

Company Registration No: 201011837H

**CIVMEC LIMITED
(Incorporated in Singapore)
AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED
31 DECEMBER 2020**

**CIVMEC LIMITED
(Incorporated in Singapore)
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR ENDED
31 DECEMBER 2020**

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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS TO THE MEMBERS OF****CIVMEC LIMITED
(Incorporated in Singapore)****Introduction**

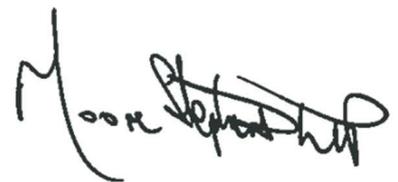
We have reviewed the accompanying interim condensed consolidated financial statements of Civmec Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statement of financial position of the Group as at 31 December 2020 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year period then ended, and a summary of significant accounting policies and certain explanatory information. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial statements in accordance with Singapore Financial Reporting Standard (International) (“SFRS(I)”) 1-34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance, its changes in equity and its cash flows for the six-month period then ended in accordance with SFRS(I) 1-34, *Interim Financial Reporting*.

**Moore Stephens LLP**
Public Accountants and
Chartered AccountantsSingapore
10 February 2021

CIVMEC LIMITED
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	<u>Note</u>	Consolidated 6 months ended 31 December 2020 A\$'000	Consolidated 6 months ended 31 December 2019 A\$'000
Revenue	2	305,699	166,175
Cost of sales		(271,181)	(147,563)
Gross profit		34,518	18,612
Other income	2	1,828	589
Administrative expenses		(9,220)	(7,928)
Other expenses		(1,745)	(237)
Finance costs		(3,470)	(1,563)
Profit before income tax	3	21,911	9,473
Income tax expense		(6,889)	(1,493)
Profit for the period		15,022	7,980
Profit attributable to:			
Owners of the Company		15,048	8,066
Non-controlling interest		(26)	(86)
		15,022	7,980
Total comprehensive income attributable to:			
Owners of the Company		15,048	8,066
Non-controlling interest		(26)	(86)
		15,022	7,980
Earnings per share attributable to equity holders of the Company (cents per share):			
- Basic	4	3.00	1.61
- Diluted	4	3.00	1.61

The accompanying notes form an integral part of the interim condensed consolidated financial statements

CIVMEC LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	<u>Note</u>	<u>31 December 2020</u> A\$'000	<u>30 June 2020</u> A\$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	42,022	27,712
Trade and other receivables	5	80,623	74,523
Contract assets	5(a)	79,755	95,118
Other current assets		3,525	2,051
		205,925	199,404
Non-current assets			
Investment in joint venture	9	61	242
Loan receivables		-	493
Property, plant and equipment	7	397,939	397,804
Intangible assets		10	10
Deferred tax assets		2,543	2,408
		400,553	400,957
TOTAL ASSETS		606,478	600,361
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	12	87,267	91,075
Contract liabilities	5(a)	78,958	83,266
Lease liabilities	18	10,315	10,722
Borrowings	13	2,540	2,387
Income tax payable		7,267	2,862
Provisions	14	6,390	6,103
		192,737	196,415
Non-current liabilities			
Lease liabilities	18	41,407	43,339
Borrowings	13	60,000	60,000
Provisions	14	4,378	3,352
Deferred tax liabilities		33,713	34,182
		139,498	140,873
TOTAL LIABILITIES		332,235	337,288
Capital and Reserves			
Share capital	15	29,807	29,807
Treasury shares	15	(10)	(10)
Asset revaluation reserve	16	78,796	78,487
Other reserves	17	8,560	7,818
Retained earnings		157,231	147,086
Total equity attributable to the Owners of the Company		274,384	263,188
Non-controlling interest		(141)	(115)
TOTAL EQUITY		274,243	263,073
TOTAL LIABILITIES AND EQUITY		606,478	600,361

The accompanying notes form an integral part of the interim condensed consolidated financial statements

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Group	← Other reserves →								
	<u>Share capital</u> A\$'000	<u>Treasury shares</u> A\$'000	<u>Asset revaluation reserve</u> A\$'000	<u>Merger reserve</u> A\$'000	<u>Equity-settled employee benefits reserve</u> A\$'000	<u>Retained earnings</u> A\$'000	<u>Total</u> A\$'000	<u>Non-controlling interest</u> A\$'000	<u>Total</u> A\$'000
Balance as at 1 July 2020	29,807	(10)	78,487	7,578	240	147,086	263,188	(115)	263,073
Profit for the period	-	-	-	-	-	15,048	15,048	(26)	15,022
Other comprehensive income for the period:	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	15,048	15,048	(26)	15,022
Adjustment on asset revaluation reserve	-	-	309	-	-	107	416	-	416
Share based payment	-	-	-	-	742	-	742	-	742
Dividends paid	-	-	-	-	-	(5,010)	(5,010)	-	(5,010)
Balance as at 31 December 2020	29,807	(10)	78,796	7,578	982	157,231	274,384	(141)	274,243

The accompanying notes form an integral part of the interim condensed consolidated financial statements

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

(continued)

	←	Other reserves		→					
	Share capital	Treasury shares	Merger reserve	Foreign currency translation reserve	Share option reserve	Retained earnings	Total	Non- controlling interest	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Balance as at 1 July 2019 – reported under SFRS(I)	29,807	(10)	7,578	-	240	136,591	174,206	(78)	174,128
Effects of the adoption of SFRS(I) 16	-	-	-	-	-	(3,362)	(3,362)	-	(3,362)
Balance as at 1 July 2019, restated	29,807	(10)	7,578	-	240	133,229	170,844	(78)	170,766
Profit for the period	-	-	-	-	-	8,066	8,066	(86)	7,980
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	8,066	8,066	(86)	7,980
Dividends paid	-	-	-	-	-	(3,729)	(3,729)	-	(3,729)
Balance as at 31 December 2019	29,807	(10)	7,578	-	240	137,566	175,181	(164)	175,017

The accompanying notes form an integral part of the interim condensed consolidated financial statements

CIVMEC LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	<u>Note</u>	Consolidated 6 months ended 31 December 2020 A\$'000	Consolidated 6 months ended 31 December 2019 A\$'000
Cash Flows from Operating Activities			
Profit before income tax		21,911	9,473
Adjustment for:			
Depreciation of property, plant and equipment	7	7,505	5,388
(Gain)/loss on disposal of property, plant and equipment		(84)	237
Share of loss/(profit) of joint venture		93	(274)
Impairment loss on loan to an associate		99	-
Trade receivables written off		1,646	500
Finance cost		4,888	2,887
Interest income		(120)	(129)
Foreign exchange differences		(56)	-
Operating cash flow before working capital changes		35,882	18,072
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(8,092)	8,287
Decrease/(increase) in contract assets		15,362	(539)
Increase in other current assets		(1,475)	(2,271)
Decrease in trade and other payables		(3,503)	(361)
(Decrease)/increase in contract liabilities		(4,308)	4,573
Increase/(decrease) in provisions		1,313	(3,009)
Cash generated from operations		35,179	24,752
Interest received		23	102
Finance cost paid		(3,470)	(806)
Income tax refund		-	4,590
Income taxes paid		(3,087)	(3,006)
Net cash generated from operating activities		28,645	25,632
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		165	49
Purchase of property, plant and equipment		(6,996)	(32,145)
Repayment of loan to an associate		-	90
Repayment of loan to a joint venture		493	-
Advances to a joint venture		-	(490)
Cash distribution from joint venture		89	66
Net cash used in investing activities		(6,249)	(32,430)

The accompanying notes form an integral part of the interim condensed consolidated financial statements

CIVMEC LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2020

(continued)

	<u>Note</u>	Consolidated 6 months ended 31 December 2020 A\$'000	Consolidated 6 months ended 31 December 2019 A\$'000
Cash Flows from Financing Activities			
Proceeds from borrowings		1,574	66,305
Repayment of borrowings		(1,421)	(71,111)
Repayment of principal lease liabilities		(3,229)	(3,710)
Dividends paid		(5,010)	(3,729)
Net cash used in financing activities		<u>(8,086)</u>	<u>(12,245)</u>
Net increase/(decrease) in cash and cash equivalents		14,310	(19,043)
Cash and cash equivalents at the beginning of the financial period		<u>27,712</u>	<u>40,662</u>
Cash and cash equivalents at the end of the financial period	6	<u>42,022</u>	<u>21,619</u>

The reconciliation of movements of liabilities to cash flows arising from financing activities is presented below:

	Cash flows			Non-cash changes			Closing A\$'000
	<u>Opening</u> A\$'000	<u>Proceeds</u> A\$'000	<u>Repayment</u> A\$'000	<u>Reclass</u> A\$'000	<u>Addition</u> A\$'000	<u>Exchange</u> A\$'000	
	1 July 2020						31 December 2020
Borrowings	62,387	1,574	(1,421)	-	-	-	62,540
Lease liabilities	<u>54,061</u>	-	<u>(3,229)</u>	-	890	-	<u>51,722</u>
	1 July 2019						31 December 2019
Borrowings	98,016	66,305	(71,111)	-	-	-	93,210
Finance lease liabilities	19,162	-	-	(19,162)	-	-	-
Lease liabilities	<u>-</u>	<u>-</u>	<u>(3,710)</u>	19,162	31,969	-	<u>47,421</u>

The accompanying notes form an integral part of the interim condensed consolidated financial statements

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

These notes form an integral part of and should be read in conjunction with the accompanying interim condensed consolidated financial statements.

1 Basis of Preparation

The interim condensed consolidated financial statements of Civmec Limited (the “Company”) and its subsidiaries (the “Group”) for the six-month period ended 31 December 2020 have been prepared on a condensed basis in accordance with Singapore Financial Reporting Standard (International) 1-34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 30 June 2020 together with any public announcements made during the six-month period ended 31 December 2020.

The financial statements are presented in Australia dollars (AUD or A\$), which is the functional currency of the Company. All financial information presented in Australia dollars have been rounded to the nearest thousand, unless otherwise stated.

(a) Adoption of Singapore Financial Reporting Standards (International)

Application of SFRS(I) effective for annual period beginning on or after 1 January 2020

The Group has adopted the new or amended SFRS(I) that are mandatory for application for the financial period. The adoption of these new or amended SFRS(I) did not result in substantial changes to the Group’s accounting policies and had no material effect on the amounts reported for the current financial period.

- Amendments to SFRS(I) 3 *Business Combination* (Definition of a Business)
- Amendments to SFRS(I) 1-1 *Presentation of Financial Statements* and SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Definition of Material)

(b) SFRS(I)s and SFRS(I) INTs issued but not yet effective

The following are the new or amended SFRS(I) and SFRS(I) Interpretations (“SFRS(I) INT”) which are issued and are relevant to the Group but not yet effective:

- Amendments to SFRS(I) 3 *Business Combination* (Reference to the Conceptual Framework)
- Amendments to SFRS(I) 1-16 *Property, Plant and Equipment* (Proceeds before Intended Use)
- Amendments to SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets* (Onerous Contracts—Cost of Fulfilling a Contract)
- Amendments to SFRS(I) 1-1 *Presentation of Financial Statements* (Classification of Liabilities as Current or Non-current)
- Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures* (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

The Group does not expect any significant impact arising from applying these amendments.

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1 Basis of Preparation (continued)

(c) Accounting Estimates and Judgements

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumption that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial statement, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those disclosed in the 30 June 2020 Civmec Limited's Annual Report.

(d) Impact of COVID-19

In preparing this interim condensed consolidated financial statement, the Directors of the company have considered the impact of COVID-19 on the Group. As the majority of the Group's customers operate in Australia where the supportive actions are provided by the Government, thus the short-term financial position of the Group has not been materially impacted by COVID-19.

2 Revenue and Other Income

	1H21 31 Dec 2020 A\$'000	1H20 31 Dec 2019 A\$'000
Over time:		
Construction contract revenue	279,090	165,148
Revenue from the rendering of services	26,241	695
	<u>305,331</u>	<u>165,843</u>
At a point in time:		
Revenue from sales of goods	368	332
	<u>305,699</u>	<u>166,175</u>

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2 Revenue and Other Income (continued)

	<u>1H21</u>	<u>1H20</u>
	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	A\$'000	A\$'000
Other Income		
Interest income		
- Bank balances	23	58
- Tax authorities	-	2
- Related party	98	34
- Others	-	35
	121	129
Gain on disposal of property, plant and equipment	84	-
Fuel tax rebate	126	227
Share of (loss)/profit of a joint venture	(93)	274
Insurance recoveries	1,541	-
Miscellaneous income/(loss)	49	(41)
	1,828	589

Revenue from the rendering of services

During the current period, revenue from all refractory services is now reclassified from Construction Contract Revenue to Revenue from the rendering of services.

Insurance recoveries

During the current period, the Group recognised other income of A\$1,541,000 from an insurance claim recovered for property repairs and business interruptions which were caused by a storm.

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3 Profit before tax

The following items have been included in arriving at profit before income tax:

	<u>1H21</u> <u>31 Dec 2020</u> A\$'000	<u>1H20</u> <u>31 Dec 2019</u> A\$'000
Included in cost of sales:		
Direct materials	59,875	41,463
Employee benefits	130,096	58,127
Subcontract works	33,655	24,114
Workshop and other overheads	40,156	18,588
Depreciation expenses	7,399	5,271
	<u>271,181</u>	<u>147,563</u>
Included in administrative expenses:		
Audit fees:		
- Auditors of the Company	64	46
- Other auditors	68	86
Non-audit fees:		
- Auditors of the Company	20	21
- Other auditors	85	73
Business development	86	311
Communications	1,187	571
Depreciation expenses	106	117
Directors' fees	122	126
Employee benefits costs	5,665	4,872
Occupancy expenses	517	201
Office costs	285	271
Other administrative expenses	96	274
Other professional fees	606	728
Tax fees	313	231
	<u>9,220</u>	<u>7,928</u>

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3 Profit before tax (continued)

The following items have been included in arriving at profit before income tax: (continued)

	<u>1H21</u> <u>31 Dec 2020</u> A\$'000	<u>1H20</u> <u>31 Dec 2019</u> A\$'000
Included in other expenses:		
Impairment loss on loan to an associate	99	-
Trade receivables written off	1,646	-
Loss on disposal of property, plant and equipment	-	237
	<u> </u>	<u> </u>

4 Earnings per Share

Basic earnings per share is calculated by dividing the Group's net profit attributable to ordinary equity holders for the financial period by the weighted average number of ordinary shares issued.

	<u>1H21</u> <u>31 Dec 2020</u>	<u>1H20</u> <u>31 Dec 2019</u>
Profit attributable to the owners of the Company (A\$'000)	15,048	8,066
Weighted average number of ordinary shares issued		
- Basic	501,051,848	500,985,000
- Diluted	501,051,848	500,985,000
Earnings per ordinary share (A\$ cents)		
- Basic	3.00	1.61
- Diluted	<u> </u>	<u> </u>

Basic earnings per share is calculated by dividing the consolidated profit after tax attributable to the equity holders of the Company, by the weighted average number of ordinary shares outstanding during the financial period.

As at 31 December 2020, the diluted earnings per share is the same as the basic earnings per share as it does not include the effect of 4,000,000 (30 June 2020: 4,000,000) unissued ordinary shares granted under the Civmec Limited Employee Share Option Scheme ("CESOS"). The effect of the inclusion is anti-dilutive.

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5 Trade and Other Receivables

	Group	
	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
	A\$'000	A\$'000
Current:		
Trade receivables		
- Third parties	80,305	73,985
- Retention sum receivables	12	197
Allowance for impairment loss	(11)	(911)
	80,306	73,271
Loan to an associate	1,866	1,767
Allowance for impairment loss	(1,866)	(1,767)
	-	-
Other receivables	317	1,252
	80,623	74,523
Non-current:		
Loan receivable from a joint venture	-	493
	80,623	75,016

The Group provided working capital funding to a former subsidiary, now a related entity, Civtec Africa Ltd. The loan is unsecured, interest bearing between 7% to 9% plus 2 % (30 June 2020: market rate of Australian Bank Bill Swap Bid Rate (“BBSY”) plus 2%) and repayable on demand.

The loan receivable from a joint venture is non-trade, unsecured, interest bearing at a market rate of Australian Bank Bill Swap Bid Rate (‘BBSY’) plus 3%. The loan was repaid in full on 24 July 2020.

The movements in allowance for impairment loss of trade and other receivables during the period are as follows:

	<u>Trade</u>	<u>Group</u>	<u>Total</u>
	<u>receivables</u>	<u>Other</u>	<u>receivables</u>
	A\$'000	A\$'000	A\$'000
Balance at 1 July 2020	911	1,767	2,678
Impairment loss recognised in profit or loss during the period on:			
- Changes in credit risk	-	99	99
- Write off to bad debt	(900)	-	(900)
Balance at 31 December 2020	11	1,866	1,877

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5 Trade and Other Receivables (continued)

The movements in allowance for impairment loss of trade and other receivables during the period are as follows: (continued)

	<u>Trade receivables</u>	<u>Group Other receivables</u>	<u>Total</u>
	A\$'000	A\$'000	A\$'000
Balance at 1 July 2019	-	-	-
Impairment loss recognised in profit or loss during the period on:			
- Changes in credit risk	-	-	-
- Write off to bad debt	-	-	-
Balance at 31 December 2019	-	-	-

The Group's internal credit evaluation practices and basis for recognition and measurement for expected credit losses were consistent with those disclosed in the 30 June 2020 Civmec Limited's Annual Report.

5(a) Contract Assets and Liabilities

	Group	
	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
	A\$'000	A\$'000
Contract assets	79,755	95,118
Contract liabilities	(78,958)	(83,266)

(i) Significant changes in contract balances

	Group	
	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
	A\$'000	A\$'000
Contract assets:		
Contract assets reclassified to trade receivables	(26,524)	(44,655)
Contract assets adjustments	-	(15,008)
Changes in measurement of progress	11,161	37,338
Contract liabilities:		
Revenue recognised in the current period that was included in the contract liability balance at the beginning of the period	5,434	69,296
Increase due to cash received, excluding amounts recognised as revenue during the period	(1,126)	(83,229)

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6 Cash and Cash Equivalents

	Group	
	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
	A\$'000	A\$'000
Cash at bank and in hand	42,022	27,712

A floating charge over cash and cash equivalents has been provided for certain debt.

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7 Property, Plant and Equipment

	Freehold <u>land</u> A\$'000	Leasehold <u>land</u> A\$'000	<u>Buildings</u> A\$'000	Plant and <u>equipment</u> A\$'000	<u>Small tools</u> A\$'000	Motor <u>vehicles</u> A\$'000	Office <u>equipment</u> A\$'000	<u>IT equipment</u> A\$'000	Assets under <u>construction</u> A\$'000	<u>Total</u> A\$'000
2021										
<u>Cost or valuation</u>										
At 1 July 2020	19,500	29,310	301,002	70,201	6,342	6,916	712	3,081	11,037	448,101
Additions	-	-	-	504	365	-	4	-	6,123	6,996*
Additions – ROU	-	23	-	-	-	315	-	-	316	654*
Adjustment on asset revaluation reserve	-	-	309	-	-	-	-	-	-	309
Adjustment	-	-	-	(280)	-	-	-	-	-	(280)
Transfer	-	-	-	263	(97)	-	-	-	(166)	-
Disposals	-	-	-	(220)	(60)	(102)	-	-	-	(382)
At cost at										
31 December 2020	-	29,333	-	70,468	6,550	7,129	716	3,081	17,310	134,588
At valuation at										
31 December 2020	19,500	-	301,311	-	-	-	-	-	-	320,810
At 31 December 2020	19,500	29,333	301,311	70,468	6,550	7,129	716	3,081	17,310	455,398
<u>Accumulated depreciation</u>										
At 1 July 2020	-	(2,824)	-	(33,916)	(5,204)	(5,055)	(642)	(2,656)	-	(50,297)
Depreciation for the period	-	(273)	(4,164)	(2,421)	(229)	(313)	(17)	(88)	-	(7,505)
Adjustment	-	-	-	42	-	-	-	-	-	42
Disposals	-	-	-	154	59	88	-	-	-	301
At 31 December 2020	-	(3,097)	(4,164)	(36,141)	(5,374)	(5,280)	(659)	(2,744)	-	(57,459)

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7 Property, Plant and Equipment (continued)

	<u>Freehold land</u> A\$'000	<u>Leasehold land</u> A\$'000	<u>Buildings</u> A\$'000	<u>Plant and equipment</u> A\$'000	<u>Small tools</u> A\$'000	<u>Motor vehicles</u> A\$'000	<u>Office equipment</u> A\$'000	<u>IT equipment</u> A\$'000	<u>Assets under construction</u> A\$'000	<u>Total</u> A\$'000
2021 (continued)										
<u>Net carrying amount</u>										
At cost	-	26,236	-	34,327	1,176	1,849	57	337	17,310	81,293
At valuation	19,500	-	297,146	-	-	-	-	-	-	316,646
At 31 December 2020	19,500	26,236	297,146	34,327	1,176	1,849	57	337	17,310	397,939

*The cash purchase of property, plant and equipment during the financial period ended 31 December 2020 amounted to A\$6,996,000.

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7 Property, Plant and Equipment (continued)

	<u>Freehold land</u> A\$'000	<u>Leasehold land</u> A\$'000	<u>Buildings</u> A\$'000	<u>Plant and equipment</u> A\$'000	<u>Small tools</u> A\$'000	<u>Motor vehicles</u> A\$'000	<u>Office equipment</u> A\$'000	<u>IT equipment</u> A\$'000	<u>Assets under construction</u> A\$'000	<u>Total</u> A\$'000
2020										
<u>Cost or valuation</u>										
At 1 July 2019	16,254	-	66,357	68,643	7,099	7,045	1,414	2,410	85,652	254,874
Adoption of SFRS(I) 16	-	27,145	-	-	-	-	-	-	-	27,145
At 1 July 2019, restated	16,254	27,145	66,357	68,643	7,099	7,045	1,414	2,410	85,652	282,019
Additions	-	-	57,365	252	17	-	-	-	4,862	62,496*
Additions – ROU	-	2,165	-	-	-	-	-	-	7,543	9,708*
Transfer	-	-	85,607	1,761	(317)	-	(702)	671	(87,020)	-
Revaluation	3,246	-	93,284	-	-	-	-	-	-	96,530
Loss on revaluation	-	-	(1,611)	-	-	-	-	-	-	(1,611)
Disposals	-	-	-	(455)	(457)	(129)	-	-	-	(1,041)
At cost at 30 June 2020	-	29,310	-	70,201	6,342	6,916	712	3,081	11,037	127,599
At valuation at 30 June 2020	19,500	-	301,002	-	-	-	-	-	-	320,502
At 30 June 2020	19,500	29,310	301,002	70,201	6,342	6,916	712	3,081	11,037	448,101
<u>Accumulated depreciation</u>										
At 1 July 2019	-	-	(13,253)	(27,860)	(5,124)	(4,525)	(998)	(2,110)	-	(53,870)
Adoption of SFRS(I) 16	-	(2,312)	-	-	-	-	-	-	-	(2,312)
At 1 July 2019, restated	-	(2,312)	(13,253)	(27,860)	(5,124)	(4,525)	(998)	(2,110)	-	(56,182)
Depreciation for the year	-	(512)	(2,657)	(5,672)	(527)	(659)	(252)	(185)	-	(10,464)
Transfer	-	-	315	(616)	54	-	608	(361)	-	-
Revaluation	-	-	15,595	-	-	-	-	-	-	15,595
Disposals	-	-	-	232	393	129	-	-	-	754
At 30 June 2020	-	(2,824)	-	(33,916)	(5,204)	(5,055)	(642)	(2,656)	-	(50,297)

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7 Property, Plant and Equipment (continued)

	<u>Freehold Land</u> A\$'000	<u>Leasehold land</u> A\$'000	<u>Buildings</u> A\$'000	<u>Plant and equipment</u> A\$'000	<u>Small tools</u> A\$'000	<u>Motor vehicles</u> A\$'000	<u>Office equipment</u> A\$'000	<u>IT equipment</u> A\$'000	<u>Assets under construction</u> A\$'000	<u>Total</u> A\$'000
2020 (continued)										
<u>Net carrying amount</u>										
At cost	-	26,486	-	36,285	1,138	1,861	70	425	11,037	77,302
At valuation	19,500	-	301,002	-	-	-	-	-	-	320,502
At 30 June 2020	19,500	26,486	301,002	36,285	1,138	1,861	70	425	11,037	397,804

* The cash purchases of property, plant and equipment for the year ended 30 June 2020 amounted to A\$70,039,000.

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7 Property, Plant and Equipment (continued)

Depreciation expenses are classified as follows:

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	A\$'000	A\$'000
Included in cost of sales	7,399	5,271
Included in administrative expenses	106	117
	7,505	5,388

At the balance sheet date, the details of the Group's freehold land and buildings are as follows:

<u>Location</u>	<u>Description/Existing use</u>	<u>Tenure</u>
2-8 Stuart Drive, Henderson, Western Australia	Land and buildings / Operational readiness and logistics support facility	Freehold
16 Nautical Drive, Henderson, Western Australia	Buildings on leasehold land / Undercover waterfront, Manufacturing, Modularisation and Maintenance Facility	Leasehold land leases: i. 34-years lease from August 2010, with further 35 years option ii. 30-years lease from March 2014, with further 35 years option iii. 28-years lease from December 2016, with further 45 years option
35-39 Old Punt Road, Tomago, New South Wales	Land and buildings / Manufacturing facility and modular assembly laydown area	Freehold

Freehold land and buildings carried at revaluation method

During the year ended 30 June 2020, the Group adopted the revaluation model approach for its freehold land and buildings. An independent valuation of freehold land and building of the Group was carried out by Griffin Valuation Advisory as at 30 June 2020. The fair value is determined by the valuer on the highest and best use approach of each asset. Such valuation was determined using the Sales Comparison approach, Hypothetical Development approach and Depreciated Replacement Cost (DRC) approach (to non-market-type properties).

If the freehold land and building were stated on the historical cost basis, the carrying amount would be as follows at 31 December 2020.

	A\$'000
Freehold land	16,254
Buildings	209,330
Accumulated depreciation	(18,452)
Net book value	207,132

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7 Property, Plant and Equipment (continued)

Right-of-use assets

Right-of-use assets acquired under leasing arrangement are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 18.

8 Investment in Subsidiaries

On 4 September 2020, shares in Civmec-Mala which is held by Civmec Construction & Engineering Singapore Pte Ltd was transferred to Civmec Construction & Engineering Pty Ltd.

9 Investment in Joint Venture

Summarised statement of financial position

	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
	A\$'000	A\$'000
Unquoted cost of investment	242	41
Share of (loss)/profit	(93)	201
	149	242
Cash distribution to shareholders	(88)	-
	61	242

Details of the Group's joint venture that is accounted for using the equity method at the end of the reporting period is as follows:

<u>Name of Entity</u>	<u>Principal Activities</u>	<u>Country of incorporation</u>	<u>Ownership interest held by the Group</u>	
			<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
			%	%
Held by Civmec Construction & Engineering Pty Ltd				
Brown & Root Civmec Pty Ltd ⁽¹⁾	Engineering and construction services	Australia	49	49

⁽¹⁾ Incorporated with Kellogg Brown & Root Pty Ltd on 13 April 2019.

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9 Investment in Joint Venture (continued)

The summarised financial information below represents amounts shown in the joint venture's financial statements.

Brown & Root Civmec Pty Ltd

	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
	A\$'000	A\$'000
<u>Summarised statement of financial position</u>		
Other receivables	-	586
Current assets	115	1,441
Total assets	<u>115</u>	<u>2,027</u>
Other payables	189	1,533
Net assets	<u>304</u>	<u>494</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
	A\$'000	A\$'000
Net assets	304	494
Proportion of the Group's ownership interest in the joint venture	49.0%	49.0%
Carrying amount of the Group's interest in the joint venture	149	242

Summarised statement of comprehensive income:

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	A\$'000	A\$'000
Revenue	-	4,388
Operating expenses	-	(2,840)
Administrative expenses	-	(905)
Profit before tax	-	643
Income tax expense	(189)	-
Other comprehensive income	-	-
Total comprehensive income	<u>(189)</u>	<u>643</u>

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10 Investment in Associate

Details of the Group's associate that is accounted for using the equity method at the end of the reporting period are as follows:

<u>Name of Entity</u>	<u>Principal Activities</u>	<u>Country of incorporation</u>	<u>Ownership interest held by the Group</u>	
			<u>31 Dec 2020</u> %	<u>30 Jun 2020</u> %
Held by Civmec Construction & Engineering Uganda Pty Ltd				
Civtec Africa Ltd	Engineering and construction services	Uganda	32	32

The summarised financial information below represents amounts shown in the joint venture's financial statements.

Civtec Africa Ltd

	<u>31 Dec 2020</u> A\$'000	<u>30 Jun 2020</u> A\$'000
<u>Summarised statement of financial position:</u>		
Current assets	1,872	3,729
Non-current assets	93	93
Current liabilities	(1,132)	(1,965)
Non-current liabilities	(1,569)	(2,179)

	<u>01.07.2020</u> to <u>31.12.2020</u> A\$'000	<u>01.07.2019</u> to <u>31.12.2019</u> A\$'000
<u>Statement of comprehensive income:</u>		
Revenue	-	3,374
Profit or loss from continuing operations	(252)	532
(Loss)/profit for the period	(433)	270

Total comprehensive (loss)/income for the period	(433)	270
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As at 31 December 2020, the carrying amount of investment in associate remains at nil on the basis that the associate reported a net liability position.

The cumulative unrecognised loss amount increased to A\$182,000 (30 Jun 2020: A\$44,000) at the reporting date.

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11 Joint Operations

The Group has interests in the following joint operations which are proportionately consolidated:

<u>Name of Entity</u>	<u>Principal Activities</u>	<u>Country of incorporation</u>	<u>Ownership interest held by the Group</u>	
			<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
			%	%
Black & Veatch Civmec JV (“BCJV”)	Engineering and construction services	Australia	50	50
Amec Foster Wheeler Civmec JV (“ACJV”)	Engineering and construction services	Australia	50	50

BCJV project is for the design and construction of a wastewater treatment plant upgrade.

ACJV is for the design, procurement and installation of a process plant, administration office and warehouse.

The Group is entitled to a proportionate share of the construction contract revenue earned and bears a proportionate share of the joint operations’ expenses.

12 Trade and Other Payables

	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
	A\$’000	A\$’000
Trade creditors	34,707	39,028
Sundry payables and accruals	44,124	34,513
Goods and services tax payable	4,400	13,472
Other taxes payable	4,036	4,062
	<u>87,267</u>	<u>91,075</u>

Trade and other payables are usually paid within 45 days.

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13 Borrowings

	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
	A\$'000	A\$'000
<u>Current:</u>		
Bank bills – secured	2,220	2,067
Loan from related party – unsecured	320	320
	2,540	2,387
 <u>Non-current:</u>		
Senior secured notes	60,000	60,000
	60,000	60,000
 Total borrowings	 62,540	 62,387

(a) Finance lease liabilities

Due to the adoption of SFRS(I) 16, the finance lease liabilities are now reclassified as lease liabilities under Note 18.

(b) Bank bills

Banking covenants

The Group is required by the banks to maintain certain financial ratios such as loan value ratio and interest cover ratio.

As at 31 December 2020, the Group met all of these financial covenants.

As at 31 December 2020, the Group has a commercial bank facility amounting to A\$32,220,000 (30 June 2020: A\$32,067,000) which was 7% utilised. Interest rates are variable and ranged between 1.62% to 4.13% (30 June 2020: 1.67% to 2.25%) per annum during the current financial period.

(c) Senior secured notes

The Group secured A\$60.0 million offering “Senior Secured Note” of 4-year secured notes on 23 November 2018 to restructure existing finance and provide funding for a portion of a world-class shipbuilding and maintenance facility at Henderson, Western Australia. The Notes are unconditionally and irrevocably guaranteed by Civmec Limited and are redeemable after two years at Civmec Limited’s option. Senior Secured Note is collectively under a security trust deed and hold first ranking over all assets held with the subsidiary, Civmec Holdings Pty Ltd, including interests in land at the Company’s Stuart Drive, Henderson site in Western Australia and the Tomago site in New South Wales, Australia.

The senior secured notes bear a fixed interest rate of 7% per annum.

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13 Borrowings (continued)

(d) Loan from related party

Loan from a related party is non-trade, unsecured, interest free and repayable on demand.

14 Provisions

	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
	A\$'000	A\$'000
<u>Current:</u>		
Provisions for employee benefits	6,390	6,103
<u>Non-Current:</u>		
Provisions for employee benefits	4,378	3,352
	10,768	9,455

Movements in provisions are as follows:

	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
	A\$'000	A\$'000
<u>Current:</u>		
At the beginning of the period	6,103	5,557
Provisions made during the period		
- Included in employee benefits	7,476	9,061
Provisions utilised during the period	(7,189)	(8,515)
At the end of the period	6,390	6,103
<u>Non-current:</u>		
At the beginning of the period	3,352	4,634
Provisions made during the period		
- Included in employee benefits	1,162	1,170
Adjustment due to change in probability %	-	(2,272)
Provisions utilised during the period	(136)	(180)
At the end of the period	4,378	3,352

Provisions pertain to employee benefits relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data and the discount rate used ranges from 0.58% to 2.53%. (30 June 2020: from 1.29% to 2.53%).

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15 Share Capital

(a) Fully Paid Ordinary Shares

	No. of shares	Group and Company		A\$'000
		A\$'000	No. of shares	
At the beginning of the period	501,000,000	29,807	501,000,000	29,807
Shares issued during the period:				
- Conversion of performance rights	100,000	-	-	-
At the end of the period	<u>501,100,000</u>	<u>29,807</u>	<u>501,000,000</u>	<u>29,807</u>

The ordinary shares of the Company have no par value. All issued ordinary shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share without restrictions at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The Company approved the payment of a First and Final dividend of 1.0 Australia cents per ordinary share (30 June 2020: 0.7 Singapore cents) amounting to A\$5,010,000 for the financial year ended 30 June 2020. The dividend payment was made on 07 December 2020.

(b) Treasury Shares

	No. of shares	Group and Company		A\$'000
		A\$'000	No. of shares	
At the beginning and end of the period	<u>15,000</u>	<u>10</u>	<u>15,000</u>	<u>10</u>

Treasury shares relate to ordinary shares of the Company that are held by the Company.

(c) Share Options

	Group and Company			
	31 Dec 2020		30 Jun 2020	
	No. of shares	A\$'000	No. of shares	A\$'000
At the beginning and end of the period	<u>4,000,000</u>	<u>0.65</u>	<u>4,000,000</u>	<u>0.65</u>

These options vested but were not exercised during the reporting period. Share options granted under the Civmec Employee Share Option plan carry no rights to dividends and no voting rights. The exercise price is Singapore dollars \$0.65 per share.

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15 Share Capital (continued)

(d) Performance Rights

11,639,000 rights remain unvested as at 31 December 2020 (30 June 2020: 7,359,993).

In the period, 100,000 rights were vested and converted to shares. 4,198,993 rights were cancelled and 4,532,000 new rights were issued to key management personnel (KMP) and other management.

4,046,000 new rights were issued to Directors as approved at the Annual General Meeting held on 30 October 2020.

The balances of Performance Rights are as follows:

	<u>Issued</u>	<u>Vested</u>	<u>Forfeited /Lapsed /Expired</u>	<u>Balance</u>
Performance Period 1 July 2018 to 30 June 2020 (Granted in FY2020)	3,923,993	(100,000)	(3,823,993)	-
Performance Period 1 July 2018 to 30 June 2021 (Granted in FY2020)	3,436,000	-	(375,000)	3,061,000
Performance Period 1 July 2020 to 30 June 2022 (Granted in FY2021)	4,289,000	-	-	4,289,000
Performance Period 1 July 2020 to 30 June 2023 (Granted in FY2021)	4,289,000	-	-	4,289,000
Balance as at 31 December 2020				<u>11,639,000</u>

For the financial period ended 31 December 2020, the Group has recognised \$742,000 of share-based payment expense (31 December 2019: Nil).

16 Asset Revaluation Reserve

	<u>31 Dec 2020</u> A\$'000	<u>30 Jun 2020</u> A\$'000
At the beginning of the period	78,487	-
Gain on revaluation of freehold land and buildings	-	112,125
Adjustment on asset revaluation reserve	309	-
Deferred tax liability arising on revaluation	-	(33,638)
At the end of the period	<u>78,796</u>	<u>78,487</u>

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17 Other Reserves

	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
	A\$'000	A\$'000
Merger reserve (a)	7,578	7,578
Equity-settled employee benefits reserve (b)	982	240
	8,560	7,818

(a) Merger Reserve

Pursuant to the completion of the Restructuring Exercise, the share capital of Civmec Construction & Engineering Pty Ltd and Controlled Entities is adjusted to merger reserve based on the “pooling of interest method”.

(b) Equity-settled Employee Benefits Reserve

The equity-settled employee benefits reserve relates to share options granted to employees under the employee share option plan and performance rights.

18 Lease liabilities

The Group as Lessee

Nature of the Group’s leasing activities

The Group has entered into leases of land and buildings in respect of its offices, facilities and workshops. The Group has the following leases:

- The Henderson land lease at Lot 804 (16) Nautical Drive, Henderson, Western Australia is for a 34-year period from August 2010 with an option to renew for a further 35 years (reasonably certain to be exercised). Rent increases as per the CPI Index.
- The Henderson land lease on an extended area at Lot 804 (16) Nautical Drive, Henderson, Western Australia is for a 28-year period from December 2016 with an option to renew for a further 45 years (reasonably certain to be exercised). Rent increases as per the CPI Index.
- The Henderson land lease at Lot 101 Welding Pass, Henderson, Western Australian is for a 28-year period from November 2019 with 2 options of 3 years each (reasonably certain to be exercised). Rent increases as per the CPI Index.
- A workshop lease at 1 Boys Road, Gladstone in Queensland for 2-year period and 1-year option (reasonably certain to be exercised).

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18 Lease liabilities (continued)

The Group as Lessee (continued)

The Group also leases motor vehicles, workshop equipment and office fitout from non-related parties under finance leases. The Group will obtain the ownership of the leased assets from the lessor at no extra cost at the end of the lease term. The average lease term is between 4 and 5 years.

Arising from the adoption of SFRS(I) 16, the Group has recognised the above as right-of-use assets included as part of property, plant and equipment in Note 7.

The present values of lease liabilities are analysed as follows:

	<u>Minimum lease payments</u> A\$'000	<u>Future finance charges</u> A\$'000	<u>Net present value of minimum lease payments</u> A\$'000
As at 31 December 2020			
Not later than one year	13,878	(3,563)	10,315
Less than one year	34,806	(12,072)	22,734
Between one and five years	147,822	(129,149)	18,673
	182,628	(141,221)	41,407
	196,506	(144,784)	51,722
As at 30 June 2020			
Not later than one year	14,405	(3,683)	10,722
Less than one year	37,087	(12,373)	24,714
Between one and five years	149,165	(130,913)	18,625
	186,252	(142,913)	43,339
	200,657	(146,596)	54,061

Lease liabilities are presented in the statement of financial position as follows:

	<u>31 Dec 2020</u> A\$'000	<u>30 Jun 2020</u> A\$'000
<u>Present value of lease liabilities</u>		
Less than one year	10,315	10,722
Between one and five years	22,734	24,714
Later than five years	18,673	18,625
	41,407	43,339
	51,722	54,061

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18 Lease liabilities (continued)

The Group as Lessee (continued)

The effective interest rate ranges from 2.28% to 8.6% per annum.

The carrying amount of right-of-use assets classified within Property, Plant and Equipment (Note 7) is as follows:

	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
	A\$'000	A\$'000
Leasehold land	26,245	26,495
Small tools	267	299
Plant and equipment	17,013	17,876
Motor vehicles	1,201	1,042
Office equipment	40	53
Asset under construction	7,859	7,543
	<u>52,625</u>	<u>53,308</u>

There was an addition of A\$654,000 to right-of-use assets during the current financial period.

Amounts recognised in profit or loss

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	A\$'000	A\$'000
Depreciation charged for the period:		
- Small tools	32	32
- Plant and equipment	863	878
- Motor vehicles	156	140
- Office equipment	13	13
- Operating leases	273	233
Interest on lease liabilities		
- Included in cost of sales	1,418	1,314
- Included in finance cost	546	624
	1,964	1,938
Expenses relating to short-term leases	116	46
<u>Other disclosures</u>		
Total cash outflow for leases	<u>3,229</u>	<u>3,710</u>

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19 Capital Expenditure Commitments

The Group has contracted capital expenditure commitments at the reporting date but not recognised in the financial statement as follows:

	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
	A\$'000	A\$'000
Plant and equipment purchases	1,929	3,401
Capital projects	1,310	2,677
	<u> </u>	<u> </u>

20 Guarantees

The Group is, in the normal course of business, required to provide guarantees in respect of their contractual performance related obligations. These guarantees and indemnities only give rise to a liability where it fails to perform its contractual obligations.

During the course of business, the Company also provides letters of credit for international trading when required.

As at 31 December 2020, the Group has provided the following:

	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
	A\$'000	A\$'000
Group		
Bank guarantee	1,879	1,943
Surety bond facility	187,982	160,489
Letter of credit	392	392
	<u>190,253</u>	<u>162,824</u>
Company		
Senior secured notes	<u>60,000</u>	<u>60,000</u>

The surety bond facility is provided for the provision of performance bonds to customers of the Group. It has a limit of A\$305 million as at 31 December 2020 (30 June 2020: A\$265 million).

The Company provided a guarantee in respect of the senior secured notes issued to a subsidiary.

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21 Related Party Transactions

The Group's main related parties are as follows:

Entities Exercising Control over the Group

The largest shareholders are James Finbarr Fitzgerald and Olive Theresa Fitzgerald (acting as trustees for the JF & OT Fitzgerald Family Trust) (19.47%) and Goldfirm Pty Ltd (acting as trustee for the Kariong Investment Trust) (19.47%).

Key Management Personnel

Any person having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	A\$'000	A\$'000
Directors' remuneration		
- Salaries and other related costs	1,495	861
- Directors' fees	122	126
Benefits including defined contribution plans	62	62
Other key management personnel		
Salaries and other related costs	1,303	943
Benefits including defined contribution plans	94	91
	<hr/> <hr/>	<hr/> <hr/>
	3,076	2,083

Other Related Parties

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

Transactions with Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

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21 Related Party Transactions (continued)

Key Management Personnel (continued)

Transactions with Related Parties (continued)

The following transactions occurred with related parties:

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	A\$'000	A\$'000
<u>Purchase of Goods and Services</u>		
Other related parties:		
- Consultant fee paid to a related party (who is a director of the Company)	(15)	(8)

22 Financial Information by Segments

Management has determined the operating segments based on the internal reports which are regularly reviewed by the Operations Management that are used to make strategic decisions.

The Operations Management comprises of the Executive Chairman, Chief Executive Officer, Chief Operations Officer, Chief Financial Officer and the department heads of each operating segment.

The business is managed primarily on the basis of different products and services as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements

Although the Operations Management receives separate reports for each project in the Oil and Gas, Metals and Minerals, and Infrastructure businesses, these have been aggregated into the respective reportable segments as they have similar long-term average gross margins.

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22 Financial Information by Segments (continued)

The three main reportable segments for the Group are: (1) Oil and Gas (2) Metals and Minerals and (3) Infrastructure. The business activities include civil construction, fabrication, precast concrete, SMP (Structural, Mechanical and Piping Erection), insulation, maintenance and plant hire.

Basis of Accounting for Purpose of Reporting by Operating Segments

(a) Accounting Policies Adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the consolidated financial statements of the Group.

(b) Inter-Segment Transactions

An internally determined transfer price is set for all inter-segment sales. This price is reviewed quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs.

(c) Segment Assets and Liabilities

The Group does not identify nor segregate its assets and liabilities in operating segments as these are managed on a "group basis".

Geographical Segments (Secondary Reporting)

The Group currently operates in three geographical areas – Australia (main operations), Papua New Guinea and Uganda.

Major Customers

The Group has a number of customers to whom it provides both products and services. For the period ended 31 December 2020, the Group supplies to a single external customer in Metals and Minerals segment who accounts for 21.93% of external revenue (31 December 2019: Metals and Minerals 26.6%). The next most significant client accounts for 16.21% and 13.19% (31 December 2019: 14.3% and 13.6%) of external revenue.

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22 Financial Information by Segments (continued)

	Consolidated 6 months ended 31 December 2020				Consolidated 6 months ended 31 December 2019			
	Oil and Gas AS'000	Metals & Minerals AS'000	Infra- structure AS'000	Total AS'000	Oil and Gas AS'000	Metals & Minerals AS'000	Infra- structure AS'000	Total AS'000
Revenue - external sales	14,198	254,212	37,289	305,699	7,874	144,885	13,416	166,175
Cost of sales (excluding depreciation)	(12,116)	(220,650)	(31,016)	(263,782)	(6,257)	(124,177)	(11,858)	(142,292)
Depreciation expense	(647)	(3,935)	(2,817)	(7,399)	(224)	(4,801)	(246)	(5,271)
Segment results	1,435	29,627	3,456	34,518	1,393	15,907	1,312	18,612
Other income				1,828				589
Administrative expenses*				(9,114)				(7,811)
Depreciation expense*				(106)				(117)
Other expenses				(1,745)				(237)
Finance costs				(3,470)				(1,563)
Profit before income tax				21,911				9,473
Income tax expense				(6,889)				(1,493)
Net profit for the period				<u>15,022</u>				<u>7,980</u>
				As at 31 December 2020				As at 30 June 2020
Segment assets:								
Intangible assets	-	10	-	10	-	10	-	10
Unallocated assets:								
Assets				600,400				595,892
Other current assets				3,525				2,051
Deferred tax assets				2,543				2,408
Total assets				<u>606,478</u>				<u>600,361</u>
Segment liabilities:								
Unallocated liabilities								
Liabilities				258,927				265,446
Borrowings				62,540				62,387
Provisions				10,768				9,455
Total liabilities				<u>332,235</u>				<u>337,288</u>
Other segment information								
Capital expenditures during the period				<u>6,996</u>				<u>32,145</u>

*Administrative expenses above exclude depreciation which is disclosed separately above