**
Net assets	**(9,125)**	**(6,568)**
Revenue	**98**	**28,424**
Loss after taxation*	**(2,432)**	**(7,312)**
Total comprehensive loss after taxation	**(2,432)**	**(7,312)**

* The Group's share of losses in DMDME and its subsidiaries is loss of $1.22 million (2019: loss of $3.66 million).

Notes to the annual financial statements (continued)

for the year ended 30 June 2020

11. Interest in joint arrangements

Joint operations

Name	Principal activity	Principal place of business	Consolidated Ownership interest 2020 %	2019 %
McConnell Dowell / GE Betz / United Group Infrastructure (WSRW)	Construction	Australia	**20.0**	20.0
McConnell Dowell / ABI ADP (Adelaide Desalination)	Construction	Australia	**50.0**	50.0
McConnell Dowell / OHL SA (K2K)	Construction	Australia	**50.0**	50.0
McConnell Dowell / Martinus Rail (Murray Basin)	Construction	Australia	**80.0**	80.0
McConnell Dowell / Lend lease JV (ML JV Pty Ltd)	Construction	Australia	**50.0**	50.0
McConnell Dowell/ Diona - JV - SA Water Frameworks Project	Construction	Australia	**50.0**	0.0
McConnell Dowell / Fletchers / Obayashi (Waterview maintenance)	Maintenance	New Zealand	**24.3**	24.3
McConnell Dowell / Downer EDI (Russley Rd)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell / Downer (formerly) Hawkins (Connectus CRL)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell / Downer (CSM2)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell / Marina Technology & Construction (MBS)	Construction	Singapore	**65.0**	65.0
McConnell Dowell / SYS (IKEA)	Construction	Malaysia	**80.0**	80.0
McConnell Dowell / SYS (SPJ)	Construction	Malaysia	**65.0**	65.0
McConnell Dowell / SYS (Bintulu)	Construction	Malaysia	**65.0**	65.0
McConnell Dowell / Kaden (Submarine Pipelines)	Construction	Hong Kong	**50.0**	50.0
McConnell Dowell / Obayashi (Warragamba Dam)	Construction	Australia	**60.0**	60.0
McConnell Dowell / Decmil (Mordialloc Bypass)	Construction	Australia	**60.0**	60.0
McConnell Dowell / ITP SA (Crisp)	Construction	Singapore	**50.0**	50.0
McConnell Dowell / John Holland McConnell Dowell JV – JRL 108 (LTA)	Construction	Singapore	**50.0**	0.0
McConnell Dowell / Heb Contractors (Pukekohe)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell / Downer (Wynyard Edge Alliance)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell PP Pesero TBK JV – Palembang City Sewerage Project	Construction	Indonesia	**51.0**	0.0

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

All figures are in A$ 000's	Note	Consolidated 2020	2019
Statement of comprehensive income			
The Consolidated Entity's interest in the revenue and expenses of the joint operations is:			
Revenue		**220,569**	156,279
Expenses		**(186,763)**	(134,535)
Profit before income tax		**33,806**	21,744
Statement of financial position extract In relation to the Consolidated Entity's interest in joint operations, the Consolidated Entity's assets (including share of assets held jointly) and liabilities (including share of liabilities held jointly) are:			
Cash assets	8	**29,031**	35,086
Current assets		**25,495**	27,175
Non-current assets		**121**	106
Total assets		**54,647**	62,367
Current liabilities		**50,325**	27,083
Total liabilities		**50,325**	27,083
Net assets		**4,322**	35,284

All figures are in A$ 000's	Consolidated 2020	2019
12. Deferred tax asset		
Deferred tax asset	**65,522**	60,734
Deferred tax liability	**(12,932)**	(7,426)
Net deferred tax asset	**52,590**	53,308
Net deferred tax asset represented by;		
At beginning of year	**53,308**	52,966
Foreign exchange impact on opening balance	**(121)**	263
Transfer (to) / from statement of profit or loss	**(597)**	79
Closing balance	**52,590**	53,308
Balance at end of year comprises:		
Provisions / accruals	**9,777**	42,213
Property, plant and equipment	**1,750**	4,471
Lease liabilities	**1,078**	-
Withholding tax on future dividends	**(5,896)**	(6,311)
Tax losses available for future utilisation	**45,958**	10,683
Joint operation temporary differences	**(44)**	-
Other	**(33)**	2,252
Closing balance	**52,590**	53,308

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

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

The gross value of unbooked tax losses available for future utilisation within the Group are $488.4 million (2019: $465.0 million).

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and are not presently considered probable of recovery. Unbooked tax losses at 30 June 2020 is excess over the amount of tax losses that were deemed recoverable.

All figures are in A$ 000's	Note	Consolidated 2020	2019
13. Trade and other payables			
Trade payables*		**31,187**	71,936
Project accruals		**92,420**	83,613
Progress billings in advance	7(c)	**97,667**	65,142
Other payables and accruals		**18,111**	14,358
Payables to other related parties	17	**841**	2,334
Payables to associates - Dutco McConnell Dowell (ME) LLC		**125**	207
Total trade and other payables		**240,351**	237,590

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

14. Ultimate parent

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

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

All figures are in A$ 000's	Note	Consolidated 2020	2019
15. Interest bearing loans & borrowings			
Current			
UOB working capital	15(a)	**520**	5,000
Obligations under finance leases - Singapore Vehicles	15(b)	**103**	44
Secured loan BNZ at 6.95%	15(c)	**2,421**	1,085
Unsecured Financing Microsoft	15(d)	**409**	417
Chattel mortgage at 7.00%	15(e)	**16**	37
Chattel mortgage at 5.45%	15(f)	**238**	398
Chattel mortgage at 4.58%	15(g)	**242**	308
Secured loan - Indonesia	15(h)	**2,141**	5,058
Total current interest bearing loans & borrowings		**6,090**	12,347
Non-current			
Obligations under finance leases - Singapore Vehicles	15(b)	**309**	160
Chattel mortgage at 7.00%	15(e)	**-**	16
Chattel mortgage at 5.45%	15(f)	**133**	371
Chattel mortgage at 4.58%	15(g)	**252**	486
Secured loan - Indonesia	15(h)	**-**	2,107
Secured loan BNZ at 6.95%	15(c)	**3,636**	2,547
Total non-current interest bearing loans & borrowings		**4,330**	5,687
Total capitalised finance lease obligations	18	**412**	204

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

15(b) The Group has entered into finance lease agreements in Singapore for the sale and leaseback of construction equipment. The term of the obligation is average 4 years with an average cost of funding of approximately 3.2%. The leases have no terms of renewal and no obligation to repurchase. Finance lease obligations are secured against the equipment purchased.

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

15(d) During the 2020 financial year the group entered into a short term financing arrangement to finance Microsoft products.

15(e) In August 2016 the Group entered into an Equipment Chattel Mortgage. The term of the obligation is 4 years with a fixed cost of funding of 7.00%. The mortgage is secured against the equipment purchased.

15(f) In August 2017 the Group entered into an Equipment Chattel Mortgage. The term of the obligation is 5 years with a fixed cost of funding of 5.68%. The mortgage is secured against the equipment purchased.

15(g) The Group entered into Equipment Chattel Mortgages. The term of the obligation is 3.5 years with a fixed cost of funding of 5.67%. The mortgage is secured against the equipment purchased.

15(h) In November 2016 the Group entered into a secured loan agreement in Indonesia. The term of the obligation is 4 years with a fixed cost of funding of 4.6%. The loan has no terms for renewal, and has an option for the drawdown of further funds. The loan obligation is secured against land & building held.

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

All figures are in A$ 000's	Note	Consolidated 2020	2019
16. Provisions			
Current			
Employee provisions	16(a)	**26,488**	22,937
Other	16(b)	**3,642**	7,070
Total current provisions		**30,130**	30,007
Non-current			
Employee provisions	16(a)	**1,612**	1,613
Other		**1,824**	1,980
Total non-current provisions		**3,436**	3,593

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

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

17. Related parties

Amounts receivable / (payable) from related parties at balance date

The receivables / (payables) due to McConnell Dowell Corporation Ltd and its subsidiaries relate to interest on the loan from the immediate parent Aveng Australia Holdings Pty Ltd ("AAH") and cost reimbursements for goods and services provided to / (from) AAH and its subsidiaries and subsidiaries of the ultimate parent Aveng Ltd.

Aveng Australia Holdings Pty Ltd - current receivable	7	**2,326**	2,325
Aveng Rail Australia Pty Ltd - current receivable	7	**-**	203
Aveng (Africa) Ltd - current payable	13	**(841)**	(2,334)
Total receivables		**1,485**	194

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

All figures are in A$ 000's	Consolidated 2020	2019	2020	2019
18. Commitments	**Minimum Payments**	**Minimum Payments**	**Present Value of Payments**	**Present Value of Payments**
Finance lease commitments				
The future minimum lease payments under finance leases are as follows: -				
- less than one year	**121**	**54**	**114**	**51**
- more than one year but less than five years	**361**	**193**	**341**	**182**
- more than five years	**-**	**-**	**-**	**-**
Total minimum lease payments	**482**	247	**455**	233
Less amounts representing finance charges	**(70)**	(43)	**(66)**	(41)
Present value of minimum lease payments	**412**	204	**389**	192

Lease liabilities		
Maturity analysis - contractual undiscounted cash flows		
- less than one year	**9,713**	-
- more than one year but less than five years	**15,808**	-
- more than five years	**4,731**	-
Total undiscounted lease liabilities	**30,252**	-
Less: future finance charges	**(4,197)**	-
Present value of minimum lease payments	**26,055**	-
Current	**8,300**	-
Non-current	**17,755**	-

The Group has applied AASB 16 using the modified retrospective approach. As such, the prior year lease liability disclosure includes finance lease liabilities under AASB 117, and not restated AASB 16 lease liabilities.

19. Contingent Liabilities

Contingent liabilities at balance date, not otherwise provided for in the annual financial statements, arising from guarantees in the normal course of business from which it is anticipated that no material liabilities will arise:

- bank guarantees	**25,806**	33,016
- letters of credit	**12,166**	1,091
- insurance bonds	**287,402**	262,435
Total contingent liabilities	**325,374**	296,542

The Group has banking and bonding facilities of $465.0 million (2019: $479.0 million). The assets of the Group are pledged under a fixed and floating charge as security for the United Overseas Bank facility of $100.0 million. As at 30 June 2020, the Group had $139.0 million (2019: $182.5 million) available (unused) under these facilities.

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

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

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

20. Financial risk management objectives and policies

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

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

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

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

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

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

All figures are in A$ 000's	Consolidated 2020	2019
As at balance date, the Group had the following exposure to foreign currency:		
Financial assets		
Cash and cash equivalents	**12,210**	11,910
Trade and other receivables	**13,689**	15,099
Total financial assets	**25,899**	27,009
Financial liabilities		
Trade and other payables	**6,561**	12,132
Total financial liabilities	**6,561**	12,132
Total exposure	**19,338**	14,877
The net exposure to foreign currency consists of:		
Chinese Yuan	**82**	(211)
Euro	**307**	400
Indonesian Rupiah	**8,233**	433
New Zealand Dollars	**164**	63
Papua New Guinea Kina	**(31)**	(27)
South African Rand	**(2)**	-
Singapore Dollars	**59**	(306)
Thai Baht	**48**	47
United Arab Emirates Dirham	**2,957**	1,923
United Kingdom Pounds	**4**	4
US Dollars	**488**	7,572
Australian Dollars	**7,062**	5,100
Other Currencies	**(33)**	(121)
Total exposure	**19,338**	14,877

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

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

	Post tax profit Higher / (lower)		Equity Higher / (lower)	
All figures are in A$ 000's	2020	2019	2020	2019
Consolidated				
10% increase in AUD rates with all other variables held constant	**(1,231)**	(947)	**(1,231)**	(947)
10% decrease in AUD rates with all other variables held constant	**1,504**	1,157	**1,504**	1,157

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

20. Financial risk management objectives and policies (continued)

Interest rate risk

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

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

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

	Consolidated	
All figures are in A$ 000's	**2020**	**2019**
Financial assets		
Cash and cash equivalents	**139,204**	102,843
Total financial assets	**139,204**	102,843
Total exposure	**139,204**	102,843

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

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

	Post tax profit Higher / (lower)		Equity Higher / (lower)	
All figures are in A$ 000's	**2020**	**2019**	**2020**	**2019**
Consolidated				
100 basis point increase in interest rates with all other variables held constant	**974**	720	**974**	720
100 basis point fall in interest rates with all other variables held constant	**(974)**	(720)	**(974)**	(720)

Credit risk

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

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

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

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

Trade receivables All figures are in A$ 000's	**Contract Assets**	**Current**	**<30 days**	**30-60 days**	**61 -90 days**	**> 91 days**	**Total**
30 June 2020							
Estimated total gross carrying amount at default	47,192	119,577	-	537	954	6,261	174,521
Expected credit loss	-	-	-	-	-	-	-
30 June 2019							
Estimated total gross carrying amount at default	98,709	110,712	-	5,826	636	9,418	225,301
Expected credit loss	-	-	-	-	-	-	-

Liquidity risk

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

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

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

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

The following table reflects all contractual fixed payments for settlement, resulting from recognised financial liabilities as of 30 June 2020. Cash flows from financial liabilities without fixed amounts or timing are based on conditions existing at 30 June 2020.

20. Financial risk management objectives and policies (continued)

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

Consolidated

Year ended 30 June 2020 All figures are in A$ 000's	**0-30 days**	**31-60 days**	**61-90 days**	**3 months - 12 months**	**1 - 5 years**	**over 5 years**	**Total**
Year ended 30 June 2020 Consolidated							
Financial liabilities							
Trade and other payables	42,746	60,669	19,845	18,583	-	-	141,843
Balance owing to Aveng (Africa) Ltd	-	-	-	841	-	-	841
Interest bearing loans and borrowings – current	1,194	677	677	3,542	-	-	6,090
Interest bearing loans and borrowings – non-current	-	-	-	-	4,329	-	4,329
Lease liabilities – current	-	-	-	8,300	-	-	8,300
Lease liabilities – non-current	-	-	-	-	13,565	4,190	17,755
Total exposure	43,940	61,346	20,522	31,266	17,894	4,190	179,158
Year ended 30 June 2019 Consolidated							
Financial liabilities							
Trade and other payables	44,582	76,773	24,611	23,748	-	-	169,714
Interest free loan from Aveng Australia Holdings	-	-	-	2,131	-	-	2,131
Interest bearing loans and borrowings – current	5,681	683	683	5,298	-	-	12,345
Interest bearing loans and borrowings – non-current	-	-	-	-	5,687	-	5,687
Total exposure	50,263	77,456	25,294	31,177	5,687	-	189,877

The Group monitors the net working capital position on an ongoing basis and uses a rolling forecast of liquidity using expected cash flow. At balance date in addition to the accumulated working capital position of the Group, the Group has approximately $139.0 million (2019: $182.5 million) of unused bank guarantees and bonding facilities and letters of credit available for its immediate use.

Changes in liabilities arising from financing activities All figures are in A$ 000's	**1 July 2019**	**Cash Flows**	**Foreign Exchange Movement**	**New Loans**	**AASB 16 Adoption**	**30 June 2020**
Current interest-bearing loans and borrowings	12,303	(17,151)	85	10,750	-	5,987
Current obligations under finance leases and hire purchase contracts	44	(1,616)	-	1,675	-	103
Current lease liabilities	-	(4,249)	-	32	12,517	8,300
Non-current interest-bearing loans and borrowings	5,527	(1,495)	(11)	-	-	4,021
Non-current obligations under finance leases and hire purchase contracts	160	(2,765)	(1)	2,915	-	309
Non-current lease liabilities	-	-	-	2,830	14,925	17,755
Total liabilities from financing activities	18,034	(27,276)	73	18,202	27,442	36,475

	1 July 2018	**Cash Flows**	**Foreign Exchange Movement**	**New Loans**	**AASB 16 Adoption**	**30 June 2019**
Current interest-bearing loans and borrowings	11,753	(6,273)	-	6,823	-	12,303
Current obligations under finance leases and hire purchase contracts	26	-	-	18	-	44
Non-current interest-bearing loans and borrowings	8,267	(5,287)	-	2,547	-	5,527
Non-current obligations under finance leases and hire purchase contracts	116	-	-	44	-	160
Total liabilities from financing activities	20,162	(11,560)	-	9,432	-	18,034

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

Excessive Risk Concentration

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

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

20. Financial risk management objectives and policies (continued)

Fair value

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

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

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Group uses foreign exchange forward contracts ("FEFC") to manage some of its transaction exposure. The FEFC's are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 24 months. They are classified as fair value through profit or loss, with Level 2 methods used to estimate the fair value. At 30 June 2020 the Group had not booked any FEFC market to market transactions (2019: nil).

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

		Consolidated	
All figures are in A$ 000's	**Note**	**2020**	**2019**

21. Issued capital

Issued and paid capital			
Ordinary share capital			
226,555,362 (2019: 226,555,362) fully paid ordinary shares	21(a)	**227,765**	227,765
Preference share capital			
400,000 (2019: 400,000) fully paid non-redeemable 9.53% per annum cumulative preference shares	21(b)	**40,000**	40,000
Total contributed equity		**267,765**	267,765

21(a) Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the amounts of paid shares held. 10 million shares were issued to the sole shareholder for $10 million in 2019.

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

The cumulative value of dividends not paid on preference shares (in whole dollars) is $25,712,723 (2019: $21,900,723)

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

All figures are in A$ 000's	Note	Consolidated 2020	2019

22. Reserves

	Note	2020	2019
Foreign currency translation reserve			
At beginning of year		**2,365**	(1,368)
Current year movement		**(1,272)**	3,733
At end of year	22(a)	**1,093**	2,365
Asset revaluation reserve			
At beginning of year		**385**	385
Current year movement		**-**	-
At end of year	22(b)	**385**	385
Capital reserve			
At beginning of year		**2,811**	2,811
Current year movement		**-**	-
At end of year	22(c)	**2,811**	2,811
Total reserves at end of year		**4,289**	5,561

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

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

22(c) The capital reserve is used to meet certain statutory obligations of setting up new subsidiaries in foreign jurisdictions.

23. Retained earnings

	Note	2020	2019
At beginning of year		**(104,321)**	(86,652)
Current year (loss) / profit		**(16,503)**	7,946
Adjustment on adoption of AASB 15 *	23(a)	**-**	(25,615)
Total retained earnings at end of year		**(120,824)**	(104,321)

* 23(a) - Refer to further details of the impact in Note 1.

All figures are in A$ 000's

24. Interests in subsidiaries

	Country of incorporation	2020 %	2019 %	2020 $	2019 $
		Percentage of equity held by the consolidated entity		Investment	
McConnell Dowell Holdings Pty Ltd	Australia	**100**	100	**89,590**	89,590
McConnell Dowell Holdings Pty Ltd has the following investments in subsidiaries:					
Hylekite Pty Ltd	Australia	**100**	100		
McConnell Dowell Constructors (Aust.) Pty Ltd	Australia	**100**	100		
McConnell Dowell Pty Ltd	Australia	**100**	100		
McConnell Dowell Corporation (NZ) Pty Ltd	Australia	**100**	100		
Tweed River Entrance Sand Bypassing Company Pty Ltd	Australia	**100**	100		
Built Environs Pty Ltd	Australia	**100**	100		
Built Environs Qld Pty Ltd	Australia	**100**	100		
Built Environs WA Pty Ltd	Australia	**100**	100		
McConnell Dowell (American Samoa) Ltd	American Samoa	**100**	100		
McConnell Dowell PDS Sdn Bhd	Brunei	**100**	100		
McConnell Dowell (Fiji) Ltd	Fiji	**100**	100		
PT. McConnell Dowell Indonesia*	Indonesia	**94**	94		
PT Wanamas Puspita	Indonesia	**100**	100		
PT. McConnell Dowell Services	Indonesia	**100**	100		
McConnell Dowell (Malaysia) Sdn Bhd	Malaysia	**100**	100		
McConnell Dowell Constructors Ltd	New Zealand	**100**	100		
McConnell Dowell Constructors (Offshore) Ltd	New Zealand	**100**	100		
McConnell Dowell Philippines Inc	Philippines	**100**	100		
McConnell Dowell Constructors (PNG) Ltd	PNG	**100**	100		
McConnell Dowell Saudi Arabia Ltd	Saudi Arabia	**39**	39		
McConnell Dowell South East Asia Pte Ltd	Singapore	**100**	100		
McConnell Dowell Constructors Thai Ltd - Ordinary Shares	Thailand	**100**	100		
NFI Holdings Ltd	Thailand	**100**	100		
McConnell Dowell International Ltd	Hong Kong	**100**	100		
McConnell Dowell Constructors Hong Kong Ltd	Hong Kong	**100**	100		
McConnell Dowell NC S.A.R.L.	New Caledonia	**100**	100		
McConnell Dowell Constructors Lao Co. Ltd	Laos	**100**	100		

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

			2020 $	2019 $
Reconciliation of non-controlling equity interests in controlled entities:-				
Opening balance			**148**	329
Share of current year profit / (loss)			**9**	(161)
Share of reserve movements (FCTR)			**(6)**	(20)
Closing balance			**151**	148

Deed of cross guarantee

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

	Closed Group	
All figures are in A$ 000's	**2020**	**2019**
Consolidated statement of comprehensive income		
Revenue	**573,799**	505,021
Less: revenue impact relating to non-cash impairment	**(17,000)**	-
Net Revenue	**556,799**	505,021
Other income	**7,821**	3,685
Total Income	**564,620**	508,706
Operating expenses	**(572,473)**	(498,375)
Finance income	**-**	714
Finance expense	**(856)**	-
Finance costs	**(2,120)**	(1,486)
Depreciation and impairment of fixed assets	**(3,662)**	(3,578)
Related Party Loan write-off *	**-**	(3,336)
(Loss) / Profit before tax	**(14,491)**	2,645
Income tax benefit / (expense)	**353**	(234)
(Loss) / Profit after tax for the year	**(14,138)**	2,411
Total (loss) / profit for the year, net of tax	**(14,138)**	2,411
Attributable to:		
Members of the parent entity	**(14,138)**	2,411
Non-controlling interest	**-**	-
Total (loss) / profit for the year, net of tax	**(14,138)**	2,411

During the year no dividend was declared and paid to Aveng Australia Holdings Pty Ltd, the immediate parent of McConnell Dowell Corporation Ltd (2019: nil).

* In 2019 the Directors initiated the Voluntary Liquidation of non-operating entities, in doing so it has forgiven the repayment of loans owing from those entities to the Parent Companies within the Australian Closed Group.

All figures are in A$ 000's	Closed Group 2020	2019
24. Interests in subsidiaries (continued)		
Consolidated statement of financial position		
Current assets		
Cash & cash equivalents	**66,700**	33,205
Trade and other receivables	**128,396**	120,327
Total current assets	**195,096**	153,532
Non-current assets		
Property, plant and equipment	**19,150**	22,860
Right of use assets	**12,480**	-
Trade and other receivables	**3,024**	8,567
Investments in subsidiaries	**48,475**	43,161
Deferred tax assets	**39,559**	41,889
Total non-current assets	**122,688**	116,477
Total assets	**317,784**	270,009
Current liabilities		
Trade and other payables	**144,287**	105,046
Interest bearing loans and borrowings	**1,424**	6,160
Lease liability	**4,993**	-
Provisions	**23,259**	12,644
Total current liabilities	**173,963**	123,850
Non-current liabilities		
Trade and other payables	**16,394**	11,366
Lease liability	**10,811**	-
Interest bearing loans and borrowings	**386**	873
Provisions	**2,801**	2,946
Total non-current liabilities	**30,392**	15,185
Total liabilities	**204,355**	139,035
Net assets	**113,429**	130,974
Equity		
Contributed equity	**267,765**	267,765
Reserves	**9,010**	9,010
Retained earnings	**(163,346)**	(145,801)
Total equity	**113,429**	130,974

Share Issue
On 31 December 2018 Aveng Limited approved the recapitalisation of $10m of the non-interest bearing shareholder loan into ordinary share capital.

All figures are in A$ 000's	Note	2020	2019

25. Parent entity information

Information relating to McConnell Dowell Corporation Limited			
Current assets		**54,912**	19,060
Total assets		**327,671**	339,679
Current liabilities		**8,909**	14,697
Total liabilities		**73,633**	79,228
Net assets		**254,038**	260,451
Issued capital		**267,765**	267,765
Retained earnings		**(13,727)**	(7,314)
Total shareholders' equity		**254,038**	260,451
Loss after tax		**(6,413)**	(5,676)
Total comprehensive expense		**(6,413)**	(5,676)

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

McConnell Dowell Corporation Limited is party to a deed of cross guarantee (see Note 24 for details).

26. Directors and executive remuneration

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

Fixed term remunerations		**5,930**	6,522
Short term incentives (STI)		**577**	315
Long term incentives (LTI)	26(a)	**-**	400
Total compensation		**6,507**	7,237

26(a) Included within the LTI are longer term and deferred incentives paid to Directors and key management personnel including share appreciation rights awarded by the ultimate parent of the Group (Aveng Ltd).

All figures are in A$ 000's	Consolidated 2020	2019
27. Auditors' remuneration		
The auditor of McConnell Dowell Corporation Limited is Ernst & Young.		
Amounts received or due and receivable by Ernst & Young Australia for*:		
- An audit of the financial report of the Entity and any other entity in the consolidated Group	**520,407**	542,398
- Audit fees for work performed in respect of prior years	**70,000**	35,000
- Other services in relation to the Entity, its joint operations and any other entity in the consolidated Group		
- Assurance related services	**238,500**	185,000
	828,907	762,398
Amounts received or due and receivable by related practices of Ernst & Young Australia for*:		
- An audit of the financial report of the Entity and any other entity in the consolidated Group	**228,093**	241,652
Total received or due and receivable by Ernst & Young	**1,057,000**	1,004,050
Amounts received or due and receivable by non Ernst & Young firms for:		
- An audit of the financial report of the entities in the consolidated Group	**53,184**	30,328

* all figures reported in this note are in whole dollars

28. Events subsequent to balance date

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

Directors’ Declaration

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

In the opinion of the directors:

(a) the financial statements and notes of McConnell Dowell Corporation Limited for the financial year ended 30 June 2020 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity’s financial position as at 30 June 2020 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

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

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

(d) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 24 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

S.V. Cummins
Director
27th November 2020

Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

Opinion

We have audited the financial report of McConnell Dowell Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Building a better
working world

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Ernst & Young

David Shewring
Partner
Melbourne
27 November 2020

To find out more about McConnell Dowell

Visit us online

Company website

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

LinkedIn

For regular announcements and project updates follow us on LinkedIn.
Visit: www.linkedin.com/company/mcconnell-dowell