

Financial Report for the half-year ended 31 December 2021

INCORPORATING APPENDIX 4D

SHAPE AUSTRALIA CORPORATION LIMITED

ABN: 14 654 729 352
Level 11, 155 Clarence Street,
Sydney NSW 2000



EXPERIENCE
BETTER

Contents

Appendix 4D	2
Directors' Report	3
Auditor's Independence Declaration	9
Consolidated statement of profit or loss and other comprehensive income	10
Consolidated statement of financial position	11
Consolidated statement of changes in equity	12
Consolidated statement of cash flows	13
Notes to the consolidated financial statements	14
Directors' declaration	24
Independent Auditor's Review Report	25
Corporate directory	27

APPENDIX 4D

Name of entity: SHAPE Australia Corporation Limited
 ABN: 14 654 729 352
 Reporting Period: the half-year ended 31 December 2021
 Previous Period: the half-year ended 31 December 2020**

Results for announcement to the market	Up/Down	Movement	\$'000
Revenues from ordinary activities	up	10.7%	329,263
Profit from ordinary activities after tax attributable to the owners of SHAPE Australia Corporation Limited	down	4.5%	5,781
Profit for the half-year attributable to the owners of SHAPE Australia Corporation Limited	down	4.5%	5,781

Earnings per share	31 Dec 2021 (cents)	31 Dec 2020 (cents)
Basic earnings per share	7.1	7.4
Diluted earnings per share	7.0	7.3

Net Tangible Assets	31 Dec 2021 (cents)	31 Dec 2020 (cents)
Net tangible assets per ordinary security	28	24

Control gained over subsidiaries

On 14 December 2021 control was gained over SHAPE Australia Holdings Pty Limited, SHAPE Australia Pty Limited, SHAPE Australia (Qld) Pty Limited, Experience Better Pty Limited and the Senior Executive Long Term Incentive Trust (SELT).

Dividends	Amount per share (cents)	Franked amount per share (cents)
Final 2020 dividend (1 Quarter)	5.00	5.00
Interim 2021 dividends (3 Quarter's)	10.25	10.25
Final 2021 dividend (1 Quarter)	4.00	4.00
Interim 2022 dividend (1 Quarter)	2.00	2.00

The above dividends were declared and paid by SHAPE Australia Holdings Pty Limited prior to 14 December 2021.

After 31 December 2021 the following dividends were declared by the directors.

	Amount per share (cents)	Franked amount per share (cents)	Record Date	Payment Date
2022 Interim dividend	4.00	4.00	4 Mar 2022	18 Mar 2022

Name of associate	Reporting period holding %	Previous period Holding %
DLG SHAPE Pty Limited	49	49

The remainder of the information requiring disclosure to comply with listing rule 4.2A.3 is contained in the December 2021 Directors' Report and the Interim Financial Statements for the half-year ended 31 December 2021.

**31 December 2020 references relate to SHAPE Australia Holdings Pty Limited, following a restructure on 14 December 2021 the parent entity became SHAPE Australia Corporation Limited. Details of the restructure are found in the Directors Report.

DIRECTORS' REPORT

The directors of SHAPE Australia Corporation Limited ('the Company') present their report, together with the financial statements, on the consolidated entity ('SHAPE' or 'Group') consisting of the Company and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

SHAPE Australia Corporation Limited was incorporated on 22 October 2021. On 14 December 2021, the Group undertook an internal corporate restructure whereby the SHAPE Australia Holdings Pty Limited shareholders exchanged their shares in that company for shares in SHAPE Australia Corporation Limited. Each shareholder's proportionate interest in SHAPE Australia Holdings Pty Limited was not altered as a result of the restructure. Prior to the restructure, SHAPE Australia Holdings Pty Limited was the parent company of the Group, the effect of the restructure was to interpose SHAPE Australia Corporation Limited as the new parent of the Group.

The financial statements of SHAPE Australia Corporation Limited present a continuation of the existing SHAPE Australia Holdings Pty Limited business and the historical comparative financial information is the consolidated financial information of SHAPE Australia Holdings Pty Limited.

Directors

The names of each person below were directors of SHAPE Australia Corporation Limited from the date of appointment until the date of this report.

		Appointment Date (SHAPE Australia Holdings Pty Limited)	Appointment Date (SHAPE Australia Corporation Limited)
P Arnall	Chairman and Non-Executive Director	8 August 2012	22 October 2021
P Marix-Evans	Chief Executive Officer and Managing Director	5 December 2017	22 October 2021
M Barnes	Non-Executive Director	21 May 2003	5 November 2021
R Lloyd	Non-Executive Director	1 October 2021	5 November 2021
G McMahon	Non-Executive Director	2 February 2006	22 October 2021
K Parsons	Non-Executive Director	1 October 2021	5 November 2021
J Sloman	Non-Executive Director	1 July 2005	5 November 2021
C van der Laan de Vries	Non-Executive Director	23 February 2016	5 November 2021

Principal activities

The principal activities of SHAPE were the construction, fitout and refurbishment of commercial properties.

Review of operations and financial position

SHAPE's profit after providing for income tax amounted to \$5.8M (31 December 2020: \$6.1M) and net profit before tax was \$8.3M, representing a decrease of \$0.5M compared to the prior corresponding period.

The profit before tax includes a favourable amount of \$3.4M reflecting the outcome of the "customer legal dispute" referred to in Section 4 of the Prospectus lodged with ASX on 16 December 2021 and announced to the ASX on 17 January. SHAPE and the other party executed a deed providing SHAPE with \$1.4M as full settlement of the matter. This allowed SHAPE to release a \$2M provision set aside for the dispute. SHAPE's profit before tax also includes an expense of \$2.8M representing a major portion of the cost of listing its securities on the ASX.

SHAPE continued to maintain a strong net cash position of \$94.7M as at 31 December 2021 (31 December 2020: \$123.9M) despite the continuing challenges of the pandemic.

During the reporting period, SHAPE Australia Corporation Limited successfully listed on the Australian Securities Exchange with a minor capital raising of \$2M. This initiative provided a future liquidity opportunity for existing shareholders subject to agreed escrow constraints. It also provided SHAPE with access to future growth funds when required.

SHAPE delivered strong revenue growth of \$32M in the six months to 31 December 2021, up 10.7%. However, gross margins fell 1.2% to 8.6% reflecting the impact of the COVID-19 Pandemic, including that operating conditions continued to be challenged by the restrictions in place. Relentless and prolonged site shutdowns, restrictive work practices and supply chain shortages characterised the year. Operating efficiency and margins have been impacted with the Group not able to recover costs associated with delays caused by site shutdowns. Despite this, SHAPE has been able to continue business under restrictive practices and has had no material contract termination or performance claims. The December 2021 half year saw an increase in order backlog including the securing of two cornerstone projects in excess of \$140M bringing secured projects to a record high of \$475M, up 36% on the previous period and assisting to underwrite the order backlog for the second half of FY22 and into FY23.

Core operating metrics include EBITDA and Underlying EBITDA. Underlying EBITDA excludes the effects of significant items of income and expenditure to reflect the ongoing business activities of the group.

Reconciliation of profit before income tax to EBITDA and Underlying EBITDA (unaudited):

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Profit before income tax	8,303	8,764
Depreciation and amortisation	2,113	1,809
Interest revenue	(126)	(301)
Finance costs	214	190
EBITDA	10,504	10,462
Initial Public Offering costs	2,794	-
Customer legal dispute	(3,400)	1,092
Revised revenue recognition accounting estimate ¹	(6,335)	(6,907)
Shares granted to employees in conjunction with IPO	924	-
Transaction costs related to previous liquidity events	-	781
COVID-19 related redundancies	-	166
Workers' compensation provision ²	-	(530)
Underlying EBITDA	4,487	5,064

EBITDA and underlying EBITDA are non-IFRS earnings measures which do not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBITDA presented by other companies.

Details of associates

The Group has a 49% holding in DLG SHAPE Pty Limited, a majority indigenous owned business with David Liddiard Group Pty Ltd. The Group generated management fees of \$687k for the six-month period, compared to \$431k for the prior corresponding period, up 59.4%.

DLG SHAPE provides commercial fitout and refurbishment services while committing to help close the gap in indigenous disadvantage by increasing opportunities for Indigenous Australians within our company and procuring products and services from Indigenous companies.

¹ The accounting estimate in relation to revenue recognition has changed during the period ended 31 December 2021 based on new information identified and analysed. The impact of this for the period ended 31 December 2021 was an increase in profit of \$6.335M and \$6.907M for the prior period.

² Workers compensation provision adjustment arose to reverse the impact of the initial recognition (in FY20) of a provision raised in connection with possible changes to worker classification under the workers compensation scheme which was not required.

Outlook

As we enter the third year in the shadow of the pandemic, trading conditions remain impacted by restrictions, site shutdowns, supply shortages and lower productivity due to distancing protocols. We are cautiously optimistic that the next 6 months is likely to be less impacted by restrictions and we will progressively see conditions returning to those more consistent with pre-pandemic markets in FY23.

SHAPE operates in every mainland State and Territory in Australia and, as COVID-19 related practices become less onerous, and borders are once more relaxed there is an expectation that business will return to normality. The timing of this is uncertain, however, total labour hours on site recently increased, providing greater confidence that a recovery in SHAPE's market is underway. On the basis of a record order backlog this presents a good sign for SHAPE's future.

In a macro sense SHAPE is confident in the resilience of the market segment in which it operates. In addition to the record order backlog of \$405M, going into second half of FY22, representing a 65% increase relative to the prior comparative period, it has an identified pipeline of over \$2.3B, compared to \$2B in the prior comparative period, both of which are strong indicators of the recovery commencing.

SHAPE's balance sheet provides sufficient capacity and flexibility to invest in suitable opportunities as they arise.

Growth Strategy

Along with growth from recovery in SHAPE's core markets, the Group's growth strategy focuses on three pillars:

1. Expansion in target growth sectors

- Defence and associated Defence industry projects;
- Replacement of combustible cladding facades on commercial and residential buildings; and
- Healthcare and science works.

Our expansion into Defence is growing exceptionally well with revenue increasing by 61% compared with the prior corresponding period. The Group has recently appointed a dedicated Defence sector lead to identify and secure quality opportunities in this sector. The Defence sector continues to be supported by Federal Government spending.

2. Geographic expansion

The Group intends on continuing to increase market penetration in mainland capital cities where it already has an established presence, while also looking to establish dedicated regional offices in identified growth hubs.

3. Service offering expansion

The Group intends to expand its service offering for existing and new clients through the acquisition of complementary bolt-on businesses. The Group is currently considering acquisitions that would facilitate both vertical and horizontal integration, creating potential cross-sell opportunities and realisation of cost savings.

Significant changes in the state of affairs

On 14 December 2021, the Company issued 82,220,676 ordinary shares at a deemed issue price of \$1.96 per share in consideration for the transfer of 82,220,676 fully paid ordinary shares in SHAPE Australia Holdings Pty Limited to the Company (refer note 12). Additionally, the Company granted 3,286,949 performance rights in exchange for the 3,286,949 performance rights in SHAPE Australia Holdings Pty Limited (refer note 17).

During the reporting period and prior to the IPO, a total of 471,500 shares were gifted to employees. This was accounted for as an expense totaling \$924,000.

On 16 December 2021, the Company was admitted to the Official List of ASX Limited, and the official quotation of the Company's ordinary fully paid shares commenced on 17 December 2021. The Company raised \$2,000,000 pursuant to the offer under the prospectus dated 10 November 2021, by the issue and transfer of 1,020,408 shares at an offer price of \$1.96 per share. The total cash costs associated with the IPO totaled \$2,899,000 (excluding GST), with those costs directly attributable to the issue of new shares in relation to the IPO being \$105,000. These costs are offset against contributed equity. The remaining costs of the IPO of \$2,794,000, which are not directly attributable to the issue of new shares are expensed.

There were no other significant changes in the state of affairs of SHAPE during the reporting period.

Subsequent events

The directors declared an additional fully franked interim dividend of 4 cents per share on 25 February 2022, a record date of 4 March 2022 and a payment date set for 18 March 2022.

At the date of this report, there are ongoing restrictions, challenges and inefficiencies arising from COVID-19 which continue to impact operating performance.

Apart from the matters described above, no other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect SHAPE's operations, the results of those operations, or SHAPE's state of affairs in future financial years.

Rounding of amounts

SHAPE is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

Signed On behalf of the directors



Phil Arnall

Chairman

25 February 2022



Peter Marix-Evans

Managing Director

25 February 2022

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF SHAPE AUSTRALIA CORPORATION LTD AND CONTROLLED ENTITIES

As lead auditor, I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2021 there have been:

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

ShineWing Australia

ShineWing Australia
Chartered Accountants



René Muller
Partner

Sydney, 25 February 2022

Brisbane
Level 15
240 Queen Street
Brisbane QLD 4000
T + 61 7 3085 0888

Melbourne
Level 10
530 Collins Street
Melbourne VIC 3000
T + 61 3 8635 1800

Perth
Level 25
108 St Georges Terrace
Perth WA 6000
T + 61 8 6184 5980

Sydney
Level 7, Aurora Place
88 Phillip Street
Sydney NSW 2000
T + 61 2 8059 6800



SHAPE Australia Corporation Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

	Note	31 Dec 2021	31 Dec 2020
		\$'000	\$'000
Revenue	3	329,137	297,125
Interest revenue		126	301
Expenses			
Construction costs		(300,061)	(267,510)
Employee benefits expense		(13,810)	(13,614)
Depreciation and amortisation expense		(2,113)	(1,809)
Transaction costs in connection with the IPO and preparation towards the IPO		(2,794)	-
Other expenses	4	(1,968)	(5,539)
Finance costs		(214)	(190)
Profit before income tax expense		8,303	8,764
Income tax expense		(2,522)	(2,713)
Profit after income tax expense for the half-year attributable to the owners of SHAPE Australia Corporation Limited	14	5,781	6,051
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of SHAPE Australia Corporation Limited		5,781	6,051
		Cents	Cents
Basic earnings per share	16	7.1	7.4
Diluted earnings per share	16	7.0	7.3

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

SHAPE Australia Corporation Limited
Consolidated statement of financial position
As at 31 December 2021

	Note	31 Dec 2021	31 Jun 2020
		\$'000	\$'000
Assets			
Current Assets			
Cash and cash equivalents	5	94,728	115,147
Trade and other receivables	6	54,663	53,968
Income tax refund due		916	-
Finance lease receivables		438	497
Prepayments		4,101	3,253
Total current assets		154,846	172,865
Non-current assets			
Investments accounted for using the equity method		98	98
Property, plant and equipment	7	21,395	6,237
Intangibles	8	419	130
Deferred tax		4,808	4,897
Finance lease receivables		452	647
Total non-current assets		27,172	12,009
Total assets		182,018	184,874
Liabilities			
Current liabilities			
Trade and other payables	9	116,362	131,290
Lease liabilities	10	2,313	2,255
Income tax		-	541
Employee benefits		9,805	9,670
Provisions	11	6,268	9,842
Total current liabilities		134,748	153,598
Non-current liabilities			
Trade and other payables	9	7,168	7,417
Lease liabilities	10	14,775	3,177
Employee benefits		1,828	1,679
Provisions	11	765	558
Total non-current liabilities		24,536	12,831
Total liabilities		159,284	166,429
Net assets		22,734	18,445
Equity			
Issued capital	12	12,872	9,477
Reserves	13	(2,407)	(2,409)
Retained profits	14	12,269	11,377
Total equity		22,734	18,445

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

SHAPE Australia Corporation Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2021

	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2020	12,859	(3,153)	11,490	21,196
Profit after income tax expense for the half-year	-	-	6,051	6,051
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	6,051	6,051
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 15)	-	-	(6,556)	(6,556)
Balance at 31 December 2020	12,859	(3,153)	10,985	20,691
	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2021	9,477	(2,409)	11,377	18,445
Profit after income tax expense for the half-year	-	-	5,781	5,781
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	5,781	5,781
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 12)	3,107	-	-	3,107
Share-based payments	-	290	-	290
Performance rights exercised in legal acquiree and settled in previously held treasury shares	288	(288)	-	-
Dividends paid (note 15)	-	-	(4,889)	(4,889)
Balance at 31 December 2021	12,872	(2,407)	12,269	22,734

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

SHAPE Australia Corporation Limited

Consolidated statement of cash flows
For the half-year ended 31 December 2021

	Note	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Cash flows from operating activities			
Receipts from customers		361,185	295,115
Payments to suppliers and employees		(368,797)	(291,390)
Interest received		126	285
Interest and other finance costs paid		(214)	(190)
Income taxes paid		(3,890)	(4,580)
Net cash used in operating activities		(11,590)	(760)
Cash flows from investing activities			
Payments for property, plant and equipment		(3,599)	(559)
Payments for intangibles		(326)	-
Loans from related and other parties		69	30
Net cash used in investing activities		(3,856)	(529)
Cash flows from financing activities			
Proceeds from issue of shares	12	2,000	-
Share issue transaction costs		(105)	-
Dividends paid	15	(4,889)	(6,556)
Repayment of lease liabilities		(1,979)	(1,332)
Net cash used in financing activities		(4,973)	(7,888)
Net decrease in cash and cash equivalents		(20,419)	(9,178)
Cash and cash equivalents at the beginning of the financial half-year		115,147	133,034
Cash and cash equivalents at the end of the financial half-year	5	94,728	123,856

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

1. Significant accounting policies

Basis of preparation

These financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 *'Interim Financial Reporting'* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *'Interim Financial Reporting'*.

These financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021, and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Corporate Restructure

SHAPE Australia Corporation Limited was incorporated on 22 October 2021. On 14 December 2021, the Group undertook an internal corporate restructure whereby the shareholders in SHAPE Australia Holdings Pty Limited exchanged their shares in that company for shares in SHAPE Australia Corporation Limited. Each shareholder's proportionate interest in SHAPE Australia Holdings Pty Limited was not altered as a result of the restructure. Prior to the restructure, SHAPE Australia Holdings Pty Limited was the parent company of the Group, however, the effect of the restructure was to interpose SHAPE Australia Corporation Limited as the new parent of the Group. While SHAPE Australia Corporation Limited became the parent of the Group, this did not result in a business combination for accounting purposes with the restructure accounted for as a capital reorganisation by SHAPE Australia Corporation Limited.

The financial statements of SHAPE Australia Corporation Limited present a continuation of the existing SHAPE Australia Holdings Pty Limited. Assets and liabilities are recorded at their existing values in the statement of financial position of SHAPE Australia Corporation Limited. The statement of financial performance is a continuation of the existing statement of financial performance for SHAPE Australia Holdings Pty Limited. As SHAPE Australia Corporation Limited was only incorporated in October 2021, there is no historical financial information for SHAPE Australia Corporation Limited. As such, the historical comparative financial information is the consolidated financial information of SHAPE Australia Holdings Pty Limited.

Significant estimates and judgements

The significant estimates, judgements and assumptions were consistent with those applied in the 30 June 2021 financial statements with the exception of the below:

Listing costs

Costs directly attributable to the raising of equity have been recognised in equity and costs directly associated with the ASX listing are recognised as an expense. The amount capitalised for costs which were attributable to both the raising of equity and ASX listing was estimated as a percentage of the number of shares raised divided by the total number of shares on issue.

Change in accounting estimate

The accounting estimate in relation to revenue recognition has changed during the period ended 31 December 2021 based on new information identified and analysed. The impact of this for the period ended 31 December 2021 is an increase in revenue of \$6.335M and a decrease in the contract liability of \$6.335M. The impact on future periods is impracticable to estimate due to it being dependent upon the contracts and progress at that point in time.

New or amended Accounting Standards and Interpretations adopted

SHAPE has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these new and amended standards and interpretations did not have a material impact on the financial position and financial performance of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted

2. Operating segments

The Chief Executive Officer is the Chief Operating Decision Maker.

SHAPE operates only in Australia and manages its operations as a single business operation. There are no parts of the Group that qualify as operating segments under AASB 8 *Operating Segments*.

During the reporting period SHAPE generated revenue of \$49.9M from a single customer, which represented 15% of total revenue (31 December 2020: No single customer represented more than 10% total revenue).

3. Revenue

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<i>Revenue from contracts with customers</i>		
Construction services	328,294	296,577
<i>Other revenue</i>		
Management fees	687	431
Rent	156	117
	843	548
Revenue	329,137	297,125

4. Expenses

Included in Other expenses are the following:

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Provision for warranty - dispute	(2,000)	-
Transaction costs related to previous liquidity events	-	781

5. Cash and cash equivalents

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Current assets</i>		
Cash at bank	56,109	66,270
Cash on deposit	35,500	45,500
Restricted cash	3,119	3,377
	<u>94,728</u>	<u>115,147</u>

6. Trade and other receivables

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Current assets</i>		
Trade receivables	44,993	47,371
Contract assets	9,304	6,058
Other receivables	200	304
Loans at call	14	82
Receivable from associate	152	153
	<u>54,663</u>	<u>53,968</u>

7. Property, plant and equipment

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Non-current assets</i>		
Leasehold improvements - at cost	11,369	8,288
Less: Accumulated depreciation	(7,736)	(7,305)
	3,633	983
Plant and equipment - at cost	3,850	3,334
Less: Accumulated depreciation	(2,264)	(2,072)
	1,586	1,262
Right-of-use assets - at cost	20,924	8,278
Less: Accumulated depreciation	(4,748)	(4,286)
	16,176	3,992
	21,395	6,237

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Leasehold improvements \$'000	Plant and equipment \$'000	Right-of-use assets \$'000	Total \$'000
Balance at 1 July 2021	983	1,262	3,992	6,237
Additions	3,023	576	13,635	17,234
Transfers in/(out)	(252)	252	-	-
Depreciation expense	(121)	(504)	(1,451)	(2,076)
Balance at 31 December 2021	3,633	1,586	16,176	21,395

8. Intangibles

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Non-current assets</i>		
Software - at cost	830	504
Less: Accumulated amortisation	(464)	(442)
	366	62
Licenses - at cost	153	153
Less: Accumulated amortisation	(100)	(85)
	53	68
	419	130

9. Trade and other payables

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Current liabilities</i>		
Trade payables	64,269	64,830
Accrued expenses and other payables	17,547	19,103
Contract liabilities	17,122	33,130
Retentions	14,603	12,411
GST payable	2,821	1,816
	116,362	131,290
<i>Non-current liabilities</i>		
Retentions	7,168	7,417
	123,530	138,707

10. Lease liabilities

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Current liabilities</i>		
Lease liability	2,313	2,255
<i>Non-current liabilities</i>		
Lease liability	14,775	3,177
	<u>17,088</u>	<u>5,432</u>

During the half-year, the Group entered into 2 lease agreements for office premises. The leases commenced on 1 July 2021 and 1 November 2021 and have fixed terms of 5 and 7 years respectively. Each lease has a 5-year extension option which the Group expects to exercise on the expiry of the lease term.

11. Provisions

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Current liabilities</i>		
Lease make good	-	344
Onerous contracts	111	366
Maintenance and warranty	6,157	9,132
	<u>6,268</u>	<u>9,842</u>
<i>Non-current liabilities</i>		
Lease make good	765	558
	<u>7,033</u>	<u>10,400</u>

Movements in provisions

Movements in each class of provision during the current financial half-year are set out below:

31 Dec 2021	Lease make good \$'000	Onerous contracts \$'000	Maintenance and warranty \$'000
Carrying amount at the start of the half-year	902	366	9,132
Net amounts (used) during the half-year	<u>(137)</u>	<u>(255)</u>	<u>(2,975)</u>
Carrying amount at the end of the half-year	<u>765</u>	<u>111</u>	<u>6,157</u>

12. Issued capital

	31 Dec 2021 Shares	30 Jun 2021 Shares	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Ordinary shares - fully paid	83,241,085	81,423,203	12,872	9,477

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2021	81,423,203		9,477
Performance rights exercised in legal acquiree and settled in previously held treasury shares	27 September 2021	179,128	\$1.61	288
Share issued on incorporation of SHAPE Australia Corporation Limited	22 October 2021	1	\$1.00	-
Shares issued to employees for no consideration - settled previously held treasury shares	4 November 2021	471,500	\$1.96	924
Shares issued in settlement of employee profit share - settled in previously held treasury shares	4 November 2021	146,845	\$1.96	288
Elimination of existing legal acquiree shares (refer note 1)	14 December 2021	(82,220,676)		-
Shares issued to acquire SHAPE Australia Holdings Pty Limited (refer note 1)	14 December 2021	82,220,676		-
Initial Public Offering	16 December 2021	1,020,408	\$1.96	2,000
Transaction costs arising on share issues, net of tax				(105)
Balance	31 December 2021	83,241,085		12,872

Initial Public Offering (IPO)

On 16 December 2021, the Company was admitted to the Official List of ASX Limited, and the official quotation of the Company's ordinary fully paid shares commenced on 17 December 2021. The Company raised \$2,000,000 pursuant to the offer under the prospectus dated 10 November 2021, by the issue and transfer of 1,020,408 shares at an offer price of \$1.96 per share. The total cash costs associated with the IPO totalled \$2,899,000 (excluding GST), with those costs directly attributable to the issue of new shares in relation to the IPO being \$105,000. These costs are offset against contributed equity. The remaining costs of the IPO of \$2,794,000, which are not directly attributable to the issue of new shares are expensed.

13. Reserves

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Revaluation surplus reserve	(3,153)	(3,153)
Share-based payments reserve	746	744
	(2,407)	(2,409)

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

	Revaluation surplus reserve \$'000	Share-based payments reserve \$'000	Total \$'000
Balance at 1 July 2021	(3,153)	744	(2,409)
Performance rights exercised and settled in previously held treasury shares	-	(288)	(288)
Share-based payments	-	290	290
Balance at 31 December 2021	(3,153)	746	(2,407)

14. Retained profits

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Retained profits at the beginning of the financial half-year	11,377	11,470
Profit after income tax expense for the half-year	5,781	12,366
Dividends paid (note 15)	(4,889)	(12,459)
Retained profits at the end of the financial half-year	12,269	11,377

15. Dividends

On 25 February 2022 the Directors declared a fully franked interim dividend of 4.00 cents per share to the holders of fully paid ordinary shares.

	31 Dec 2021**		31 Dec 2020**	
	Amount per share (cents)	Total amount \$'000	Amount per share (cents)	Total amount \$'000
Dividends paid				
Final dividend	4.00	3,257	5.00	4,082
Interim dividend	2.00	1,632	3.00	2,473

	31 Dec 2021		31 Dec 2020**	
	Amount per share (cents)	Total amount \$'000	Amount per share (cents)	Total amount \$'000
Dividends declared not yet paid				
Interim dividend	4.00	3,330	4.00	3,257

**These amounts relate to SHAPE Australia Holdings Pty Limited, following a restructure on 14 December 2021 the parent entity became SHAPE Australia Corporation Limited. Details of the restructure are found in the Directors Report.

16. Earnings per share

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Profit after income tax attributable to the owners of SHAPE Australia Corporation Limited	5,781	6,051
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	81,811,397	82,030,037
Adjustments for calculation of diluted earnings per share:		
Performance rights	820,029	597,723
Weighted average number of ordinary shares used in calculating diluted earnings per share	82,631,427	82,627,760
	Cents	Cents
Basic earnings per share	7.1	7.4
Diluted earnings per share	7.0	7.3

17. Share-based payments

Employee Incentive Plans

The Company has established:

- i. an employee incentive plan to assist in the attraction, motivation, retention and reward of senior management and other eligible employees (SELT1); and
- ii. an employee incentive plan to assist in the attraction, motivation, retention, and reward of all of the SHAPE's employees (ESAP).

The Company and SHAPE Australia Holdings Pty Limited undertook a restructure, whereby the Company was interposed as the new holding company of SHAPE Australia Holdings Pty Limited (by way of a share for share exchange with the shareholders of SHAPE Australia Holdings Pty Limited). The interposition of the Company was undertaken as a preparatory step to, and in order to facilitate, the Company's listing on the Australian Securities Exchange.

As a part of the restructure, the holders of performance rights granted by SHAPE Australia Holdings Pty Limited agreed to the replacement of those rights in consideration for the grant by the Company of the equivalent number of performance rights on substantially similar terms. The replacement performance rights were granted under SELTI. The Company granted 3,286,949 performance rights in exchange for the performance rights in SHAPE Australia Holdings Pty Limited.

SELT1

Under the rules of the SELTI, the Board has a discretion to grant a share right (Right) which entitles the eligible persons who have been granted Rights, if the relevant performance or vesting conditions are satisfied, to receive a fully paid ordinary share in the Company. All Rights that do not satisfy the relevant performance condition at the time for vesting, lapse and have no further effect.

The performance milestones for the performance rights will be determined by reference to compound annual net profit growth (Profit before Income Tax and Employee Profit Share as shown in the Group's accounts) between the base year (year prior to commencement of the measurement period) and the final year of the measurement period and applying the following scale:

Performance level	Standard of performance: compound annual growth rate for net profit growth over measurement period	Vesting % of tranche
Stretch	>= 12.00%	100%
Between Target and Stretch	> 8.00% & < 12.00%	Pro-rata
Target	8.00%	50%
Between Threshold and Target	> 5.00% & < 8.00%	Pro-rata
Threshold	5.00%	25%
Below Threshold	< 5.00%	0%

Set out below are summaries of performance rights granted under the SELTI:

31 Dec 2021

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
02/06/2020	01/07/2021	\$0.00	903,358	-	(158,088)	(745,270)	-
02/06/2020	01/07/2022	\$0.00	1,235,664	-	-	(73,009)	1,162,655
01/12/2020	01/07/2023	\$0.00	976,435	-	-	(82,167)	894,268
01/07/2021	01/07/2021	\$0.00	-	120,229	(21,040)	(99,189)	-
01/07/2021	01/07/2022	\$0.00	-	116,814	-	-	116,814
01/07/2021	01/07/2023	\$0.00	-	92,308	-	-	92,308
27/09/2021	01/07/2024	\$0.00	-	1,083,841	-	(62,937)	1,020,904
			<u>3,115,457</u>	<u>1,413,192</u>	<u>(179,128)</u>	<u>(1,062,572)</u>	<u>3,286,949</u>

In the above table, the balance at the start of the half-year and the movements during the half-year represent the performance rights granted by SHAPE Australia Holdings Pty Limited which were subsequently canceled and replaced with performance rights in SHAPE Australia Corporation Limited on substantially similar terms. The balance at the end of the half-year represents the performance rights in SHAPE Australia Corporation Limited which were a continuation of the rights granted by SHAPE Australia Holdings Pty Limited.

ESAP

Under the rules of the ESAP, the Board may in its absolute discretion from time to time invite eligible employees of the Company to participate in the ESAP by providing it with an invitation, which entitles the employee to acquire shares in the Company. There were no shares granted to employees under the ESAP during the current reporting period.

On 4 November 2021, the Company granted 146,845 shares to employees that vested immediately on grant date and have no exercise price. Therefore, the fair value at grant date is the same as the share price at grant date being \$1.96.

18. Events after the reporting period

The directors declared an additional fully franked interim dividend of 4 cents per share on 25 February 2022, a record date of 4 March 2022 and a payment date set for 18 March 2022.

At the date of this report, there are ongoing restrictions, challenges and inefficiencies arising from COVID-19 which continue to impact operating performance.

Apart from the matters described above, no other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect SHAPE's operations, the results of those operations, or SHAPE's state of affairs in future financial years.

SHAPE Australia Corporation Limited
Directors' declaration
31 December 2021

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *'Interim Financial Reporting'*, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

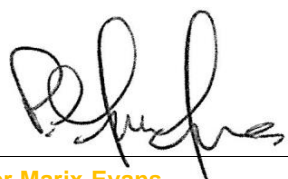
On behalf of the directors



Phil Arnall

Chairman

25 February 2022



Peter Marix-Evans

Managing Director

25 February 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF SHAPE AUSTRALA CORPORATION LTD AND CONTROLLED ENTITIES

Report on the Half-Year Financial Statements

Conclusion

We have reviewed the half-year financial statements of SHAPE Australia Corporation Ltd ("the Company") and its controlled entities ("the Group") which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial statements of the Group does not comply with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Statements* 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the annual financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors' for the Financial Statements

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

Brisbane
Level 15
240 Queen Street
Brisbane QLD 4000
T + 61 7 3085 0888

Melbourne
Level 10
530 Collins Street
Melbourne VIC 3000
T + 61 3 8635 1800

Perth
Level 25
108 St Georges Terrace
Perth WA 6000
T + 61 8 6184 5980

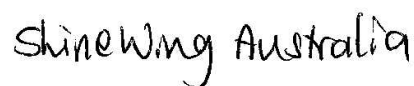
Sydney
Level 7, Aurora Place
88 Phillip Street
Sydney NSW 2000
T + 61 2 8059 6800



Auditor's Responsibilities for the Review of the Financial Statements

Our responsibility is to express a conclusion on the half-year financial statements based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial statements are not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial statements consists of making enquiries, 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 Australian Auditing Standards 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.



ShineWing Australia
Chartered Accountants



René Muller
Partner

Sydney, 25 February 2022

CORPORATE DIRECTORY

Principal place of business and Registered office

Level 11, 155 Clarence Street Sydney
NSW 2000
(02) 9906 6977
Shape.com.au

Auditor

ShineWing Australia
Level 7, Aurora Place
88 Phillip Street,
Sydney NSW 2000

Banker

National Australia Bank

Company Secretary

R Weir

Solicitors

Turtons Lawyers
Level 18,
56 Pitt Street
Sydney NSW 2000

Share Registry

Boardroom Pty Ltd
Level 12, 225 George St
Sydney NSW 2000
(02) 9290 9600

Stock Exchange Listing

SHAPE Australia Corporation Limited shares are listed on the Australian Securities Exchange (ASX code: SHA)

Website

Shape.com.au

Corporate Governance Statement

www.investor.shape.com.au/corporate-governance