



# Appendix 4E

Results for Announcement to  
the Market and Annual Report

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**BSA Limited**  
50 088 412 748

FOR THE YEAR ENDED 30 JUNE 2018



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- APPENDIX 4E
- ANNUAL REPORT

# RESULTS FOR ANNOUNCEMENT TO THE MARKET

FOR THE PERIOD ENDED **30 JUNE 2018**

PREVIOUS CORRESPONDING PERIOD 30 JUNE 2017

## APPENDIX 4E

				\$'000
Revenue from ordinary activities	Up	14.2%	to	562,301
Profit from ordinary activities after income tax attributable to members	Down	60.5%	to	1,564
Net profit for the period attributable to members	Down	60.5%	to	1,564

	2018 cents	2017 cents
Basic earnings per share	0.370	0.937
Diluted earnings per share	0.368	0.933
Net tangible asset backing per ordinary share	5.14	5.12

### DIVIDENDS

	Amount per security (cents)	Franked amount per security at 30% tax (cents)
Interim dividend (fully franked)	Nil	Nil
Final dividend (fully franked)	0.50	0.50

Record date for determining entitlement to dividends 28 September 2018

Payment date of dividend 2 November 2018

Total dividend payable \$2,115,000

The Company's Dividend Reinvestment Plan (DRP) will be in operation for this dividend. Holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares will be allotted or transferred under the DRP for a price which is equal to the arithmetic average of the daily volume weighted average market price (rounded to the nearest whole cent) of all fully paid shares of that class sold on the ASX (excluding special crossings and other categories reasonably determined by the Directors as distorting the fair market value of the shares) during the ten trading days commencing on the second trading day following the relevant Record Date, determined by reference to such information as the Directors approve for the purpose from time to time. None of this dividend is foreign sourced.

This report is based on the consolidated financial statements which have been audited by Deloitte Touche Tohmatsu, with the Independent Auditor's Report included in the financial statements.



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# 2018

## **BSA LIMITED**

### ANNUAL REPORT



BSA | Maintain has been providing Heating and Ventilation Air Conditioning Services to Monash University – Clayton Campus, Victoria for over 5 years. We proudly stand behind our self delivery model and technical support of the site FM team with specialist services including BMS and incident response for CO2 leaks. These are examples of our customer partnership approach at Monash University, in a recent customer survey BSA scored a 94% satisfaction rate.



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## KEY HIGHLIGHTS

**\$562.3 million**

Revenue

**\$9.0 million \***

EBITDA

**\$1.6 million**

NPAT

\* Reconciliation on page 13

BSA | Maintain has been providing services to the JLL – Telstra Commercial portfolio across the east coast of Australia since October 2017. The Service Agreement includes delivery across all technical hard services including preventative maintenance to air-conditioning and ventilation systems, BMS, fire protection and electrical assets.

**Michael Givoni**  
Chairman



2018 has been a year of contrasts for BSA Limited and this is reflected in our financial results. A detailed review of the results is outlined in the Managing Director's Report, but the key Group numbers are:

**Revenue** \$562.3 million (2017: \$492.3 million)

**EBITDA** \$9.0 million (2017: \$11.1 million)

**EBITDA excluding significant items** \$14.8 million (2017: \$17.8 million)

**NPAT** \$1.6 million (2017: \$4.0 million profit)

**NPAT excluding significant items** \$5.6 million (2017: \$8.7 million)

**Operating cash outflow** \$4.7 million (2017 outflow \$0.8 million)

**Basic earnings** per share of 0.37 cents (2017: 0.94 cents)

**Net Cash** \$7.0 million (2017: 13.5 million)

**Final dividend declared** 0.5 cents per share (2017: 0.5 cents)

The BSA Management Team underwent a significant restructure during the latter half of 2018, with material delayering of the organisation. In addition to cost savings moving forward, this has allowed the Executive Management Team to be closer to critical business activities resulting in early identification of significant trends.

Good progress has been made on our major legacy issue, the new Royal Adelaide Hospital Project. This project work has now been completed and we expect to close out the remaining commercial issues in the coming months.

As announced to the market in June 2018, the **BSA | Build | HVAC** Business Unit has not performed to expectation during the year. The Board and Management team have implemented important initiatives to address the underlying issues and the performance of this business unit is trending upward. The bulk of the financial impacts relating to the underperforming contracts in this business unit are contained within FY2018. In summary terms, the key inhibitor to acceptable performance in this business unit has been delays out of our control. Nevertheless, unless we can negotiate acceptable legal terms that enables compensation for these events then we cannot continue to bid for these contracts. As a market leader we need to demonstrate the leadership necessary to redress the imbalance between risk and return, or simply not participate.

The Fire business continues to perform very well. This business unit secured its largest contract to date being the NorthConnex Project within the year and this win underlines our ability to deploy our skills in the burgeoning infrastructure space.

**BSA | Connect** achieved solid results for FY2018, largely due to our works on the nbn Operate and Maintain (OMMA) contract but operational efficiencies in other areas of the business unit also contributed to the performance. Pleasingly the feedback from our customers reaffirms that we are in the upper echelon of contractors in this field. Our investment in new business development areas such as solar and smart meters is also starting to pay dividends.

**BSA | Maintain** achieved improved revenue for the year and continued to increase our overall geographic footprint.

Pleasingly, FY2018 has seen BSA achieve excellent results in the area of workplace health and safety. BSA exceeded set targets across key reporting metrics and continues the trend towards industry best practice.

We are pleased to announce a dividend of 0.5 cents per share will be paid on 2 November 2018 for all shares on the register as at 28 September 2018.

The market outlook remains stable for the sectors with our key priorities being a drive to reduce our overheads, balanced with an ongoing focus on Business Development. As a consequence the Board is expecting substantially improved performance in FY2019.

It also worth noting that we are already observing and expect further consolidation of participants in our three major business sectors and we need to be proactive to determine what role we ought play as a consequence.

BSA has continued to enjoy a supportive and strong relationship with our financiers in FY2018. As announced during the year, the Group has again extended its existing finance facilities through to 2020.

On behalf of the Board of Directors, I would like to acknowledge the ongoing endeavours of our CEO, Nicholas Yates, the BSA executive team and their staff in FY2018.

I would like to thank my fellow Directors for their contribution to BSA and for their continued support.

Michael Givoni  
Chairman  
29 August 2018





## MANAGING DIRECTOR'S REPORT



**Nicholas Yates**

Managing Director and  
Chief Executive Officer

### OPERATIONAL AND FINANCIAL HIGHLIGHTS AND OUTLOOK

FY2018 has produced a diverse range of results for BSA Limited. Overall, the Group achieved revenue of \$562.3 million, which is a 14% improvement on FY2017. Group EBITDA for the year was \$9.0 million, (FY2017 \$11.1 million) and net profit was \$1.6 million (FY2017 \$4.0 million).

The **BSA | Connect** business unit performed well, particularly in relation to our works for nbn and achieved substantially improved financial results across all metrics. In addition to solid financial results, customer retention and safety have both been areas of considerable success for this business unit. However, as foreshadowed in our market update in June 2018, the underperformance of the **BSA | Build | HVAC** business, largely due to project related factors beyond our control, have impacted the Group result for the year. The **BSA | Maintain** business achieved

an improved revenue result at a reduced EBITDA as the business moved through the transitional stages of an internal restructure and investment whilst achieving non-financial goals relating to geographic and market footprint expansions.

The year also saw significant movement into new markets in line with our strategy of the creation of new service lines. This success, particularly in the energy space, validates the ability of BSA to diversify into growing market sectors.

In addition, BSA has undergone a year of significant change, commencing with a major restructure which saw the streamlining of senior management teams, the removal of an entire management layer and a refocus of business methodologies to realign with our fundamental priorities and key strategic goals. The structural changes have also impacted on our FY2018 results. However this transformation places BSA in a good position to realise financial savings and business efficiencies in future years.

Significant effort has also continued in relation to closing out legacy issues including the finalisation of the outstanding matter with the NSW Office of State Revenue and progressing contract finalisation on the new Royal Adelaide Hospital Project.

A key focus for the business has been reorganisation of our Business Development function, to ensure maximum returns from the significant investment made in this area. This approach has begun to yield results, with a number of contracts awarded in new markets throughout the year.



## GROWTH

In line with our strategic goal to increase the proportion of annuity style revenue for the Group, we have made further progress in this area, with annuity style revenue now 61% of total Group revenue. BSA has entered FY2019 with a lower **BSA | Build | HVAC** order book of \$119m and an increased **BSA | Build | Fire** order book of \$50m as well as annualised recurring revenues of \$273m.

Continued investment in our CEO Incubator Program and abovementioned Business Development focus has seen BSA enter two new markets in FY2018 – Solar and Energy Smart Metering, with small contracts in both markets, that are anticipated to lead to further works being awarded in these areas in the short to medium term.

## HEALTH SAFETY, ENVIRONMENT & QUALITY (HSEQ)

FY2018 has seen a sustained focus upon continual improvement in Health and Safety and the systemisation of BSA processes.

BSA set itself a strong improvement target (20% TRIFR Reduction) with regards to injury reporting (noting the continued focus upon TRIFR rather than LTIFR as key evidence of a maturing safety and reporting culture) and the management and prevention of injury escalations.

BSA was able to meet (and better) this target and saw a 60% reduction in employee LTIs and a 20% reduction in employee MTIs (versus FY2017). Careful management combined with successful Return to Work methodologies and suitable duty offerings has seen

a significant reduction in worker compensation claims (numbers, duration & cost) and also associated premiums.

BSA is now focusing upon Subcontractor reported injuries and how it can better partner with Subcontractors to avoid and reduce injuries on its worksites.

The foundational work carried out in the past 3 years has continued to place BSA on a path to best practice and a leader led Health and Safety culture. A focus this year on the identification, management and mitigation of BSA 'Significant Risk Activities' has also allowed the Group to better understand and manage our hazard risk profile which has contributed to the improvement.

Utilising the BSA Group Business Process Framework, HSEQ Strategy and individual Business Unit documentation, the BSA Group successfully achieved a transition to the new ISO Standards of Environment and Quality in April 2018.

## COMMUNITY SUPPORT

During the year BSA, its subsidiaries and its employees, contributed to a number of charity fundraisers including Property Industry Foundation, South Newcastle Rugby League, Royal Alexandra Hospital, Sydney Uni Sport, Southern Districts Rugby, Light the Night, Ecosave, Telco Together and for the first year, we held simultaneous morning teas across the country as part of the 'Australia's Biggest Morning Tea' in support of the Cancer Council. We also continued our longstanding support of Youngcare through the provision of services in-kind.

# MANAGING DIRECTOR'S REPORT

BSA has been providing installation and maintenance services for Foxtel since 1998 in metro and regional locations across Australia.



## BSA | CONNECT

**BSA | Connect** has capitalised on the significant mobilisations undertaken in the previous years to deliver record work volumes, revenues and profits in FY2018. The business delivered revenue growth of 34% which drove an EBITDA result of \$18.5 million, representing a \$9.0 million or 95% increase on the prior year.

A significant driver of this strong uplift in revenue and profitability was the growth in work volumes delivered on the nbn Operate and Maintain (OMMA) contract which were 120% better than the previous year, however were tempered somewhat by the nbn Hybrid Fibre Coax (HFC) rollout pause announced in late 2017. A continued focus on improving customer outcomes and operational delivery saw **BSA | Connect** deliver excellent operational performance on the nbn OMMA contract during the year.

Further pressure in traditional subscription television market volumes as competition from streaming services intensifies has impacted returns from the long-standing Foxtel contract. **BSA | Connect** continues to be integral to the deployment of Foxtel's "Command Centre" model to deliver efficiencies and greatly improve the end customer experience to counter those competitive threats.

A focus on operational efficiencies on the Optus contract contributed well to the overall strong result. The relationship with Optus has been further strengthened with a number of smaller contract wins towards the latter part of the year.

In alignment with our strategy of entering emerging market segments, BSA commenced providing electricity metering field services for Vector Advanced Metering Services Australia in August 2017, initially undertaking a small trial program and more recently successfully securing an evergreen contract for a much larger volume of metering activities. In addition, in April 2018 BSA was awarded a 3 year contract with Energy Australia for the supply and installation of residential solar and battery systems.

**BSA | Connect** implemented structural changes towards the end of FY2018 that will enable the business to further consolidate its position in FY2019 as a leading national provider of telecommunications operations & maintenance services and large scale workforce management solutions that delivers improved customer value and more efficient, streamlined operations through the execution of its People, Process and System strategies.



BSA | Connect delivered excellent operational performance on the nbn OMMA contract during the year.

**Key areas of focus for FY2019 include:-**

- Retaining and expanding services to existing telecommunications customers via geographic and new services opportunities.
- Diversification of the telecommunications customer base targeting both project and annuity based maintenance service contracts.
- Entry into the mobile telecommunications market in preparation for 5G opportunities.
- Establishment and growth within the fixed wireless network and residential sector.
- Expansion of energy market services via geographic growth and increased diversification of the customer base.
- Converting opportunities within adjacent sectors for delivery of work force management systems and resources management solutions to scale.
- Increased focus on identifying and converting opportunities within Government departments related to telecommunications, energy and Internet of Things (IOT) including Smart City end-to-end opportunities.
- Development of strategic partnerships enabling design, build, operate and maintain services.
- In all sectors BSA will be seeking to provide innovative solutions for its customers creating opportunities to move up the value chain.

**BSA | Connect**

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**\$249.4 million**

Revenue  
[2017: \$186.5 million]

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**\$18.5 million \***

EBITDA  
[2017: \$9.5 million]

NB: Excludes Corporate Recharges



## BSA | MAINTAIN

BSA | Maintain has been servicing two News Corp Print centre's in QLD for the past 16 months, carrying out preventative maintenance and corrective repairs as required to the air conditioning & ventilation systems.

BSA | Maintain revenue increased, however EBITDA decreased as the business unit invested in national contracts and the fire maintenance business, together with a focus on achieving technical leadership and discipline across all levels of BSA | Maintain while streamlining operations and generating tangible cost savings.

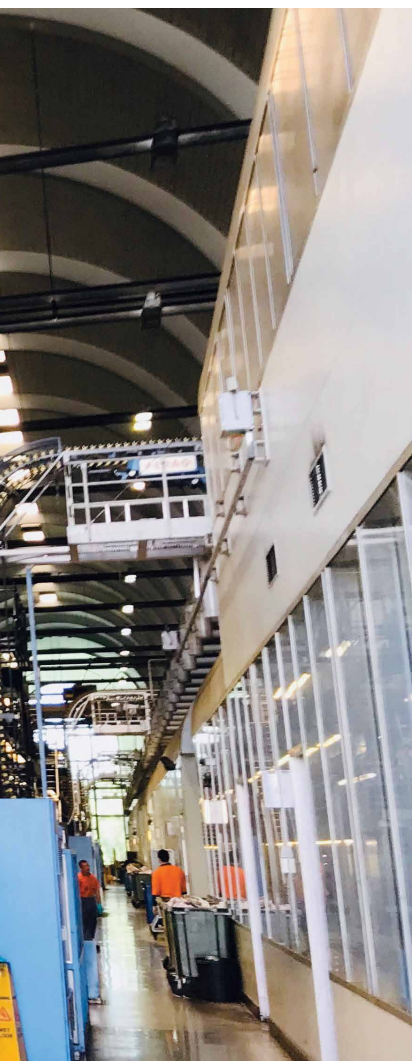
Our goal is to be recognised as the leader in client service delivery across all stages of the asset lifecycle. In alignment with this goal, we have continued to expand our service offering through the development of the Building Automation division, with established footprints in WA, Victoria and Queensland, and work is underway to finalise the expansion by entering NSW in early FY2019.

During the year, BSA | Maintain has also continued to extend its geographical footprint by opening additional service locations in South

Australia and regional NSW. Our expansion plans remain focused around key multi-service delivery opportunities with plans progressing towards a comprehensive national footprint including Tasmania by FY2020.

A key component for the growth and development of BSA | Maintain as an industry leader in technical services is to strengthen our ability to resource technically-minded tradespeople. In this regard, we have this year expanded our apprentice training initiative nationally to ensure future growth will be supported by highly competent, client-focused field personnel for the ongoing delivery of superior service solutions.

Throughout FY2018, the business unit has continued to retain and expand service agreements in a wide range of industries across Australia including commercial property, education, aged care, healthcare, state and local government, defence, data centres and resources.



Our continued efforts to be recognised as experts in asset management across all stages of the equipment lifecycle has led to our first energy management lifecycle contract, with Colliers International on the 99 St Georges Terrace Project in Perth, where the building upgrade has been underpinned and funded through the delivery of a multi-tiered service offering, showcasing our expertise in building automation, energy management and advisory. The offering will deliver significant financial returns to our client, funded through measurable savings in energy consumption.

This groundwork towards positioning **BSA | Maintain** as an industry leader in complete asset lifecycle management in every major capital city across Australia is well-established and has strongly positioned the business unit for sustainable business growth.

As a result of further investment in business development activities during the year,

**BSA | Maintain** has secured a number of new contracts including:

- Curtin University (WA)
- St John of God Hospital (WA)
- Baptistcare Aged Care (WA)
- Pan Pacific Hotel (WA)
- Various Local Councils (WA)
- AECOM Government Services Australia (NT)

In addition, the following key contract extensions have been secured during the financial year.

- Charter Hall (WA and SA)
- University of Sydney (NSW)
- Various Local Councils (WA)
- Power and Water Corporation (NT)

In line with the wider BSA Group goal of increasing the ratio of annuity revenue, a key focus for the **BSA | Maintain** team entering FY2019 will be to achieve this via further growth in the multiservice sector, energy services and a continued push into new markets.

## BSA | Maintain

**\$93.5 million**

Revenue

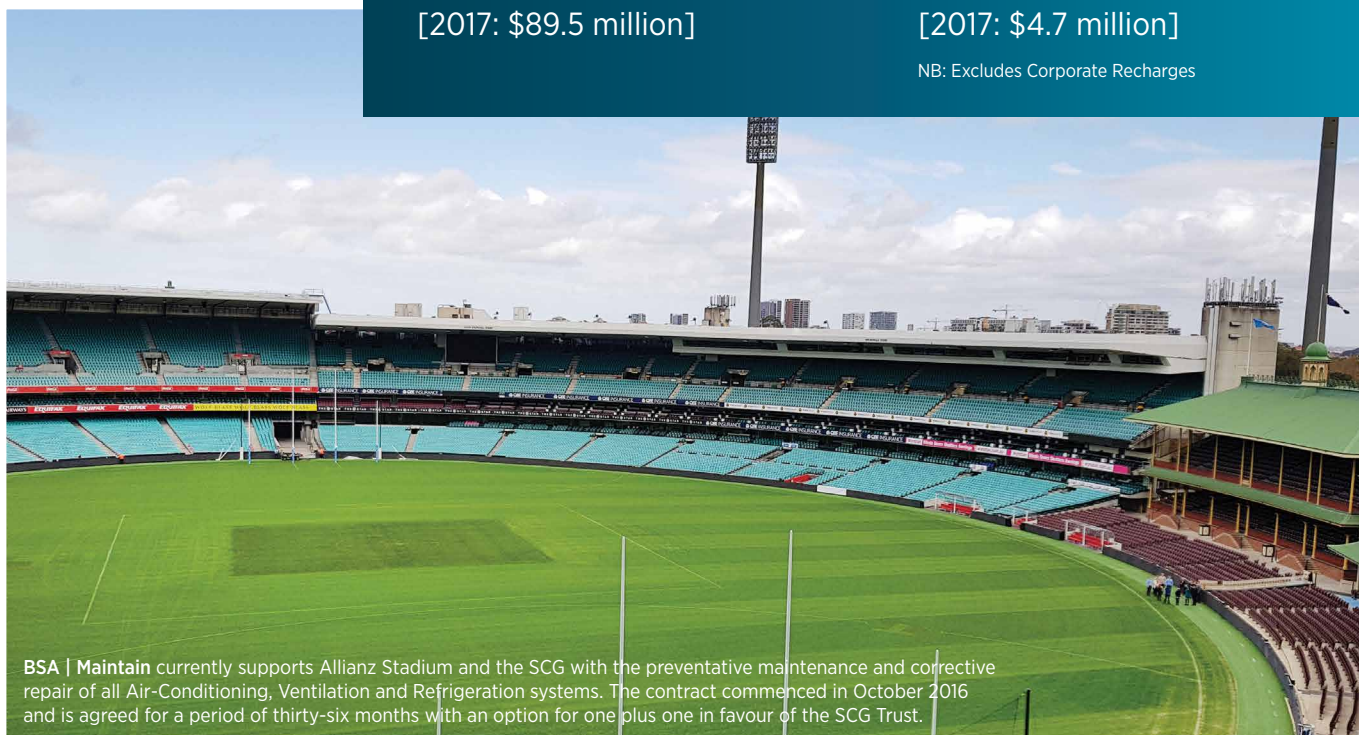
[2017: \$89.5 million]

**\$2.9 million \***

EBITDA

[2017: \$4.7 million]

NB: Excludes Corporate Recharges



**BSA | Maintain** currently supports Allianz Stadium and the SCG with the preventative maintenance and corrective repair of all Air-Conditioning, Ventilation and Refrigeration systems. The contract commenced in October 2016 and is agreed for a period of thirty-six months with an option for one plus one in favour of the SCG Trust.

NorthConnex Tunnel Construction 90 metres below the surface. BSA | Fire will install over 18 kilometres of sprinkler deluge once excavation is completed.



## BSA | BUILD

The **BSA | Build** result was disappointing and while a number of issues were outside our control we have also taken the opportunity to re-evaluate the operational structure of the business unit. As a result, **BSA | Build** was further streamlined and refocused to optimise our market offering of leading design and construct solutions in HVAC systems and Fire Protection. Geographically the business has been present in all major state capital cities across Australia.

In FY2018 the business unit carried out the consolidation of the Sydney and Brisbane HVAC divisions and downsized the WA operations. Whilst this restructuring activity has also impacted the EBITDA result for the year, these changes are anticipated to result in a significant financial improvement in the HVAC divisions in FY2019 and beyond.

All businesses within **BSA | Build** continued to establish and maintain their status as tier 1 solution providers with end-to-end in-house capability in the Fire and HVAC sectors.

The new Royal Adelaide Hospital (nRAH) project reached commercial acceptance during the financial year and accepted its first patient on 14 August 2017. We have been focusing on remaining a significant market player in South Australia. This was achieved through the award of the design and construct contract for the Calvary Hospital worth \$23.4 million.

As previously announced to the market, BSA Limited secured the largest Fire Protection Services contract in its history in March 2018, being the major infrastructure contract for the Project Management, Procurement, Installation and Commissioning of the sprinkler deluge



## BSA | Build

**\$219.7 million**

Revenue

[2017: \$216.6 million]

**\$6 million loss \***

EBITDA

[2017: \$1.4 million]

NB: Excludes Corporate Recharges

provided by Mirvac and modelling undertaken in house provided Mirvac with the technical and investment information to confidently define the solution for solar energy generation at the ATP site.

Our FY2019 focus will include targeting projects with clients who value our additional advisory services and ensuring that we continue to work within our solid disciplinary foundation in the way we win, execute and maintain our projects.

### nRAH

BSA is now almost entirely demobilised and the defects liability period has been completed. We are now looking to negotiate a final contractual position and close out this longstanding legacy issue.

Nicholas Yates  
Managing Director and  
Chief Executive Officer

29 August 2018

### DISCLOSING NON-IFRS FINANCIAL INFORMATION

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

	FY2018 A\$'000	FY2017 A\$'000
Profit/(loss) for the year from continuing Operations	1,564	3,963
Add back		
Income tax expense/(benefit)	909	1,671
Finance costs	645	595
Interest revenue	(24)	(166)
Depreciation	5,273	4,260
Amortisation expense	674	738
EBITDA	9,041	11,061
Total Significant Items (note 6.4)	5,764	6,751
EBITDA excluding Significant Items	14,805	17,812

system for over 18km of main line road tunnel for the NorthConnex Project. This flagship contract was secured via the application of innovative design and market leading prefabrication principles and innovative commercial/contractual structuring. This project represents a significant milestone for the business and underpins not only the strategy to be the market leader in fire protection services nationally, but also our strategic objective to enter the burgeoning infrastructure market.

BSA has continued its efforts in relation to building business value propositions for customers across their asset lifecycles as well as other value add services. Our Renewable Energy advisory service has gained traction throughout the year. When Mirvac went to tender for Solar integration works at their flagship Australian Technology Park (ATP), BSA's analysis based on a combination of energy data



# DIRECTORS' REPORT

## THE BOARD OF DIRECTORS PRESENTS ITS REPORT

The Directors of BSA Limited ('BSA' or the 'Company') present their report on the Company and its subsidiaries for the financial year ended 30 June 2018

### THE BOARD OF DIRECTORS AS AT 30 JUNE 2018



#### **MICHAEL GIVONI**

CHAIRMAN (NON-EXECUTIVE)

Mr Givoni has had extensive executive experience in the business-to-business (B2B) areas of commerce. His particular area of expertise is in strategy, business development and mergers and acquisitions. Michael has

held senior executive roles in listed companies including Spotless Group Ltd. Prior to his executive career, Michael was a partner in a prominent Melbourne legal practice. Michael joined BSA as a Non-Executive Director on 23 March 2005 and was appointed as Chairman from 29 April 2015. He holds a number of other Non-Executive Director and Chair roles in significant privately owned businesses including Winslow Group, RSEA, First5Minutes and Buzz Products.



#### **PAUL TEISSEIRE**

NON-EXECUTIVE DIRECTOR

Mr Teisseire is a professional independent Non-Executive Director. He spent over 20 years in private practice as a corporate lawyer specialising in business and corporate law with a special interest in corporate governance.

He is a Non-Executive Director and Audit Committee Chairman of Drake Supermarkets Pty Ltd and Chairman for the Flinders Centre for Innovation in Cancer. Paul was appointed as a Non-Executive Director on 23 March 2005 and is currently Chair of the Audit Committee.



#### **NICHOLAS YATES**

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr Yates graduated with a Bachelor of Engineering (Mechanical) from the University of Sydney and went on to forge an extensive career in the building services and facilities

management industries. Commencing as a site engineer overseeing mechanical services installations, Nicholas then progressed through various management roles within Lend Lease and eventually moved on to become CEO of APP Corporation Pty Limited, Australia's leading Construction Project Management consulting business. When APP was acquired by Transfield Services, Mr Yates moved into a series of leadership roles within Transfield Services, most recently Chief Executive Officer, Infrastructure ANZ. Nicholas sits on the Boards of a number of private companies and was appointed Managing Director and Chief Executive Officer of BSA Limited on 13 March 2014.



#### **MAX COWLEY**

NON-EXECUTIVE DIRECTOR

Mr Cowley practised as Principal of Chartered Accounting firm E M Cowley & Co for 47 years. His years of corporate and financial experience are extensive. Max is a director of WIN Corporation Pty Ltd, Australia's largest regional

television network and has been involved with that organisation from its commencement and over the past 37 years. Having previously served on the Board of BSA from 2 May 2006 until 27 November 2012, Max was appointed as a Non-Executive Director on 14 April 2014.



#### **MARK LOWE**

NON-EXECUTIVE DIRECTOR

Mr Lowe was appointed as a Director of BSA on 1 August 2007 upon completion of the acquisition of the Triple 'M' Group. Mark brings a wealth of knowledge to the Company from his 30 years' experience in the

installation and maintenance of Air Conditioning and Fire Protection Services. He is a former Director of Construction Information Systems Limited (NATSPEC) and a former National President of the Air Conditioning Mechanical Contractors Association of Australia. Following his retirement from executive duties Mark was appointed a Non-Executive Director on 2 March 2012.



#### **GRAEME BARCLAY**

NON-EXECUTIVE DIRECTOR

Mr Barclay has extensive experience in executive leadership and strategic development in areas that brings valuable skills to the BSA board and company. Mr Barclay successfully led all aspects of a major telecommunications

group for more than a decade in the role of Group CEO with responsibility for financial performance, strategy, sales, corporate development, international expansion, operations and capital structure.

Mr Barclay also has senior executive level experience within investment banking and chartered accounting businesses, with responsibilities including property investment banking, corporate finance and corporate restructuring.

Mr Barclay is a member of the Australian Institute of Company Directors, a Fellow of the Financial Services Institute of Australasia and is a qualified Chartered Accountant in Scotland and Australia/NZ. Mr Barclay is currently a Non-Executive Director of Codan Limited and of Axicom Group Holdco Pty Limited. Graeme was appointed as a Non-Executive Director on 30 June 2015, and is currently Chair of the Remuneration Committee.

## DIRECTOR INDEPENDENCE

The Board considers three of BSA's Directors independent, as defined under the guidelines of the ASX Corporate Governance Council, being: Michael Givoni, Paul Teisseire and Graeme Barclay.

In assessing the independence of Directors, the Board follows the ASX guidelines as set out in the Corporate Governance Statement on the Company's website.

## PERFORMANCE OF DIRECTORS

In accordance with Principle 2.5 of the ASX Corporate Governance Principles and Recommendations, the Board conducts a review of the performance of its Directors and the Board's function as a whole each year. The evaluation of Directors is carried out in accordance with the process established by the Board, led by the chairman of the Remuneration Committee.

## COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year:

Mr Graham Seppelt - Mr Seppelt has had extensive experience as a contract accountant and in corporate advisory roles. He is currently

Company Secretary for Legend Corporation Limited, Erinbar Limited and UXA Resources Limited.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

BSA was not subject to any particular or significant environmental regulations of the Commonwealth, individual states, or territories, during the financial year.

## CORPORATE GOVERNANCE

BSA continued to follow best practice recommendations as set out by the ASX Corporate Governance Council. Where the Company has not followed best practice for any recommendation, explanation is given in the Corporate Governance Statement which is available on the Company's website at [www.bsa.com.au/pages/about/corporate-governance.html](http://www.bsa.com.au/pages/about/corporate-governance.html)

## REVIEW OF OPERATIONS

Information relating to the operations of BSA including a description of principal activities, a review of operations, significant changes in activities and affairs during the year and likely future developments and prospects can be found in the Chairman's Report and Managing Director's Report on pages 5 to 13.



An 81 metre shaft that has been excavated to provide a main access point to transport workers to the tunnel at the NorthConnex Wilson Road Compound.

# DIRECTORS' REPORT

## INFORMATION ON DIRECTORS

As at 30 June 2018, the following information is provided in relation to Directors:

Director	Special Responsibilities	Ordinary Share	Options	Share Rights
Michael Givoni				
	Non-Executive Director Chairman of Board Member of Remuneration Committee Member of Audit Committee	796,400	Nil	207,838
Nicholas Yates				
	Executive Director Managing Director	2,854,760	Nil	1,259,524
Max Cowley				
	Non-Executive Director Member of Remuneration Committee Member of Audit Committee	72,000,000*	Nil	Nil
Paul Teisseire				
	Non-Executive Director Member of Remuneration Committee Chairman of Audit Committee	680,012	Nil	Nil
Mark Lowe				
	Non-Executive Director Member of Remuneration Committee Member of Audit Committee	10,315,403	Nil	Nil
Graeme Barclay				
	Non-Executive Director Chairman of Remuneration Committee Member of Audit Committee	Nil	Nil	50,000

\*Max Cowley is a director of Birketu Pty Ltd which holds the 72,000,000 ordinary shares in BSA Limited.

At the date of this Annual Report, the only changes to the above directors' interest in shares, rights or options are that the Share Rights for Michael Givoni and Graeme Barclay have converted to Ordinary Shares.



BSA Operational Leadership Meeting

## DIRECTORSHIPS HELD IN OTHER LISTED ENTITIES

Period of Appointment	Name of Company	Position Held (Non-Executive or Executive Director)
Graeme Barclay		
Appointed 1 February 2015	Codan Limited	Non-Executive Director

## REMUNERATION REPORT - AUDITED

This remuneration report details the nature and amount of remuneration for each key management person of BSA Limited.

The Company's policy for determining the nature and amount of remuneration for Board members and Senior Executives of the Company is as follows and is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Cash bonuses
- E. Share-based compensation
- F. Remuneration Consultants

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

### A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives, the creation of value for shareholders and conforms to market practice for how the reward is paid. The Board ensures that executives' reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage/alignment of executive compensation;
- Transparency; and
- Capital management.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- Has the achievement of target financial profit as a core component of performance reward;
- As well as focusing each executive on key performance metrics relevant to the role; and
- Attracts and retains high calibre executives.

Alignment to program participants' interests:

- Rewards capability and experience;
- Reflects competitive reward for contribution to financial performance;
- Provides a clear structure for earning rewards; and
- Provides recognition for contribution.

The framework provides a mix of fixed and variable at-risk pay for executives and senior managers as well as additional long-term incentives for the most senior executives. As executives gain seniority and greater responsibility within the Group, the balance of this mix shifts to a higher proportion of at-risk rewards.

The Board has established a Remuneration Committee that provides advice on remuneration and incentive policies and practices, as well as specific recommendations on remuneration packages and other terms of employment for Executive Directors, other Senior Executives and Non-Executive Directors. The Corporate Governance Statement provides further information on the role of this committee.

# DIRECTORS' REPORT

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2018:

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
<b>Revenue</b>	\$562.3m	\$492.3m	\$511.9m	\$543.7m	\$491.5m
Net profit/(loss) before tax	\$2.5m	\$5.6m	(\$3.0)m	\$5.4m	(\$61.3)m
Net profit/(loss) after tax	\$1.6m	\$4.0m	(\$2.2)m	\$3.9m	(\$54.8)m
Share price at start of year	\$0.340	\$0.245	\$0.165	\$0.100	\$0.145
Share price at end of year	\$0.305	\$0.340	\$0.245	\$0.165	\$0.100
Final Dividend <sup>1</sup>	0.50 cps	0.50 cps	0.00 cps	0.00 cps	0.00 cps
Basic earnings per share	0.37 cps	0.94 cps	(0.52) cps	1.11 cps	(23.97) cps
Diluted earnings per share	0.37 cps	0.93 cps	(0.52) cps	1.10 cps	(23.97) cps

<sup>1</sup> Declared after the end of the reporting period and not reflected in the financial statements and will be franked to 100% at 30% corporate income tax rate.

## Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands that are made on, and the responsibilities of, the Directors.

The Chairman's fees are determined independently to the fees of Non-Executive Directors based on the Director's experience and comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

## Directors' and Chairman's Fees

The current base remuneration for Directors was last reviewed and determined on 26 June 2012, therefore there has been no increase in the base remuneration paid to a Director for six years. Directors' fees are inclusive of superannuation and include the requirement to sit on two or more Board committees for the duration of their tenure. A Director's expected time commitment is a minimum ten hours per month. Directors are reimbursed actual expenses or paid a per diem allowance for attendance at the monthly meetings.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$600,000 per annum and was last approved by shareholders at the Annual General Meeting (AGM) on 26 November 2007. There has been no change to the aggregate fee pool for non-executive directors for approximately 11 years. The following fees have applied during the year to 30 June 2018:

Base fees	
Chairman	\$170,829
Other Non-Executive Directors	\$91,560

Non-Executive Directors are entitled to participate in the non-executive director Fee Sacrifice Equity Plan.

## Retirement Allowances for Directors

There are no retirement schemes or retirement benefits, other than statutory superannuation, paid to Non-Executive Directors.

## Executive Pay

The Executive pay and reward framework has three components:

- Base pay and benefits, including superannuation;
- Short-term performance incentives; and
- Long-term incentives principally through participation in the performance rights plan.

The combination of these components comprises the executive's total remuneration.

## Base Pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for Senior Executives is reviewed annually to ensure the executive's pay is competitive with the market and reflects the responsibilities of the position. An executive's pay is also reviewed on promotion. There are no guaranteed base pay increases included in the Senior Executive terms of employment.

## Benefits

Executives receive benefits including allowances.

## Retirement Benefits

All employees are eligible to participate in the Company's default superannuation fund. With the change in legislation as at 1 July 2005, employees can exercise choice as to where their superannuation is paid.

## Short Term Incentives

Executive remuneration packages include a bonus based on a combination of the Company achieving a pre-determined profit target and certain pre-determined operational targets being met. Using a profit target ensures variable at-risk reward is only available when value has been created for shareholders and when achieved profit is consistent with the business plan.

Each executive and senior manager with operational responsibilities has a Short-Term Incentive (STI) depending on the accountabilities of the role and impact on organisation and business unit performance. The maximum target bonus opportunity is 80% of base salary.

To the extent an STI bonus is earned, 50% of the bonus is paid in cash, and the other 50%, which can either be cash or performance rights, is deferred for a period of two years.

For the year ended 30 June 2018, the targets under the STI plans were based on the group and individual business unit financial objectives. The target achievement required performance in reducing operating cost and increasing revenue to deliver an overall increase in EBITDA. The Group targets apply to the whole of the management team.

The Remuneration Committee is responsible for assessing whether the targets are met. Targets are set at the beginning of each financial year and are set for the year. Short-term bonus payments are adjusted in line with actual performance versus target performance levels. Because short-term targets cover several operational areas of the business as well as the overall Group target, a proportion of STI may be paid when operational targets are achieved although the Group's overall target may not be met.

### Options

No options were exercised during the year ended 30 June 2018.

No amounts are unpaid on any shares issued on the exercise of options.

All options have expired as at 30 June 2018.

No options were granted to an executive, senior manager or director during the year.

### Employee Share scheme

A scheme under which shares are able to be issued by the Company to employees for no cash consideration was ratified by shareholders at the 2004 AGM. All permanent employees (including Executive Directors) who were continuously employed by the consolidated entity for a period of at least one year were eligible to participate in the scheme. Employees could elect not to participate in the scheme.

Under the scheme, eligible employees were offered \$1,000 worth of fully-paid ordinary shares in BSA Limited for the Year Ended 30 June 2004 for no cash consideration. The market value of shares issued under the scheme, measured as the weighted average market price on the day of issue of the shares, was recognised in the Consolidated Statement of Financial Position as share capital and as part of employee benefit costs.

Offers under the scheme are at the discretion of the Company. No offers were made to any Director or employee of BSA Limited under the Employee Share Scheme during the year ended 30 June 2018.

### Executives Securities Plan

The establishment of the BSA Executive Securities Plan was approved by shareholders at the 2005 AGM. The plan was established as a mechanism to provide the Company's key executives with a direct equity interest in the Company to better align them with the shareholders.

The number of securities to be offered, the time at which securities may be offered from time to time to executives, and the price and terms of payment are determined by the Board in its discretion.

The Board may at such times as it determines invite any executive to be a member of the plan.

This plan provided for the Company to provide loans to executives to acquire shares. The maximum amount of any loan is not to exceed the total subscription price for the shares applied for.

The terms of the loan include a provision that no interest is payable by the Borrower under the Loan Agreement.

All shares are to be held in escrow until loans are fully repaid. An executive must not sell, mortgage, charge, assign or otherwise dispose of or encumber any shares before payment or repayment of any loan outstanding to the Company.

Subject to the above restriction and to the terms of the loan from the Company (if any), an executive shall from the Date of Allotment, be the absolute beneficial owner of the shares.

Unless the Directors of the Company otherwise provide in the terms of any invitation, all Plan Shares shall rank for dividends declared on or after the Date of Allotment and shall in all respects rank equally with and have the same rights and entitlements as all other fully paid ordinary shares of the Company.

No offers were made under the Executive Securities Plan to any Directors or employees of BSA Limited during the year ended 30 June 2018.

The number of shares held in escrow, and the amount of the outstanding loans, as at 30 June 2018 is set out in section E of this report.

### Employee Performance Rights Plan

At the AGM held on 25 November 2008, shareholders approved the introduction of the BSA Employee Performance Rights Plan.

This incentive plan is designed to increase the motivation of eligible key staff and to create a stronger link between increasing shareholder value and employee reward.

To achieve its corporate objectives, the Company needs to attract and retain key staff. The Board believes that awards made to selected eligible employees under this plan:

- Provide an incentive for the creation of, and focus on, shareholder wealth;
- Enable the Company to recruit and retain the talented people needed to achieve the Company's business objectives;
- Link the reward of key staff with the achievement of strategic goals and the performance of the Company;
- Align the financial interests of participants with those of Company shareholders; and
- Ensure the remuneration packages of employees are consistent with market practice.

Vesting of rights or shares under this Plan requires the achievement of appropriate performance or service hurdles to be determined by the Board:

- (i) Service condition of a specified period; or
- (ii) The Company's performance as measured by earnings per share (EPS), being the EPS for the relevant Measurement Period as determined by the Board having regard to the financial statements. Certain growth in EPS for the shares must be attained in respect of each Measurement Period and pro-rata in respect of the initial Measurement Period. The Company must achieve these performance conditions before the rights vest.

Once rights have been exercised by an eligible employee (subject to relevant service or performance conditions being met), the Company may make non-refundable contributions to either fund the purchase of

# DIRECTORS' REPORT

a new plan share, or to acquire on the ASX existing shares and transfer these to an eligible employee.

The specific terms of a particular grant, including any performance conditions, will be contained in the invitation and associated documentation sent to the eligible employee.

A right granted to a participant is not transferable and may not otherwise be dealt with, except with the Board's approval, or by operation of law on death or legal incapacity.

Rights to acquire shares are not exercisable until the end of the final measurement period, and until those rights have satisfied all vesting conditions and any performance hurdles established by the Board. This is subject to a number of exceptions (including death, cessation of employment, takeovers and schemes of arrangement). The rights will have a specified life determined by the Board. All grants of rights will have a life terminating five (5) years after the grant date or such other date as determined by the Board.

On or after the end of the final measurement period and provided any performance hurdle prescribed by the Board has been achieved and, where applicable, to the extent it has been achieved, the plan participant may then acquire shares by exercising the rights.

A right lapses if the vesting conditions are not met.

During the year to 30 June 2018, 318,248 rights were granted to executives, of which 100% are vested.

## Fee Sacrifice Equity Plan for Individual Non-Executive Directors

The establishment of the BSA Fee Sacrifice Equity Plan for Individual Non-Executive Directors was approved by shareholders at the 2017 AGM. The plan establishes a mechanism for Non-Executive Directors (NEDS) to acquire shares in the Company by electing to salary sacrifice a proportion of annual fees, on a voluntary basis, and is intended to align their interests with shareholders.

All individuals holding NED roles in the Company or a subsidiary of the Company are eligible to become participants in the Plan.

The Company intends to invite each NED to voluntarily elect to apply for rights under the Plan, to be funded by salary sacrificing a proportion of Annual Board fees. While the Company intends to issue invitations following the half-year and full-year results announcements, the Board will determine in its sole discretion each year whether to issue invitations.

Invitations will include such terms as the Board deems appropriate including the date of the invitation, the number of Deferred Rights that a participant is eligible to apply for, that the cost of each right/share is based on the 10 day VWAP post a results announcement, the period during which disposal restrictions will apply, and such other terms and conditions as the Board determines.

Deferred Rights granted under this Plan will be fully vested on the date of grant (being the date notified in a Notice of Grant).

Deferred Rights will be automatically exercised 90 days after grant but may not be exercised earlier. On exercise of a right, the Board in its discretion will either: a) issue shares to Participants or b) arrange for shares to be acquired for the benefit of Participants by the trustee

of the BSA Employee Share Trust. The Company will contribute such funds as needed to acquire shares either on-market or a subscription to a new issue as directed by the Board. These funds are recouped over 12 months from the directors' fees that have been salary sacrificed to acquire the Deferred Rights. The shares that result from the exercise of Deferred Rights are Restricted Shares.

All shares acquired by Participants are subject to disposal restrictions that prevent disposal until the earlier of 15 years from the date of grant of rights and cessation of being a NED on the Board of BSA or a subsidiary of the Company (which will be specified Disposal Restrictions). During the period the Special Disposal Restrictions apply, the Restricted Shares may not be sold or otherwise disposed. The Company may impose a CHES holding lock on Restricted Shares to ensure the participant does not sell them earlier than permitted under the Rules. The Company will advise each participant when it considers the specified disposal restrictions cease to apply.

Participants must not enter an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Deferred Rights or Restricted Shares.

Participants will be treated in a manner that does not advantage or disadvantage them compared with other shareholders in the event of bonus issues, rights issues and capital reorganisation.

If a participant ceases to be a NED of the Company or a subsidiary of the Company any unexercised Restricted Rights will be exercised automatically the day following cessation, and any Restricted Shares held by a Participant that are subject to Specified Disposal Restrictions will cease to be subject to such restrictions on the day of cessation unless otherwise determined by the Board and notified to the Participant in the Invitation.

During the year to 30 June 2018, non-executive directors elected to acquire 257,838 Deferred Rights under this Fee Sacrifice Equity Plan.

## B DETAILS OF REMUNERATION

Details of the remuneration of the Directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and specified executives of BSA and the BSA Group are set out in the following tables.

The Key Management Personnel of the Group are the following:

- (i) Chairman - Non-Executive  
Michael Givoni
- (ii) Executive Directors  
Nicholas Yates
- (iii) Non-Executive Directors  
Paul Teisseire  
Max Cowley  
Mark Lowe  
Graeme Barclay
- (iv) Chief Financial Officer  
Nicholas Benson
- (v) Chief Operating Officer  
Timothy Harris

**Non-Executive Directors, key management personnel of the Group and other executives of the Company and the Group**

2018	Short-term Benefits			Post Employment	Long-term Benefits		Share-based payments			Performance Related
	Cash, Salary & Fees	Cash Bonus	Interest Unwind on Loans		Superannuation	Long Service Leave	Termination Benefits	Rights	Rights	
Name	\$	\$	\$	\$	\$	\$	\$	%	\$	%
<b>Non-Executive Directors</b>										
Michael Givoni	156,557	-	-	14,272	-	-	-	-	170,829	-
Paul Teisseire	83,616	-	-	7,944	-	-	-	-	91,560	-
Max Cowley	83,616	-	-	7,944	-	-	-	-	91,560	-
Mark Lowe	83,616	-	-	7,944	-	-	-	-	91,560	-
Graeme Barclay	83,616	-	-	7,944	-	-	-	-	91,560	-
<b>Sub-total</b>	<b>491,021</b>	<b>-</b>	<b>-</b>	<b>46,048</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>537,069</b>	<b>-</b>
<b>Non-Executive Directors</b>										
<b>Executive Directors</b>										
Nicholas Yates	650,692	50,000	-	19,308	6,488	-	50,000	6.44	776,488	12.88
<b>Other Key Management Personnel</b>										
<b>Chief Financial Officer</b>										
Nicholas Benson	395,030	50,000	-	25,000	3,355	-	-	-	473,385	10.56
<b>Chief Operating Officer</b>										
Timothy Harris	541,533	63,544	-	21,494	9,417	-	95,050	13.00	731,038	21.69
<b>Total compensation</b>	<b>2,078,276</b>	<b>163,544</b>	<b>-</b>	<b>111,850</b>	<b>19,260</b>	<b>-</b>	<b>145,050</b>	<b>-</b>	<b>2,517,980</b>	<b>-</b>



Aerial view of new Grafton Correction Centre (NGCC). BSA Fire will be providing infrastructure to this facility which will accommodate 1,700 beds, feature state-of-the-art security surveillance, as well as advanced rehabilitation services.



# DIRECTORS' REPORT

2017	Short-term Benefits			Post Employment	Long-term Benefits	Share-based payments			Total	Performance Related
	Cash, Salary & Fees	Cash Bonus	Interest Unwind on Loans			Superannuation	Long Service Leave	Termination Benefits		
Name	\$	\$	\$	\$	\$	\$	\$	%	\$	%
<b>Non-Executive Directors</b>										
Michael Givoni	156,008	-	-	14,821	-	-	-	-	170,829	-
Paul Teisseire	83,616	-	-	7,944	-	-	-	-	91,560	-
Max Cowley	83,616	-	-	7,944	-	-	-	-	91,560	-
Mark Lowe *	107,616	-	-	10,224	-	-	-	-	117,840	-
Graeme Barclay	83,616	-	-	7,944	-	-	-	-	91,560	-
<b>Sub-total</b>	<b>514,472</b>	<b>-</b>	<b>-</b>	<b>48,877</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>563,349</b>	
<b>Non-Executive Directors</b>										
<b>Executive Directors</b>										
Nicholas Yates	643,449	50,000	-	19,308	12,835	-	-	-	725,592	6.89
<b>Other Key Management Personnel</b>										
<b>Chief Financial Officer</b>										
Nicholas Benson	386,944	50,000	-	25,000	8,457	-	29,355	-	499,756	15.88
<b>Total compensation</b>	<b>1,544,865</b>	<b>100,000</b>	<b>-</b>	<b>93,185</b>	<b>21,292</b>	<b>-</b>	<b>29,355</b>	<b>-</b>	<b>1,788,697</b>	

\* During FY2017 Mark Lowe was contracted to the company within the **BSA | Build** business unit, to assist in driving improved performance from the business unit. \$24,000 of Mark Lowe's remuneration relates to his role assisting **BSA | Build** during the year and was not directors fees.

## Performance Income as a Proportion of Total Remuneration:

Executive Directors and executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Remuneration Committee has set these bonuses to encourage achievement of specific goals that have been given a high level of importance to the future growth and profitability of the consolidated Group.

The Remuneration Committee will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit.

## C. SERVICE AGREEMENTS

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of Director.

Remuneration and other terms of employment for the Managing Director and the other key management personnel are also formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses, other benefits, car allowances, and participation, when eligible, in the BSA Limited Option Plan and the BSA Employee Performance Rights Plan. Other major provisions of the agreements relating to remuneration are set out below.

Executives are on contracts with no fixed end date.

The following table captures the notice periods applicable to termination of the employment of executives.

Termination notice period	
Executive Director	6 Months
Chief Financial Officer	6 Months
Chief Operating Officer	26 Weeks

#### D. CASH BONUSES

Bonuses vested as per the below table during the financial year ended 30 June 2018.

Key management personnel and executives are also entitled to a short-term cash incentive based on performance criteria described in section A to this Remuneration Report. Details of these FY2018 short-term incentives recognised as remuneration, forfeited or available for vesting in future financial years is outlined below.

Name	Included in Remuneration	% Vested in current year	% Forfeited in current year
<i>Other key management personnel (Group)</i>			
Nicholas Yates	50,000	100	-
Nicholas Benson	50,000	100	-
Timothy Harris	63,544	100	-

#### E. SHARE-BASED COMPENSATION

##### *Executive Securities Loan*

Set out below are summaries of Securities held in escrow:

Grant Date	Issue Price (cents)	Balance at Start of the Year Number	Granted During the Year Number	Released from Escrow During the Year Based on Full Loan Repayment Number	Balance in Escrow at End of the Year Number	Amount of Loan provided \$
Consolidated and parent entity						
13 Oct 2006	0.23	700,000	-	250,000	450,000	103,500
19 Jul 2007	0.63	1,600,000	-	750,000	850,000	535,500
11 Sep 2007	0.68	150,000	-	-	150,000	102,000
13 Sep 2007	0.68	200,000	-	200,000	-	-
14 Dec 2007	0.68	400,000	-	-	400,000	272,000
10 Feb 2009	0.10	1,700,000	-	950,000	750,000	75,000
<b>Total</b>		<b>4,750,000</b>	<b>-</b>	<b>2,150,000</b>	<b>2,600,000</b>	<b>1,088,000</b>

### Employee Performance Rights Plan

Set out below are summaries of Rights issued to key management personnel under the plan:

Name	Grant Date	Vesting Date	Expiry Date	Balance at Start of the Year Number	Granted During the Year Number	Released from Escrow During the Year Number	Forfeited During the Year	Balance in Escrow at End of the Year Number	Fair Value per Right at Grant Date \$	Aggregate Fair Value \$
Consolidated and parent entity										
Nicholas Yates	25 Nov 2014	30 Jun 2015	25 Nov 2019	1,116,667	-	-	-	1,116,667	0.165	184,250
Nicholas Benson	29 Nov 2016	6 Feb 2017	29 Nov 2021	90,322	-	(90,322)	-	-	0.325	-
Timothy Harris	29 Nov 2016	1 Sept 2017	29 Nov 2021	200,000	-	-	-	200,000	0.325	65,000
Nicholas Yates	28 Nov 2017	31 Jan 2018	28 Nov 2022	-	142,857	-	-	142,857	0.350	50,000
Timothy Harris	4 Dec 2017	4 Dec 2017	4 Dec 2022	-	175,391	-	-	175,391	0.371	65,000
<b>Total</b>				<b>1,406,989</b>	<b>318,248</b>	<b>(90,322)</b>	<b>-</b>	<b>1,634,915</b>		<b>364,250</b>

Rights are granted over ordinary shares and nil is payable on exercise.

### NED Fee Salary Sacrifice Plan

Set out below are summaries of Deferred Rights issued to Non Executive Directors under the plan:

Name	Grant Date	Vesting Date	Expiry Date	Balance at Start of the Year Number	Granted During the Year Number	Released from Escrow During the Year Number	Forfeited During the Year	Balance in Escrow at End of the Year Number	Fair Value per Right at Grant Date \$	Aggregate Fair Value \$
Consolidated and parent entity										
Michael Givoni	3 May 2018	3 May 2018	3 May 2033	-	207,838	-	-	207,838	0.337	70,000
Graeme Barclay	3 May 2018	3 May 2018	3 May 2033	-	50,000	-	-	50,000	0.337	16,840
<b>Total</b>				<b>-</b>	<b>257,838</b>	<b>-</b>	<b>-</b>	<b>257,838</b>		<b>86,840</b>

Deferred Rights are granted over ordinary shares for the price specified as Fair Value per Deferred Right at the date of grant, and no further amount is payable on the automatic exercise of the Right 90 days after grant.

## F REMUNERATION CONSULTANTS

During the year ended 30 June 2018, the Board continued to consider the advice obtained from Godfrey Remuneration Group (GRG) as independent advisor in relation to the current structure of the Executive Performance Rights Plan and to the implementation of a Fee Salary Sacrifice Plan for non-executive directors. The Board implemented the Fee Salary Sacrifice Plan following its approval at the 2017 AGM. No amendments have been made to the Executive Performance Rights Plan.

The continuing engagement of GRG during the year by the Chairman of the Remuneration Committee was based on an agreed set of protocols that have been followed by GRG, members of the Remuneration Committee and members of the key management personnel, governing the way in which remuneration recommendations would be developed by GRG and provided to non-executive members of the Remuneration Committee.

These arrangements were implemented to ensure that GRG would be able to carry out its work, including information capture and the formation of its recommendations free from undue influence by Executive directors or executive key management personnel about whom the recommendations may relate.

The Board undertook its own inquiries and review of the processes and procedures followed by GRG and is satisfied that their remuneration recommendations were made free from such influence.

The Board and Remuneration Committee confirm that GRG made remuneration recommendations within the meaning of the Corporations Act in respect of the structure of the Incentive Plans being considered. These remuneration recommendations were made in respect of elements of remuneration and were not in respect of the quantum of the incentives to be provided.

The total consideration paid by the company to GRG for the provision of the remuneration recommendations in the 2018 financial year was \$18,500 (2017: \$5,000).

**End of Audited Remuneration Report**

## MEETINGS OF DIRECTORS

The number of meetings of BSA's Board of Directors and each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Meetings	Meetings Held	Meetings	Meetings Held	Meetings	Meetings Held
	Attended	during tenure in FY2018	Attended	during tenure in FY2018	Attended	during tenure in FY2018
Michael Givoni	17	17	4	4	4	4
Nicholas Yates	17	17	*	*	*	*
Graeme Barclay	17	17	4	4	4	4
Max Cowley	15	17	3	4	3	4
Paul Teisseire	16	17	4	4	4	4
Mark Lowe	15	17	2	4	2	4

\*Not a member of the relevant committees, but attended all the Audit Committee and Remuneration Committee meetings.

## RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Directors are subject to retirement by rotation and election by shareholders at a general meeting. No Director, other than the Managing Director, may remain on the Board for more than three years without re-election. Where a Director is appointed during the year, the Director will hold office until the next Annual General Meeting (AGM), and then be eligible for election.

Graeme Barclay and Max Cowley are the Directors who have been longest in office and who, being eligible, offer themselves for re-election at the 2018 Annual General Meeting.

## INDEMNIFYING OFFICERS OR AUDITORS

During the year, the Company paid a premium for a contract insuring all Directors, secretaries, Executive officers and officers of the Company, and of each related body corporate of the Company. The insurance does not provide cover for the independent auditors of the Company, or of a related body corporate of the Company.

In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

No liability has arisen under this indemnity as at the date of this report.

## OPTIONS

As at the date of this report, there were no unissued ordinary shares of the Company under option.

During the year ended 30 June 2018, no ordinary shares of the Company were issued on the exercise of options granted under the BSA Limited Employee Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

## RIGHTS

As at the date of this report, the unissued ordinary shares of the Company, under right, are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Right	Fair value at grant date
25 Nov 2014	25 Nov 2019	\$0.00	1,116,667	\$0.165
29 Nov 2016	29 Nov 2021	\$0.00	200,000	\$0.325
28 Nov 2017	4 Dec 2022	\$0.00	142,857	\$0.350
4 Dec 2017	4 Dec 2022	\$0.00	175,391	\$0.371
3 May 2018	3 May 2033	\$0.00	257,838	\$0.3368
			1,892,753	

During the year ended 30 June 2018, 90,322 rights granted under the BSA Limited Employee Performance Rights Plan were exercised. Since that date, 257,838 rights have been converted to Restricted Ordinary Shares. No amounts are unpaid on any of the shares.

No person entitled to exercise the right had, or has, any right by virtue of the right to participate in any share issue of any other body corporate.



**BSA | Maintain provides Fire services to the International Convention Centre Hotel, Sydney.**

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the Corporations Act 2001 (Cth) for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all, or part, of those proceedings.

No proceedings have been brought or intervened on behalf of the Company with leave of the court under section 237 of the Corporations Act 2001 (Cth).

## NON AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important.

Details of the amounts paid or payable to the auditor (Deloitte Touche Tohmatsu) for audit and non-audit services during the year are set out below.

The Board of Directors has considered the position and in accordance with the advice received from the Audit Committee, is satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 (Cth) for the following reasons:

All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and

None of the services undermine the general principles relating to auditor independence as set out in Professional Statement APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditors own work, acting in a management or a decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

## AUDITORS' REMUNERATION

	FY2018	FY2017
	\$	\$
Amounts due for the financial year to Deloitte Touche Tohmatsu for:		
Auditing or reviewing the financial report	353,390	366,765
Taxation services	299,708	125,963
Other non-audit services	17,250	12,329
	<u>670,348</u>	<u>505,057</u>

## AUDITORS INDEPENDENCE DECLARATION

The lead auditors' independence declaration for the year ended 30 June 2018 as required under section 307c of the Corporations Act 2001 (Cth) has been received and can be found on page 28 of this report.

## ROUNDING OF AMOUNTS

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors.



**Michael Givoni**  
Chairman

29 August 2018



BSA | Build | Allstaff completed works at Plenty Valley Shopping Centre including the design, engineering, drafting, supply, installation and commissioning of the mechanical services systems for the redevelopment, comprising of 16 retail tenancies and back-of house areas.

# AUDITOR'S INDEPENDENCE DECLARATION

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# Deloitte.

The Board of Directors  
BSA Limited  
3 Thomas Holt Drive  
Macquarie Park NSW 2113

Deloitte Touche Tohmatsu  
ACN: 74 490 121 060

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www.deloitte.com.au

29 August 2018

Dear Directors,

## **BSA Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of BSA Limited.

As lead audit partner for the audit of the consolidated financial report of BSA Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



AG Collinson  
Partner  
Chartered Accountants



**BSA | Connect** delivered a commercial scale Solar PV system at an Estia Health centre, this includes works of design, engineering, project managing and commissioning of the system and is part of a staged rollout of more than 30 aged care centres.



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# FINANCIAL REPORT

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## **BSA LIMITED**

ABN 50 088 412 748

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- 31** – Consolidated Statement of Profit or Loss and Other Comprehensive Income
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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$'000	Consolidated 2017 \$'000
Revenue	5	562,301	492,317
Investment revenue		24	166
Other gains and losses		269	387
Share of profits of joint ventures	18	71	-
Changes in inventories of finished goods and work in progress	6.1	(633)	(557)
Subcontractor and raw materials used	6.1	(444,025)	(398,279)
Employee benefits expense	6.3	(64,394)	(45,803)
Depreciation expenses	6.2	(5,273)	(4,260)
Amortisation expenses	6.2	(674)	(738)
Occupancy expenses		(7,096)	(6,699)
Finance costs		(645)	(595)
Other expenses	35	(37,452)	(30,305)
<b>Profit before tax</b>		<b>2,473</b>	<b>5,634</b>
Income tax expense	7.1	(909)	(1,671)
<b>Profit for the year</b>		<b>1,564</b>	<b>3,963</b>
<b>Other comprehensive income for the year, net of tax</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Net gain recognised on cash flow hedges		-	-
<b>Total comprehensive income for the year, net of tax</b>		<b>1,564</b>	<b>3,963</b>
<b>Earnings per share for profit from continuing operations:</b>			
Basic earnings per share	10	0.370 cents	0.937 cents
Diluted earnings per share	10	0.368 cents	0.933 cents

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

		Consolidated	
	Note	2018 \$'000	2017 \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	11	12,670	16,432
Trade and other receivables	12	106,224	99,043
Inventories	13	1,541	2,174
<b>TOTAL CURRENT ASSETS</b>		<b>120,435</b>	<b>117,649</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	12	946	2,248
Investments in Joint Ventures	18	170	-
Other financial assets	17	-	3
Property, plant & equipment	14	14,736	9,522
Deferred tax assets	7.2	5,215	6,124
Goodwill	15	15,185	15,185
Other intangible assets	16	1,740	2,414
<b>TOTAL NON-CURRENT ASSETS</b>		<b>37,992</b>	<b>35,496</b>
<b>TOTAL ASSETS</b>		<b>158,427</b>	<b>153,145</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	92,066	88,320
Borrowings	22	2,083	1,664
Provisions	23	12,058	14,381
<b>TOTAL CURRENT LIABILITIES</b>		<b>106,207</b>	<b>104,365</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	22	3,621	1,263
Provisions	23	3,481	1,992
Investments in Joint Ventures	18	81	81
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>7,183</b>	<b>3,336</b>
<b>TOTAL LIABILITIES</b>		<b>113,390</b>	<b>107,701</b>
<b>NET ASSETS</b>		<b>45,037</b>	<b>45,444</b>
<b>EQUITY</b>			
Issued Capital	24	97,562	97,564
Reserves	25 (a)	1,568	1,423
Accumulated losses	25 (b)	(65,243)	(65,243)
Profit Reserve	25 (c)	11,150	11,700
<b>TOTAL EQUITY</b>		<b>45,037</b>	<b>45,444</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated				
	Issued Capital \$'000	Accumulated Losses \$'000	Profit Reserve \$'000	Share-based Payment Reserve \$'000	Total \$'000
<b>Balance at 1 July 2016</b>	97,592	(65,243)	7,737	1,410	41,496
Profit for the year	-	-	3,963	-	3,963
Other comprehensive income for the year	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	<b>3,963</b>	-	<b>3,963</b>
Share-based payment expense	-	-	-	54	54
Shares issued in satisfaction of performance conditions	(28)	-	-	(41)	(69)
<b>Balance at 30 June 2017</b>	<b>97,564</b>	<b>(65,243)</b>	<b>11,700</b>	<b>1,423</b>	<b>45,444</b>
Profit for the year	-	-	1,564	-	1,564
Other comprehensive income for the year	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	<b>1,564</b>	-	<b>1,564</b>
Share-based payment expense	-	-	-	145	145
Shares issued in satisfaction of performance conditions	(2)	-	-	-	(2)
Dividends paid	-	-	(2,114)	-	(2,114)
<b>Balance at 30 June 2018</b>	<b>97,562</b>	<b>(65,243)</b>	<b>11,150</b>	<b>1,568</b>	<b>45,037</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$'000	Consolidated 2017 \$'000
<b>Cash Flows From Operating Activities:</b>			
Cash receipts from customers		619,043	539,854
Payments to suppliers and employees		(613,759)	(540,202)
Interest received		24	166
Dividend received		200	-
Interest and other costs of finance paid		(845)	(596)
Net cash generated by/(used in) operating activities	28 (a)	4,663	(778)
<b>Cash Flows from Investing Activities:</b>			
Proceeds from disposal of property, plant and equipment		420	467
Payment for plant and equipment		(6,135)	(4,050)
Net cash used in investing activities		(5,715)	(3,583)
<b>Cash Flows From Financing Activities:</b>			
Payment for shares issued for vesting rights		-	(41)
Proceeds from borrowings		4,626	3,801
Repayment of borrowings		(4,532)	(3,718)
Repayment of executive loans		724	-
Payment of finance lease liabilities		(1,412)	(711)
Share issue costs paid		(2)	(28)
Dividends paid to owners of the Company		(2,114)	-
Net cash used in financing activities		(2,710)	(697)
Net decrease in cash		(3,762)	(5,058)
Cash and cash equivalents at the beginning of the year		16,432	21,490
Cash and cash equivalents at the end of the year	11	12,670	16,432

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 1 GENERAL INFORMATION

BSA Limited (the Company) is a limited company incorporated in Australia. The address of its registered office and principal places of business are disclosed in the Corporate Directory at the end of the Annual Report. The principal activities of the Company and its subsidiaries (the Group) are described in note 27.

## NOTE 2 APPLICATION OF NEW AND REVISED STANDARDS

### 2.1 New and amended accounting standards adopted by the Group

In the current year, the Group has applied a number of new and revised accounting standards issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2017:

- AASB 1048 Interpretation of Standards;
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112);
- AASB 2016-2 Amendments to Australia Accounting Standards – Disclosure Initiative: Amendments to AASB 107; and
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

Adoption of these standards has not resulted in any material changes to the Group's financial statements.

### 2.2 New accounting standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. The Group is required to disclose known or reasonably estimable information relevant to assessing the possible impact that the application of the new accounting standard will have on the Group's financial statements.

#### a) AASB 9 Financial Instruments

AASB 9 Financial Instruments (revised December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014).

This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139. The standard will become mandatory for reporting periods beginning on or after 1 January 2018. The Group does not intend to early adopt the standard. Retrospective application is required with some exceptions. Restatement of comparatives is not required, however, the comparative period can be restated if it can be done so without the use of hindsight.

Accordingly, the Group has undertaken an assessment of the classification and measurement impacts of the new standard and estimated the following impacts:

- the Group does not expect the new standard to have a significant impact on the classification of its financial assets;
- the Group does not hold any financial liabilities at fair value through profit or loss and as such there is no impact of the new standard on financial liabilities;
- AASB 9 will require extensive new disclosures, in particular surrounding credit risk and expected credit losses;
- management are currently assessing whether any specific project finance obligations would require the recognition of expected credit losses; and
- the increase in the loss allowance on financial assets is not expected to be significant.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 2 APPLICATION OF NEW AND REVISED STANDARDS (CONTINUED)

### b) AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15.

AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including AASB 118 Revenue and AASB 111 Construction Contracts. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer. This standard will become mandatory for reporting periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group assessed the potential impacts of the new standard on the business units of the Group. The following is an evaluation of potential impacts from adopting the new standard on future financial reporting.

Significant judgments and estimates are used in determining the impact, such as the assessment of the probability of customer approval of variations and acceptance of claims, estimation of project completion date and assumed levels of project execution productivity. In making this assessment we have considered, for applicable contracts, the individual status of legal proceedings, including arbitration and litigation. The implementation project is ongoing and therefore all impacts are current estimates, which are subject to finalisation prior to final implementation.

#### Construction revenue

The contractual terms and the way in which the Group operates its construction contracts is predominantly derived from projects containing one performance obligation. Contracted revenue will continue to be recognised over time, however the new standard provides new requirements for variable consideration such as incentives, as well as accounting for claims and variations as contract modifications which all impart a higher threshold of probability for recognition. Revenue is currently recognised when it is probable that work performed will result in revenue whereas under the new standard, revenue is recognised when it is highly probable that a significant reversal of revenue will not occur for these modifications.

#### Services revenue

Services revenue arises from maintenance and other services supplied to infrastructure assets and facilities which may involve a range of services and processes. On adoption of AASB 15, there will be no change in the timing of recognition and measurement of revenue. As with construction revenue, incentives, variations and claims exist which are subject to the same higher threshold criteria of only recognising revenue to the extent it is highly probable that a significant reversal of revenue will not happen.

#### Contract claims and variations

Revenue in relation to variations, such as a change in the scope of the contract, will only be included in the transaction price when the variation is enforceable and the amount becomes highly probable. Variations will be recognised when client instruction has been received in line with customary business practice in the sector.

Revenue in relation to claims, where the Group has an enforceable right between the parties, is only included in the transaction price when the amount claimable becomes highly probable. This is a higher threshold than is required by current accounting standards.

In making this assessment, the Group considers a number of factors including nature of the claim, formal or informal acceptance by the customer of the validity of the claim, stage of negotiations, legal opinion on the enforceability of the claim under the contract, or the historical outcome of similar claims to determine whether the "highly probable" threshold has been met.

Impact on transition – Contract claims and variations:

As a result of the change to a higher threshold of approval of claims or variations and the highly probable threshold for the estimation of the amount to be recognised as revenue, under AASB 15 it is estimated that there will be an adjustment to opening retained earnings at 1 July 2018 of \$4.5 million after tax.

#### Tender costs & contract costs

Costs incurred during the tender/bid process will be expensed, unless they are incremental to obtaining the contract and the Group expects to recover those costs or where they are explicitly chargeable to the customer regardless of whether the contract is obtained.

Impact on transition – Tender costs and contract costs:

As a result under AASB 15 there will be an estimated adjustment to opening retained earnings at 1 July 2018 of \$3.5 million after tax.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 2 APPLICATION OF NEW AND REVISED STANDARDS (CONTINUED)

### Conclusion

The expectation is that the above adjustments, across all controlled entities, are accounted for as a cumulative catch up on the original contract under AASB 15. Whilst the Group's analysis is still on going, based on the current assessment an adjustment in reserves attributable to BSA shareholders and to non-controlling interest to the opening balance at 1 July 2018 will be recognised.

### Transition

The Group plans to adopt AASB 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). As a result, under AASB 15 there will be an adjustment to the opening balance of the Group's equity.

### c) AASB 16 Leases

AASB 16 Leases specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for almost all leases. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. AASB 16 applies to annual reporting periods beginning on or after 1 January 2019 and replaces AASB 117 Leases and the related interpretations.

As at the reporting date, the Group has non-cancellable operating lease commitments of \$9.7 million, refer to Note 26: Capital and Leasing Commitments. The Group manages its owned and leased assets to ensure there is an appropriate level of equipment to meet its current obligations and to tender for new work. The decision as to whether to lease or purchase an asset is dependent on a broad range of considerations at the time including financing, risk management and operational strategies following the anticipated completion of a project.

Some of the operating leases currently held expire prior to the implementation of the standard and decisions on future leases will be made as projects are tendered for. As such, the Group has not finalised its quantification of the effect of the new standard, however the following impacts are expected:

- the total assets and liabilities on the balance sheet will increase with a decrease in total net assets, due to the reduction of the capitalised asset being on a straight line basis whilst the liability reduces by the principal amount of repayments. Net current assets will show a decrease due to an element of the liability being disclosed as a current liability;
- the straight-line operating lease expense will be replaced with a depreciation charge for the right-of-use assets and interest expense on lease liabilities;
- interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease's life due to the higher principal value causing profit variability over the course of a lease life. This effect may be partially mitigated due to a number of leases held in the Group at different stages of their terms; and
- repayment of the principal portion of all lease liabilities will be classified as financing activities.

### d) Other new accounting standards

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

- AASB 2014-10 Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture;
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments;
- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration; and
- AASB Interpretation 23 Uncertainty Over Income Tax Treatments, AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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## NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

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### 3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purpose of preparing consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The consolidated financial statements were authorised for issue by the Directors on 29 August 2018.

### 3.2 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**The principal accounting policies are set out below.**

### 3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The parent entity carries its investment in subsidiaries at cost less impairment (if any).

### 3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements, are recognised and measured in accordance with AASB 12 Income Taxes and AASB 19 respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree, are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date (see note 3.12); and
- Assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another AASB.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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## NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### 3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 3.4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described at note 3.6 below.

### 3.6 Interests in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

### 3.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

#### 3.7.1 Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably

#### 3.7.2 Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- Servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

The Group's policy for recognition of revenue from construction contracts is described at 3.8 below.

#### 3.7.3 Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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## NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### 3.8 Construction contracts and work in progress

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

### 3.9 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### 3.9.1 The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see 3.10 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 3.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 3.11 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.12 Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 29.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

### 3.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### 3.13.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### 3.13.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### 3.13.3 Current and deferred tax for the year

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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## NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### 3.13.4 Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 August 2007 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is BSA Limited. The members of the tax-consolidated group are identified in note 17. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from un-used tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or received by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

### 3.14 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the Consolidated Statement of Financial Position at cost.

Depreciation on buildings is recognised in profit or loss.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### 3.15 Intangible assets

#### 3.15.1 Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

#### 3.15.2 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.16 Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. An impairment loss recognised for goodwill is not reversed in subsequent periods.

### 3.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on the basis of weighted average cost. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### 3.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### 3.18.1 Warranties

Provisions for the expected cost of warranty obligations under construction contracts are recognised at the Directors' best estimate of the expenditure required to settle the Group's obligation.

#### 3.18.2 Make Good

Provisions for the estimated cost of work to comply with make good provisions in certain Group property leases are recognised at the Directors' best estimate of the expenditure to settle the Group's obligation.

### 3.19 Financial Assets

Financial assets are classified into the specified category of 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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## NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### 3.19.1 Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

### 3.19.2 Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

### 3.19.3 Impairment of financial assets

Financial assets, other than those at Fair Value Through Profit or Loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

## 3.20 Financial liabilities and equity instruments issued by the Group

### 3.20.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

### 3.20.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

### 3.20.3 Financial Liabilities

Financial liabilities are classified as 'other financial liabilities'.

### 3.20.4 Other Financial Liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying on initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Derivative financial instruments

From time to time the Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Further details of derivative financial instruments are disclosed in note 33.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

#### 3.21.1 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the Consolidated Statement of Profit or Loss and Other Comprehensive Income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

### 3.22 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### 4.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### 4.1.1 Contracts - estimates to complete

Construction contracts are accounted for as per 3.8. Inherent in the assessment of profitability of each contract is the estimate to complete. This estimate requires the Directors to assess the conduct of the contract to date and the expected cost to complete the contract. In addition, where appropriate, Management and the Directors assess the probability of recovery of variations within the contract estimates. Variations in contract work and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable. Claims and variations can be both approved and not approved by the customer. Where the claim and/or variation are not approved by the customer, estimates are made in relation to the claim and/or variation position and management assesses the recovery at each reporting period.

#### 4.1.2 Recoverability of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 30 June 2018 was \$15,185,000 (30 June 2017: \$15,185,000).

See note 15 for details.

#### 4.1.3 Payroll Tax Liability

Following the settlement of the NSW Office of State Revenue (OSR), BSA has entered into a repayment plan with the NSW OSR. The provision for this matter at the end of FY18 stands at \$3,421,000 (FY:\$5,236,000).

See Note 23 for details.

## NOTE 5 REVENUE

	Consolidated	
	2018	2017
	\$'000	\$'000
The following is an analysis of the Group's revenue from continuing operations		
Revenue from sale of goods	2,822	6,778
Revenue from the rendering of services	224,282	170,484
Contract revenue	335,197	315,055
Total Revenue	562,301	492,317

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 6 PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

	Consolidated	
	2018	2017
	\$'000	\$'000
Profit/(Loss) for the year from continuing operations has been arrived at after charging/(crediting):		
<b>6.1 Cost of sales</b>	444,658	398,836
<b>6.2 Depreciation and amortisation expense</b>		
Depreciation of property, plant and equipment	5,273	4,260
Amortisation of intangible assets	674	738
Total depreciation and amortisation expense	5,947	4,998
<b>6.3 Employee benefits expense</b>		
Post employment benefits		
Superannuation	12,117	9,814
Share-based payments (see note 29)		
Equity-settled share-based payments	145	54
Termination benefits	1,973	1,234
Other employee benefits	50,159	34,701
Total employee benefits expense	64,394	45,803
<b>6.4 Significant Items</b>		
Business reorganisation and restructure costs	3,970	1,234
nRAH completion and commissioning costs and settlement impact	784	1,891
Legal and professional fees relating to legacy issues	1,010	1,126
Additional provision for NSW OSR issue	-	2,500
Total significant items	5,764	6,751

\$5,764,000 (2017: \$6,751,000) is included in the following categories in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, 'Subcontractors and raw materials' (\$2,200,000) (2017: \$4,391,000), 'Employee benefits expense' (\$2,554,000 (2017: \$1,234,000) and 'Other expenses' (\$1,010,000) (2017: \$1,126,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 7 INCOME TAXES

	Note	Consolidated	
		2018 \$'000	2017 \$'000
<b>7.1 Income tax recognised in profit or loss</b>			
In respect of the current year		-	(70)
In respect of prior years		-	-
		-	(70)
<b>Deferred tax</b>			
In respect of the current year		909	1,741
		909	1,741
Total income tax expense recognised in the current year relating to continuing operations		909	1,671
The expense for the year can be reconciled to the accounting profit as follows:			
Profit from continuing operations		2,473	5,634
Income tax expense calculated at 30%		742	1,690
Adjusted for:			
Non-deductible expenses		124	18
		866	1,708
Adjustments recognised in the current year in relation to the current tax of prior years			
Other		43	(37)
		43	(37)
Total income tax expense recognised in the current year relating to continuing operations		909	1,671

The tax rate used for the 2018 and 2017 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 7 INCOME TAXES (CONTINUED)

### 7.2 Deferred tax balances

2018	Opening balance	Recognised in profit or loss	Closing balance
<b>Temporary differences</b>			
Finance leases	12	176	188
Intangible assets	(724)	202	(522)
Employee benefits	3,405	244	3,649
Provisions	1,890	(850)	1,040
Doubtful debts	543	228	771
Tax loss carried forward	998	(909)	89
	6,124	(909)	5,215

2017	Opening balance	Recognised in profit or loss	Closing balance
<b>Temporary differences</b>			
Finance leases	(93)	105	12
Intangible assets	(945)	221	(724)
Employee benefits	3,269	136	3,405
Provisions	4,094	(2,204)	1,890
Doubtful debts	542	1	543
Tax loss carried forward	928	70	998
	7,795	(1,671)	6,124

Deferred tax balances are presented in the Statement of Financial Position as follows:

	30/06/2018	30/06/2017
	\$'000	\$'000
Deferred tax assets	5,215	6,124
Deferred tax liabilities	-	-
	5,215	6,124

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 7 INCOME TAXES (CONTINUED)

### 7.3 Tax consolidation

#### Relevance of tax consolidation to the Group

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 August 2007 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is BSA Limited. The members of the tax-consolidated group are identified in note 17. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from un-used tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or received by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

## NOTE 8 KEY MANAGEMENT PERSONNEL

The aggregate compensation made to directors and other key management personnel of the Company and the Group is set out below:

	2018	Consolidated 2017
	\$	\$
Short-term employee benefits	2,241,820	1,644,865
Post-employment benefits	111,850	93,185
Other long-term benefits	19,260	21,292
Share-based payments	145,050	29,355
	2,517,980	1,788,697

Further information regarding the identity of key management personnel and their compensation can be found in the Audited Remuneration Report contained in the Directors' Report on pages 17 to 27 of this Annual Report.

## NOTE 9 AUDITORS' REMUNERATION

	2018	Consolidated 2017
	\$	\$
Remuneration of the auditor of the Group for:		
- Auditing or reviewing the Financial Report	353,390	366,765
- Taxation services	299,708	125,963
- Other non-audit services	17,250	12,329
	670,348	505,057

The auditor of BSA Limited is Deloitte Touche Tohmatsu.

Increase in taxation for FY2018 is in relation to (\$232,000) Research and Development issue. See note 36.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 10 EARNINGS PER SHARE

	Consolidated	
	2018	2017
	Cents	Cents
Basic profit/(loss) per share	0.370	0.937
Diluted profit/(loss) per share	0.368	0.933
<b>(a) Reconciliation of Earnings to Profit</b>		
Profit/(Loss)	1,564	3,963
Profit/(Loss) used to calculate basic EPS and dilutive EPS	1,564	3,963

	Number	Number
<b>(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS</b>	422,933,082	422,907,346
Weighted average number of options/rights outstanding	1,607,509	1,654,946
Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	424,540,591	424,562,292

### (c) Information concerning the classification of securities

#### Options/Rights

Options granted to employees under the BSA Limited Employee Option Plan and rights granted to employees under the BSA Limited Employee Performance Rights Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options/rights have not been included in the determination of basic earnings per share. Details relating to the options and rights are set out in note 29.

## NOTE 11 CASH AND CASH EQUIVALENTS

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks.

	Consolidated	
	2018	2017
	\$'000	\$'000
Cash at bank and on hand	12,670	16,432
	12,670	16,432



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 12 TRADE AND OTHER RECEIVABLES

		Consolidated	
	Note	2018 \$'000	2017 \$'000
<b>CURRENT</b>			
Trade receivables		6,338	8,186
Allowance for doubtful debts		(352)	(160)
		5,986	8,026
<hr/>			
Other receivables		29,577	21,424
Executive Share Plan receivables	31 (c)	332	329
Amounts due from customers under construction contracts	19	56,252	54,874
Allowance for doubtful debts (construction contracts)		(828)	(978)
Accrued Revenue		13,470	14,075
Prepayments		1,435	1,293
		100,238	91,017
		106,224	99,043
<hr/>			
<b>NON-CURRENT</b>			
Executive Share Plan receivables	31 (c)	582	1,332
Other Receivables		364	916
		946	2,248

### Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period for the Group is 47 days. No interest is charged on overdue receivables. Allowances for doubtful debts are recognised against trade receivables greater than 60 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty.

Before accepting a new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 12 TRADE AND OTHER RECEIVABLES (CONTINUED)

Age analysis of trade receivables that are past due but not impaired at the reporting date

Consolidated

	2018			2017		
	Total	Amount Impaired	Amount Not Impaired	Total	Amount Impaired	Amount Not Impaired
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Not past due	5,855	-	5,855	7,111	-	7,111
Past due [30] days	339	208	131	693	-	693
Past due [30-60] days	-	-	-	202	-	202
Past due [60-90] days	-	-	-	80	65	15
Past due [>90] days	144	144	-	100	95	5
<b>Total</b>	<b>6,338</b>	<b>352</b>	<b>5,986</b>	<b>8,186</b>	<b>160</b>	<b>8,026</b>

Amounts due from customers under construction contracts

Consolidated

	2018			2017		
	Total	Amount Impaired	Amount Not Impaired	Total	Amount Impaired	Amount Not Impaired
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Not past due	38,208	-	38,208	32,043	-	32,043
Past due [30] days	9,612	-	9,612	14,352	-	14,352
Past due [30-60] days	1,849	-	1,849	1,607	-	1,607
Past due [60-90] days	1,646	-	1,646	1,374	-	1,374
Past due [>90] days	4,937	828	4,109	5,498	978	4,520
<b>Total</b>	<b>56,252</b>	<b>828</b>	<b>55,424</b>	<b>54,874</b>	<b>978</b>	<b>53,986</b>

As at 30 June 2018, the Group had current trade receivables of \$1,180,000 (2017: \$1,138,000) that were impaired. The amounts relate to customers who had not responded to final request for payment notices, customers that BSA had requested external collection agencies to collect outstanding debts or customers who have disputed invoiced amounts.

Analysis of Allowance Account

Consolidated

	2018	2017
	\$'000	\$'000
Opening Balance	1,138	1,153
Provisions for doubtful receivables current	76	405
Receivables written off during the year	(34)	(420)
Closing balance	1,180	1,138

## NOTE 13 INVENTORIES

Consolidated

	2018	2017
	\$'000	\$'000
<b>CURRENT</b>		
Inventories of finished goods and work in progress at net realisable value	1,541	2,174
	1,541	2,174

The cost of inventories recognised as an expense includes \$589,000 (2017:\$457,000) in respect of write-down of inventory to net realisable value.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 14 PROPERTY, PLANT AND EQUIPMENT

	Land \$'000	Buildings \$'000	Leasehold Improvements \$'000	Plant & Equipment \$'000	Plant & Equipment Under Finance Lease & Hire Purchase \$'000	Make Good \$'000	Assets Under Construction	Total \$'000
<b>Cost</b>								
Balance as at 30 June 2016	253	410	3,230	31,373	11,308	263	-	46,837
Additions	-	-	64	3,313	1,101	987	673	6,138
Disposals	-	-	(4)	(1,720)	(851)	-	-	(2,575)
Transfers *	-	-	1	15	(16)	-	-	-
Balance as at 30 June 2017	253	410	3,291	32,981	11,542	1,250	673	50,400
Additions	-	-	109	3,504	4,095	408	2,522	10,638
Disposals	-	-	-	(796)	(1,204)	(393)	-	(2,393)
Transfers *	-	-	2,508	-	-	-	(2,508)	-
Balance as at 30 June 2018	253	410	5,908	35,689	14,433	1,265	687	58,645
<b>Accumulated depreciation and impairment</b>								
Balance as at 30 June 2016	-	72	2,753	27,478	8,548	263	-	39,114
Additions	-	16	460	2,363	1,255	166	-	4,260
Disposals	-	-	(4)	(1,669)	(823)	-	-	(2,496)
Transfers *	-	-	-	(83)	83	-	-	-
Balance as at 30 June 2017	-	88	3,209	28,089	9,063	429	-	40,878
Additions	-	17	527	2,782	1,530	417	-	5,273
Disposals	-	-	-	(693)	(1,156)	(393)	-	(2,242)
Transfers *	-	-	-	-	-	-	-	-
Balance as at 30 June 2018	-	105	3,736	30,178	9,437	453	-	43,909
<b>Net Book Value as at 30 June 2018</b>	<b>253</b>	<b>305</b>	<b>2,172</b>	<b>5,511</b>	<b>4,996</b>	<b>812</b>	<b>687</b>	<b>14,736</b>
<b>Net Book Value as at 30 June 2017</b>	<b>253</b>	<b>322</b>	<b>82</b>	<b>4,892</b>	<b>2,479</b>	<b>821</b>	<b>673</b>	<b>9,522</b>

\* Transfers between categories

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

Buildings	25 years
Leasehold improvements	4 - 5 years
Plant and equipment	3 - 10 years
Plant and equipment under finance lease	3 - 5 years

### 14.2 Assets held as security

Fixed and floating charges over the whole of the parent entity and its subsidiaries' assets have been pledged as security for bank loans (see note 22).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 15 NON-CURRENT ASSETS - GOODWILL

\$'000	BSA   Connect	BSA   Build	BSA   Maintain	Consolidated
<b>Cost</b>				
Closing carrying value				
2018	-	15,185	-	15,185
2017	-	15,185	-	15,185

The recoverable amount of each cash generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a three year period with the period extending beyond three years extrapolated using an estimated growth rate of 3.0% for **BSA | Build**, which includes both **BSA | Build | Fire** and **BSA | Build | HVAC**. The cash flows are discounted using the weighted average cost of capital with mid-year discounting.

At 30 June 2018 the company has assessed both internal and external indicators of impairment, including completing the value-in-use models, and did not identify any indicators of impairment.

The key assumptions used in the value-in-use calculations as at 30 June 2018 and 30 June 2017 were as follows:

- growth rate used to extrapolate cash flows beyond the forecast period: 3.0% for **BSA | Build** (2017: 3.0%);
- pre-tax discount rate: 12.5% (2017: 12.5%) and
- divisional Revenue, EBIT, working capital adjustments and maintenance capital expenditure

### Impact of possible changes to key assumptions

Given the performance of the **BSA | Build** business in the year ended 30 June 2018, there is increased sensitivity of impairment to changes in the key inputs in the impairment model. The key assumptions in the impairment model are the discount rate, terminal growth rate percentage, and EBITDA percentage. Below is set out the assumptions used in the impairment model and the assumption required for there to be no headroom from the model to the carrying value if just that assumption was changed.

Key Assumptions	FY 2018 Management Assumptions	Breakeven Assumption
Discount Rate	12.5%	13.0%
Terminal Growth %	3.0%	2.20%
EBITDA Margin %	1.0%	0.8%

In the event of the above combined scenario occurring under a value-in-use model, management expect that action would be taken to mitigate the impact of one or more of the variables.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 16 NON-CURRENT ASSETS - OTHER INTANGIBLE ASSETS

Intangible assets, other than goodwill, have finite lives. The current amortisation for intangible assets is included under depreciation and amortisation expense per the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

	Customer Relationships	Order Backlog	Total
	\$'000	\$'000	\$'000
<b>Cost</b>			
Balance as at 30 June 2016	6,900	10,079	16,979
Acquisitions through business combinations	-	-	-
Balance at 30 June 2017	6,900	10,079	16,979
Acquisitions through business combinations	-	-	-
Balance at 30 June 2018	6,900	10,079	16,979
<b>Accumulated amortisation and impairment</b>			
Balance as at 30 June 2016	(6,837)	(6,990)	(13,827)
Amortisation expense	(63)	(675)	(738)
Balance at 30 June 2017	(6,900)	(7,665)	(14,565)
Amortisation expense	-	(674)	(674)
Balance at 30 June 2018	(6,900)	(8,339)	(15,239)
Net Book Value as at 30 June 2018	-	1,740	1,740
Net Book Value as at 30 June 2017	-	2,414	2,414
The following useful lives are used in the calculation of amortisation.			
Customer relationships	9 years		
Order backlog	1 to 9.5 years		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 17 OTHER FINANCIAL ASSETS

	Consolidated	
	2018 \$'000	2017 \$'000
Shares in other corporations at cost	-	3
	-	3

### (a) Shares in subsidiaries

#### Details of Group Companies

	Principal Activity	Place of incorporation	Percentage owned (%)	
			2018	2017
<b>Parent Entity:</b>				
BSA Limited		Australia	-	-
<b>Ultimate Parent Entity:</b>				
BSA Limited		Australia	-	-
<b>Name of Subsidiary</b>				
Mr Broadband Pty Limited	BSA   Build	Australia	100%	100%
Allstaff Airconditioning Holdings Pty Limited	BSA   Build	Australia	100%	100%
Allstaff Airconditioning (VIC) Pty Limited	BSA   Build	Australia	100%	100%
Allstaff Airconditioning (NSW) Pty Limited	BSA   Build	Australia	100%	100%
Allstaff Airconditioning (ACT) Pty Limited	BSA   Maintain	Australia	100%	100%
Complex Airconditioning Pty Limited	BSA   Maintain	Australia	100%	100%
ACN 085 921 615 Pty Ltd	BSA   Connect	Australia	100%	100%
Satellite Receiving Systems (QLD) Pty Limited	BSA   Connect	Australia	100%	100%
BSA Equity Plans Pty Limited (Formerly ACN 066 496 893 Pty Ltd)	BSA   Connect	Australia	100%	100%
MEC Services Pty Limited	BSA   Maintain	Australia	100%	100%
BSA Transmission Solutions Pty Limited	BSA   Connect	Australia	100%	100%
066 059 809 Pty Limited	BSA   Connect	Australia	100%	100%
Triple M Group Pty Limited	BSA   Build	Australia	100%	100%
Triple M Mechanical Services Pty Limited	BSA   Build	Australia	100%	100%
Triple M Mechanical Services (Qld) Pty Limited	BSA   Build	Australia	100%	100%
Triple M Fire Pty Limited	BSA   Build	Australia	100%	100%
Triple M Mechanical Services (Administration) Pty Limited	BSA   Build	Australia	100%	100%
BSA Networks Pty Limited	BSA   Connect	Australia	100%	100%
BurkeAir Pty Limited	BSA   Maintain	Australia	100%	100%

### (b) Deed of Cross Guarantee:

All Controlled Entities are parties to the Deed of Cross Guarantee, where relief is obtained from preparing individual financial reports under ASIC Class Order 98/1418, and are members of the Closed Group. Under the Deed, BSA Limited agrees to support the liabilities and obligations of the Controlled Entities.

### (c) Tax Consolidation Group

All the controlled entities are part of the Tax Consolidation Group.

BSA Limited is the head entity in the Tax Consolidation Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 17 OTHER FINANCIAL ASSETS (CONTINUED)

### 17.1 Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal Activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2018	2017
BSA   Connect	Australia	6	6
BSA   Build	Australia	9	9
BSA   Maintain	Australia	4	4
		19	19

## NOTE 18 DETAILS OF JOINT VENTURES

Details of the Group's joint ventures at the end of the reporting period is as follows:

Name of Joint Venture	Principal Activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting power held by the group	
			2018	2017
Triple M and Premier Fire JV Co Limited	Installation of fire services	Australia	50%	50%
BSAF Joint Venture	Supply, installation and commissioning of mechanical services	Australia	50%	0%

BSAF Joint Venture is an unincorporated entity and there is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, BSAF Joint Venture is a newly formed joint venture of the Group.

The above joint ventures are accounted for using the equity method in these consolidated financial statements.

Summarised financial information in respect of the Group's material joint ventures are set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with AASBs (adjusted by the Group for equity accounting purposes).

Triple M and Premier Fire JV Co Limited	2018 \$'000	2017 \$'000
Current Assets	681	1,040
Current Liabilities	(843)	(1,202)
Non-current liabilities	-	-

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	225	482
Current financial liabilities (excluding trade and other payables and provisions)	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 18 DETAILS OF JOINT VENTURE (CONTINUED)

Triple M and Premier Fire JV Co Limited	2018 \$'000	2017 \$'000
Revenue	4,161	-
Profit or loss from continuing operations	-	-
Post-tax profit/(loss) from discontinued operations	-	-
Profit/(loss) for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-
Dividends received from the joint venture during the year	(200)	-
The above profit/(loss) for the year include the following:		
Depreciation and amortisation	-	-
Interest income	-	-
Interest expenses	-	-
Income tax expense (income)	86	-
Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:		

Triple M and Premier Fire JV Co Limited	2018 \$'000	2017 \$'000
Net liabilities of the joint venture	(162)	(162)
Proportion of the Group's ownership interest in the joint venture	50%	50%
Goodwill	-	-
Other adjustments	-	-
Carrying amount of the Group's interest in the joint venture	(81)	(81)

BSAF Joint Venture	2018 \$'000	2017 \$'000
Current Assets	1,974	-
Non-current assets	-	-
Current Liabilities	(1,634)	-
Non-current liabilities	-	-

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	2	-
Current financial liabilities (excluding trade and other payables and provisions)	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 18 DETAILS OF JOINT VENTURE (CONTINUED)

BSAF Joint Venture	2018 \$'000	2017 \$'000
Revenue	1,795	-
Profit or loss from continuing operations	142	-
Post-tax profit/(loss) from discontinued operations	-	-
Profit/(loss) for the year	142	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	142	-
Dividends received from the joint venture during the year	-	-
The above profit/(loss) for the year include the following:		
Depreciation and amortisation	-	-
Interest income	-	-
Interest expenses	-	-
Income tax expense (income)	-	-
Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:		

BSAF Joint Venture	2018 \$'000	2017 \$'000
Net assets of the joint venture	340	-
Proportion of the Group's ownership interest in the joint venture	50%	-
Goodwill	-	-
Other adjustments	-	-
Carrying amount of the Group's interest in the joint venture	170	-

## NOTE 19 AMOUNTS DUE FROM (TO) CUSTOMERS UNDER CONSTRUCTION CONTRACTS

	2018 \$'000	2017 \$'000
Consolidated		
<b>Contracts in progress</b>		
Construction costs incurred plus recognised profits less recognised losses to date	335,286	317,397
Less: progress billings	(279,034)	(262,523)
	56,252	54,874
Represented by amounts due:		
- from customers under construction contracts (note 12)	56,252	54,874
	56,252	54,874

Advances received from customers for contract work amounted to Nil (30 June 2017: Nil)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 20 PARENT ENTITY DISCLOSURES

	2018	2017
	\$'000	\$'000
<b>(a) Financial Position</b>		
<b>Assets</b>		
Current assets	39,486	42,492
Non-current assets	43,625	40,560
<b>Total assets</b>	<b>83,111</b>	<b>83,052</b>
<b>Liabilities</b>		
Current liabilities	31,781	36,176
Non-current liabilities	4,375	2,298
<b>Total liabilities</b>	<b>36,156</b>	<b>38,474</b>
<b>Net Assets</b>	<b>46,955</b>	<b>44,578</b>
<b>Equity</b>		
Issued capital	97,562	97,564
Accumulated losses	(77,546)	(77,546)
Profit Reserve	25,371	23,137
<b>Reserves</b>		
Share-based payments reserve	1,568	1,423
Cash flow hedge reserve	-	-
<b>Total equity</b>	<b>46,955</b>	<b>44,578</b>
<b>(b) Financial Performance</b>		
Profit/(Loss) for the year	4,348	(38,239)
<b>Other comprehensive income for the year, net of tax</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Gain recognised on cash flow hedges	-	-
<b>Total comprehensive income for the year, net of tax</b>	<b>4,348</b>	<b>(38,239)</b>
<b>(c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries</b>		
BSA Limited has entered into a cross guarantee with its wholly owned subsidiaries.	57,164	57,164
<b>(d) Contingent Liabilities</b>		

Under the above cross guarantee, BSA Limited, as the parent entity, guarantees all contingent liabilities of the wholly owned subsidiaries.

Guarantees established in favour of National Australia Bank Limited and Swiss Re International SE for Guarantees issued to various clients for satisfactory contract performance, secured by cross guarantees from all wholly owned group members amounting to \$9,333,000 (2017: \$8,754,000 directly relating to the parent. Guarantees secured by cross guarantee by all group members amounted to \$41,242,000 (2017:\$42,670,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 21 TRADE AND OTHER PAYABLES

		Consolidated	
	Note	2018 \$'000	2017 \$'000
Trade payables		37,573	41,771
Other payables		30,383	27,809
Work in progress		24,110	18,740
Total Payables		92,066	88,320

## NOTE 22 BORROWINGS

		Consolidated	
	Note	2018 \$'000	2017 \$'000
CURRENT			
Secured liabilities at amortised cost:			
Hire purchase liabilities	(a), 26(iii)	714	718
Lease liabilities	(a), 26(ii)	626	297
Other		743	649
Total borrowings		2,083	1,664
NON-CURRENT			
Secured liabilities at amortised cost:			
Hire purchase liabilities	(a), 26(iii)	1,158	1,135
Lease liabilities	(a), 26(ii)	2,463	128
Total borrowings		3,621	1,263

The Group has Banking Facilities amounting to \$54,500,000 which have an expiry date of 31 December 2020 and Banking Facility amounting to \$12,500,000 which have an expiry date of 31 October 2019 .

The covenants within the bank borrowings have the following ratios as at 30 June 2018:

Quarterly interest cover ratio greater than 3.5 times,

Quarterly total leverage ratio less than 2.25 times

There were no breaches of the above covenants during the year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 22 BORROWINGS (CONTINUED)

	Consolidated	
	2018	2017
	\$'000	\$'000
<b>Total assets pledged as security</b>		
<b>CURRENT</b>		
Cash and cash equivalents	12,670	16,432
Trade and other receivables	106,224	99,043
Inventories	1,541	2,174
	120,435	117,649
<b>NON-CURRENT</b>		
Trade and other receivables	946	2,248
Investment in Joint Ventures	170	-
Other financial assets	-	3
Property, plant & equipment	14,736	9,522
Deferred tax assets	5,215	6,124
Goodwill	15,185	15,185
Other intangible assets	1,740	2,414
	37,992	35,496
	158,427	153,145

- (a) Lease liabilities and hire purchase liabilities are effectively secured as the rights to the assets recognised in the financial statements and revert to the financier in the event of default.

Actual interest rates for hire purchase liabilities outstanding during the year ranged between 4.47% and 5.31%. Actual interest rates for lease liabilities outstanding during the year ranged between 4.93% and 5.97%. There were no bank loans outstanding at year end.

- (b) There were no defaults or breaches of any loan agreements during the current year.  
(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash from financing activities.

		Non-cash changes		
		Financing cash flows	New finance leases	
	1 July 2017	(i)	(note 28(b))	30 June 2018
	\$'000	\$'000	\$'000	\$'000
Hire purchase and finance lease liabilities	2,278	(1,412)	4,095	4,961
Other borrowings	649	94	-	743
	2,927	(1,318)	4,095	5,704

- (i) The cash flows from other borrowings make up the net amount of proceeds from borrowings and repayment of borrowings in the statement of cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 23 PROVISIONS

		2018	Consolidated 2017
	Note	\$'000	\$'000
Employee benefits	(i)	10,152	9,742
Other provisions (see below)		5,387	6,631
		15,539	16,373
CURRENT		12,058	14,381
NON-CURRENT		3,481	1,992
		15,539	16,373

Other Provisions	Office of State Revenue (ii)	Make Good (iii)	Contract Provisions (iv)	Total
Balance at 1 Jul 2017	5,236	1,362	33	6,631
Additional provisions recognised	-	-	600	600
Paid	(1,815)	-	-	(1,815)
Provisions reversed	-	(29)	-	(29)
Balance at 30 June 2018	3,421	1,333	633	5,387

- (i) The provision for employee benefits represents annual leave and vested and non-vested long service leave entitlements accrued.
- (ii) The provision for Office of State Revenue (OSR) primarily relates to the following:  
Following the settlement of the NSW OSR issue, BSA has entered into a repayment plan with the NSW OSR. The provision for this matter at the end of FY18 stands at \$3,421,000 (FY17: \$5,236,000).
- (iii) The provision for make good represents the estimated cost of work to comply with make good obligations in certain Group property leases.
- (iv) The provision for project provisions represents the expected cost of obligations under construction contracts recognised at the Directors' best estimate of the expenditure to settle the Group's obligation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 24 ISSUED CAPITAL

### (a) Share capital

	Note	Parent Entity	
		2018	2017
		Number of Shares	Number of Shares
Ordinary shares - fully paid	(c)	422,997,668	422,907,346

### (b) Movements in ordinary share capital

Date	Details	Number of Shares	\$'000
1 July 2017	Opening Balance	422,907,346	97,564
	Exercise of Performance Rights	90,322	-
	Less: transaction costs arising on shares issued	-	(2)
30 June 2018	Balance	422,997,668	97,562

Changes to the Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

### (c) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

### (d) Options

At 30 June 2018 no options were held over ordinary shares of the Company.

Share options granted under the Share Option Plan carry no rights to dividends and no voting rights. Further information relating to the BSA Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 29.

### (e) Executive Securities Plan

The Company has established an Executive Securities Plan as a mechanism to provide the Company's key Executives with a direct equity involvement and incentive in the Company which aligns them with the shareholders.

### (f) Dividend Reinvestment Plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash.

### (g) Employee Performance Rights Plan

Information relating to the BSA Limited Employee Performance Rights Plan, including details of rights issued, exercised and lapsed during the financial year and rights outstanding at the end of the financial year, is set out in Note 29.

### (h) Fee Sacrifice Equity Plan

Information relating to the BSA Limited Employee Performance Rights Plan, including details of rights issued, exercised and lapsed during the financial year and rights outstanding at the end of the financial year, is set out in Note 29.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 25 RESERVES AND ACCUMULATED LOSSES

	2018	Consolidated 2017
	\$'000	\$'000
<b>(a) Reserves</b>		
Share-based payments reserve	1,568	1,423
	1,568	1,423
<b>Share-based payments reserve</b>		
Opening balance	1,423	1,410
Rights expense	145	54
Shares issued in satisfaction of performance conditions	-	(41)
Closing balance	1,568	1,423
<p>The share-based payments reserve relates to share options and share rights granted to employees under the Employee Share Option Plan and the Employee Performance Rights Plan. Further information about share-based payments to employees is set out in note 29.</p> <p>The share-based payments reserve records items recognised as expenses on valuation of employee share options and rights.</p>		
<b>(b) Accumulated losses</b>		
Movements in accumulated losses were as follows:		
Balance at beginning of year	(65,243)	(65,243)
Net loss for the year	-	-
Balance at end of year	(65,243)	(65,243)
<b>(c) Profit Reserve</b>		
Movements in profit reserve were as follows:		
Balance at beginning of year	11,700	7,737
Net profit for the year	1,564	3,963
Dividends	(2,114)	-
Balance at end of year	11,150	11,700

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 25 RESERVES AND ACCUMULATED LOSSES (CONTINUED)

### (d) Dividends on equity instruments

	Year ended 30/06/18		Year ended 30/06/17	
	Cents per share	Total '000	Cents per share	Total '000
<b>Recognised amounts</b>				
Fully paid ordinary shares				
Interim dividend:	-	-	-	-
Final fully franked dividend of 0.5 (2017:Nil) cents per fully paid ordinary share franked at the rate of 30% paid 2 November 2017	0.50	2,114	-	-
<b>Unrecognised amounts</b>				
Fully paid ordinary shares				
Final dividend	0.50	2,115	0.50	2,114

On 29 August 2018 the Directors declared a fully franked dividend of 0.50 cent per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2018, to be paid to shareholders on 2 November 2018. This dividend has not been included as a liability in these consolidated financial statements. The dividend will be paid to all shareholders on the Register of Members on 28 September 2018. The total estimated dividend to be paid is \$2,115,000.

### (e) Franking credits

	Consolidated	
	2018 \$'000	2017 \$'000
Franking account balance as at 30 June	15,464	16,285
Franking credits that will attach to the payment of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period.	(906)	(902)
Net franking credits available	14,558	15,383



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 26 CAPITAL AND LEASING COMMITMENTS

		Consolidated	
		2018	2017
		\$'000	\$'000
	Note		
<b>(i) Operating Lease Commitments</b>			
The Group leases various offices and warehouses under non-cancellable operating leases expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.			
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Within one year		3,951	2,956
Later than one year but not later than five years		5,771	6,540
Later than five years		-	-
		9,722	9,496
<b>(ii) Finance Lease Commitments</b>			
The Group leases various plant and equipment with a carrying amount of \$3,718,000 (2017: \$728,000) under finance leases expiring within one to four years. Under the terms of the leases, the Group has the option to acquire the leased assets after paying the residual amount on expiry of the leases.			
Commitments in relation to finance leases are payable as follows:			
Within one year		725	326
Later than one year but not later than five years		2,729	137
Later than five years		-	-
Minimum lease payments		3,454	463
Less future finance charges		(365)	(38)
Total Lease Liability		3,089	425
Represented by:			
Current liability	22	626	297
Non-current liability	22	2,463	128
		3,089	425
<b>(iii) Hire Purchase Commitments</b>			
The Group has purchased various plant and equipment with a carrying amount of \$1,278,000 (2017: \$1,751,000) under hire purchase agreements expiring within one to four years. Under the terms of the agreements, the Group has the option to acquire the assets after paying the residual amount on expiry of the agreements.			
Commitments in relation to hire purchase agreements are payable as follows:			
Within one year		771	798
Later than one year but not later than five years		1,261	1,235
Later than five years		-	-
Minimum payments		2,032	2,033
Less future finance charges		(160)	(180)
Total Hire Purchase Liability		1,872	1,853
Represented by:			
Current liability	22	714	718
Non-current liability	22	1,158	1,135
		1,872	1,853

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 27 SEGMENT INFORMATION

### (a) AASB 8 Operating Segments

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

### (b) Products and services from which reportable segments derive their revenues

The Group is organised into the following reportable segments:

#### BSA | Connect

BSA | Connect provides contracting services to the telecommunications, subscription television and communication and energy industries. The contracting services include the delivery of bundled services over fixed line multi-technology services and networks and the installation of Subscription Television as well as Smart Meter and Solar Installations.

#### BSA | Build

BSA | Build provides the design and installation of building services for commercial and industrial buildings including: Mechanical Services, Air Conditioning, Heating and Ventilation, Refrigeration and Fire services. In addition the business provides energy and other technical advisory services.

#### BSA | Maintain

BSA | Maintain provides the maintenance of building services for commercial and industrial buildings including: Mechanical Services, Air Conditioning, Heating and Ventilation, Refrigeration, Fire, Electrical, Building Repairs and Energy Services.

### (c) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable operating segment:

	Revenue		Segment Profit/Loss	
	Year Ended		Year Ended	
	30 Jun 18	30 Jun 17	30 Jun 18	30 Jun 17
	\$'000	\$'000	\$'000	\$'000
BSA   Connect	249,356	186,531	16,442	8,043
BSA   Build	219,742	216,626	(6,767)	352
BSA   Maintain	93,472	89,547	1,226	2,762
Other	24	166	-	-
	562,594	492,870	10,901	11,157
Corporate costs including acquisition, legal and advisory			(7,783)	(4,928)
Finance costs			(645)	(595)
Profit before tax			2,473	5,634

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2017: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit/loss earned by each segment without allocation of central administration costs and Directors' salaries, investment income, gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 27 SEGMENT INFORMATION (CONTINUED)

### (d) Segment assets and liabilities

	Year Ended	
	30 Jun 18	30 Jun 17
	\$'000	\$'000
<b>Segment assets</b>		
BSA   Connect	48,082	50,260
BSA   Build	78,823	73,934
BSA   Maintain	31,522	28,951
Consolidated assets	158,427	153,145
<b>Segment liabilities</b>		
BSA   Connect	39,254	40,711
BSA   Build	53,074	49,019
BSA   Maintain	21,062	17,971
Consolidated liabilities	113,390	107,701

For the purposes of monitoring segment performance and allocating resources between segments.

\* All assets, except cash, are allocated to reportable segments. In 2018 and 2017, cash is allocated to **BSA | Connect**, who operate the Group's treasury. Goodwill is allocated to reportable segments as described in note 15. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

\* All liabilities are allocated to reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

### (e) Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	Year Ended		Year Ended	
	30 Jun 18	30 Jun 17	30 Jun 18	30 Jun 17
	\$'000	\$'000	\$'000	\$'000
<b>Continuing operations</b>				
BSA   Connect	3,463	2,041	9,345	3,974
BSA   Build	777	1,034	564	715
BSA   Maintain	1,707	1,923	729	1,449
	5,947	4,998	10,638	6,138

FY2018 additions include capitalised fitout costs for NSW office refurbishments (\$1,895,000). \$1,553,000 was returned by the owner under the property lease agreement.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 27 SEGMENT INFORMATION (CONTINUED)

### (f) Geographical information

The Group only operates in Australia.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	Year ended		Year Ended	
	30 Jun 18	30 Jun 17	30 Jun 18	30 Jun 17
	\$'000	\$'000	\$'000	\$'000
Australia	562,594	492,870	37,922	35,496
	562,594	492,870	37,922	35,496

### (g) Information about major customers

The Group has a number of customers to whom it provides both products and services. The Group supplies a single external customer in the BSA | Connect segment who accounts for 24% of external revenue (2017:17%). The Group's next most significant client is in the BSA | Connect segment and accounts for 9% of external revenue (2017: 10%).

## NOTE 28 CASH FLOW INFORMATION FOR THE PERIOD

	Consolidated	
	2018	2017
	\$'000	\$'000
<b>(a) Reconciliation of profit/(loss) to net cash flows from operating activities for the year</b>		
Profit for the year	1,564	3,963
Depreciation	5,273	4,260
Amortisation	674	738
Share-based payment expense	145	54
Net profit on sale of non-current assets	(269)	(387)
<b>Change in operating assets and liabilities</b>		
Decrease/(increase) in trade receivables	512	(1,695)
Decrease in inventories	633	557
Decrease in deferred tax asset	909	1,672
Decrease/(increase) in other operating assets	(7,115)	(19,586)
(Decrease)/increase in trade payables	(4,198)	2,357
(Decrease)/increase in other operating liabilities	7,369	13,652
(Decrease) in provisions	(834)	(6,363)
Net cash generated by/(used by) operating activities	4,663	(778)

### (b) Non-cash transactions

During the year the consolidated entity acquired plant and equipment with an aggregate value of \$4,095,000 (2017:\$1,101,000) by means of finance leases. These acquisitions are not reflected in the consolidated statement of cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 28 CASH FLOW INFORMATION FOR THE PERIOD (CONTINUED)

	Consolidated	
	2018	2017
	\$'000	\$'000
<b>(c) Credit Standby Arrangements with Banks</b>		
Credit facility	20,000	20,000
Amount utilised	-	-
Unused credit facility	20,000	20,000

This facility is summarised as follows:

*A Working Capital Facility which covers the financial requirements of the day to day operations of the Group.*

<b>(d) Credit Standby Arrangements with Banks</b>		
Credit facility	12,500	-
Amount utilised	-	-
Unused credit facility	12,500	-

This facility is summarised as follows:

*A Corporate Receivables Facility which covers the financial requirements of the day to day operations of the Group.*

<b>(e) Master Asset Finance Facilities</b>		
Total asset finance facility	8,000	5,000
Amount utilised	(4,961)	(2,277)
Total unused Master Asset Finance Facility	3,039	2,723

Finance will be provided under the facility provided the Company and the consolidated entity has not breached any borrowing requirements and the required financial ratios are met. During the year, the Company and the consolidated entity have not breached any borrowing requirements.

### (f) Guarantees

Guarantees to the value of \$24,902,000 were utilised at 30 June 2018 (2017: \$24,028,000), and are secured by fixed and floating charge to the bank over the assets of the Company together with guarantees in favour of the parent given by all controlled entities.

### (g) Surety Bonds

Surety Bonds of which \$16,341,000 were utilised at 30 June 2018 (2017: \$18,642,000), are unsecured.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 29 SHARE-BASED PAYMENTS

### (a) Employee Option Plan

The establishment of the BSA Limited Employee Option Plan was approved by shareholders at the 2004 AGM. Staff eligible to participate are those who are full time or permanent part-time employees of any company in the Group, including an Executive Director and Non-Executive Director of the company and whom the Board of Directors has sole discretion to determine to be eligible to participate but does not include a person who has a relevant interest in greater than 5% of the issued ordinary share capital of the Company.

The exercise price and exercise period applicable to any options to be offered under the Option Plan will, at or before the time of issuing an invitation to eligible employees to subscribe for options, be determined by the Board in its absolute discretion.

Subject to any restrictions in the Listing Rules or the Corporations Act 2001, the Board may in its absolute discretion impose on the options such other terms as it considers appropriate.

As soon as practicable after receipt of a valid notice of exercise of an option together with the exercise price the Company will allot the appropriate number of ordinary shares. Any shares issued on the exercise of the options granted pursuant to the resolution will be officially quoted and will rank equally with all other shares on issue in the Company and all the rights and entitlements of the holders in respect of those shares will be identical to the rights and entitlements of the holders of the currently issued shares in the Company.

Options can only be exercised after three years if the employee remains in the employment of the Company and the option will then expire two years after this date. If the employee terminates their employment within the three years, the option is exercisable for twelve months from the date after termination. If the Company is subject to a takeover the option will vest and be exercisable for a period of three months.

Options may not be transferred, though prior to issue a nominee may be advised for consideration by the Board.

There were no options outstanding at 30 June 2018 (2017: Nil).

#### Fair value of options granted

There have been no options granted since 25 November 2004.

There is no employee benefits expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income (2017: nil), which relates, to equity-settled share-based payment transactions under the Employee Option Plan.

### (b) Employee Share Scheme

A scheme under which shares were issued by the Company to employees for no cash consideration was ratified by shareholders at the 2004 AGM. All permanent employees (including Executive Directors) who were continuously employed by the consolidated entity for a period of at least one year were eligible to participate in the scheme. Employees could elect not to participate in the scheme.

Under the scheme, eligible employees were offered \$1,000 worth of fully-paid ordinary shares in BSA Limited for the Year Ended 30 June 2004 for no cash consideration. The market value of shares issued under the scheme, measured as the weighted average market price on the day of issue of the shares, was recognised in the Consolidated Statement of Financial Position as share capital and as part of employee benefit cost.

Offers under the scheme are at the discretion of the Company. No offers were made during year the ended 30 June 2018 (2017: Nil).

Shares under the scheme may not be sold until the earlier of three years after issue or cessation of employment with the consolidated entity. In all other aspects the shares rank equally with other fully-paid ordinary shares on issue (see note 24(c)).

The number of shares issued to participants in the scheme is the offered amount divided by the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the date of the offer.

### (c) Executive Securities Plan

The establishment of the BSA Executive Securities Plan was approved by shareholders at the 2005 AGM. The Plan was established as a mechanism to provide the Company's key executives with a direct equity involvement and incentive in the Company which aligns them with the shareholders.

The number of securities to be offered and the time at which securities may be offered from time to time to executives and the price and terms of payment, shall be determined by the Board in its discretion.

The Board may at such times as it determines invite any executive to be a member of the Plan.

If an Executive to whom an invitation has been issued forwards to the Company a duly completed Loan Application and the Transfer Documents together with their acceptance, and where appropriate their Application for Shares, then the Company shall, in accordance with the terms of the Loan Agreement, lend to the Executive such amount as the Executive has applied for in the Loan Application.

The maximum amount of any Loan shall be the total subscription price for the shares applied for.

No interest is payable by the borrower under the Loan Agreement.

An Executive shall not sell, mortgage, charge, assign or otherwise dispose of or encumber any shares before payment or repayment of any amount outstanding to the Company in respect thereof.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 29 SHARE-BASED PAYMENTS (CONTINUED)

Subject to the above restriction and to the terms of the Loan Agreement (if any) deemed to be entered into by the Executive, an Executive shall from the Date of Allotment, be the absolute beneficial owner of the shares.

Unless the Directors of the Company otherwise provide in the terms of any Invitation, all Plan Shares shall rank for dividends declared on or after the Date of Allotment and shall in all respects rank equally with and have the same rights and entitlements as all other fully paid ordinary shares of the Company.

Under the Loan Agreement, the borrower shall repay the balance outstanding of the Outstanding Principal when the borrower ceases to be an employee or Director of the Lender. BSA Limited has adopted the policy of having a rolling three year maturity date for all Executives who do not have a termed employment contract.

Set out below are summaries of securities accepted under the plan:

Consolidated and parent entity

Grant Date	Expiry Date	Issue Price (cents)	Balance at Start of the Year Number	Granted During the Year Number	Released from Escrow During the Year Number	Balance in Escrow at End of the Year Number
13 Oct 2006	n/a	0.23	700,000	-	250,000	450,000
19 Jul 2007	n/a	0.63	1,600,000	-	750,000	850,000
11 Sep 2007	n/a	0.68	150,000	-	-	150,000
13 Sep 2007	n/a	0.68	200,000	-	200,000	-
14 Dec 2007	n/a	0.68	400,000	-	-	400,000
10 Feb 2009	n/a	0.10	1,700,000	-	950,000	750,000
Total			4,750,000	-	2,150,000	2,600,000

### (d) Employee Performance Rights Plan

The establishment of the BSA Employee Performance Rights Plan was approved by shareholders at the 2008 AGM. The Plan was established to reward selected eligible employees and to:

- Provide an incentive for the creation of, and focus on, shareholder wealth;
- Enable the Company to recruit and retain the talented people needed to achieve the Company's business objectives;
- Link the reward of key staff with the achievement of strategic goals and the performance of the Company;
- Align the financial interests of participants with those of Company shareholders; and
- Ensure the remuneration packages of employees are consistent with market practice.

Securities may be offered under the Plan and the Board has discretion to determine who is offered the opportunity to participate.

Generally, securities are subject to a holding restriction and cannot be traded unless certain performance conditions are met or as otherwise specified at the time of the relevant award after acquisition by the participant.

Rights to acquire shares will not be exercisable until the end of the final measurement period, and until those rights have satisfied all vesting conditions and all performance hurdles established by the Board. This is subject to a number of exceptions (including death, cessation of employment, takeovers and schemes of arrangement). The rights have a specified life determined by the Board. The initial grant of rights (the Grant Date) will have a life terminating five years after the Grant Date or such other date as determined by the Board (the Expiry Date).

Rights granted to certain participants in the initial grant will be at zero vesting value and will be subject to the following performance conditions as determined by the Board:

- (i) Service conditions as determined by the Board.
- (ii) The Company's performance as measured by earnings per share ("EPS") being the EPS for the relevant Measurement Period as determined by the Board having regard to the financial statements. Certain growth in EPS for the shares must be attained in respect of each Measurement Period and pro rata in respect of each Measurement Period and service condition of three years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 29 SHARE-BASED PAYMENTS (CONTINUED)

The Board will prescribe the date when performance under the hurdle is measured for each tranche.

On or after the end of the final measurement period and provided any performance hurdle prescribed by the Board has been achieved and, where applicable, to the extent it has been achieved, the Plan Participant may then acquire shares by exercising the rights.

A right lapses if it is not exercised by the Expiry Date.

The Exercise Price (if any) will be an amount determined by the Board from time to time, fixed at the date of grant or determined by application of methodology approved by the Board.

Once Rights have been exercised by an Eligible Employee (subject to certain Performance Conditions being met), the Company may make non-refundable contributions to the Plan Company to either:

- fund the purchase of a new Plan Share; or
- the acquisition on the ASX of an existing share and transfer to the participant of that share, to which the Participant is entitled under the rights.

The current plan company is BSA Limited ACN 088 412 748 or any other Company that the Board may approve from time to time. After rights are exercised, the plan company will subscribe for new shares or acquire shares in the ordinary course of trading on the ASX for participants, as directed from time to time by the Board.

Consolidated and parent entity

Grant Date	Exercise Date	Expiry Date	Exercise Price (cents)	Balance at Start of the Year Under Right Number	Granted During the Year Under Right Number	Exercised During the Year Under Right Number	Cancelled During the Year Under Right Number	Balance in Escrow at End of the Year Under Right Number
25 Nov 14	30 Jun 15	25 Nov 19	-	1,116,667	-	-	-	1,116,667
29 Nov 16	6 Feb 17	29 Nov 21	-	90,322	-	(90,322)	-	-
29 Nov 16	1 Sep 17	29 Nov 21	-	200,000	-	-	-	200,000
28 Nov 17	4 Dec 17	4 Dec 22	-	-	142,857	-	-	142,857
4 Dec 17	4 Dec 17	4 Dec 22	-	-	175,391	-	-	175,391
Total				1,406,989	318,248	(90,322)	-	1,634,915

### Fee Sacrifice Equity Plan to Individual Non-Executive Directors

The establishment of the BSA Fee Sacrifice Equity Plan to Individual Non-Executive Directors was approved by shareholders at the 2017 AGM. The plan is to establish a mechanism for Non-Executive Directors (NEDS) to acquire shares in the Company by electing to salary sacrifice a proportion of annual fees, on a voluntary basis that will align their interests with shareholders and does not create any financial or governance concerns for shareholders.

All individuals holding NED roles in the Company or a subsidiary of the Company are eligible to become participants in the Plan.

Each year, the Company intends to invite each NED to voluntarily elect to apply for rights under the Plan, to be funded by salary sacrificing a proportion of Annual Board fees. While the Company intends to issue invitations annually, the Board will determine at its sole discretion each year whether to issue an invitation.

Invitations will include such terms as the Board deems appropriate including the date of the invitation, the number of Deferred Rights that a participant is eligible to apply for, that the price of a Deferred Right shall be nil (ignoring the amount of the fee sacrificed), that the exercise price shall be nil, the period during which disposal restrictions will apply, and such other terms and conditions as the Board determines.

Deferred Rights granted under this Plan will be fully vested on the date of grant (being the date notified in a Notice of Grant)

Deferred Rights will be automatically exercised 90 days after grant but may not be exercised earlier. On exercise of a right, the Board in its discretion will either: a) issue shares to Participants or b) arrange for shares to be acquired for the benefit of Participants by the trustee of the BSA Employee Share Trust. The Company will contribute such funds as needed to acquire shares either on-market or a subscription to a new issue as directed by the Board. The shares that result from the exercise of Deferred Rights are Restricted Shares.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 29 SHARE-BASED PAYMENTS (CONTINUED)

All shares acquired by Participants are subject to disposal restrictions that prevent disposal until the earlier of 15 years from the date of grant of rights and cessation of being a NED on the Board of BSA or a subsidiary of the Company (which will be specified Disposal Restrictions). During the period the Special Disposal Restrictions apply, the Restricted Shares may not be sold or otherwise disposed. The Company may impose a CHES holding lock on Restricted Shares to ensure the participant does not sell them earlier than permitted under the Rules. The Company will advise each participant when it considers the specified disposal restrictions cease to apply.

Participants must not enter an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Deferred Rights or Restricted Shares.

Participants will be treated in a manner that does not advantage or disadvantage them compared with other shareholders in the event of bonus issues, rights issues and capital reorganisation.

If a participant ceases to be a NED of the Company or a subsidiary of the Company any unexercised Deferred Rights will be exercised automatically the day following cessation, and any Restricted Shares held by a Participant that are subject to Specified Disposal Restrictions will cease to be subject to such restrictions on the day of cessation unless otherwise determined by the Board and notified to the Participant in the Invitation.

Grant Date	Exercise Date	Expiry Date	Exercise Price (cents)	Balance at Start of the Year Under Right Number	Granted During the Year Under Right Number	Exercised During the Year Under Right Number	Cancelled During the Year Under Right Number	Balance in Escrow at End of the Year Under Right Number
3 May 17	3 May 18	3 May 33	-	-	257,838	-	-	257,838
Total				-	257,838	-	-	257,838

## NOTE 30 EVENTS OCCURRING AFTER THE BALANCE DATE

The Directors are not aware of any significant events since the end of the reporting period.

## NOTE 31 RELATED PARTY TRANSACTIONS

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

### (a) Transactions with related parties:

	Consolidated Entity	
	2018	2017
	\$	\$
Rent was paid to The Day Street Unit Trust in which M Lowe, a Director, has a beneficial interest	173,604	178,496

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 31 RELATED PARTY TRANSACTIONS (CONTINUED)

### Outstanding balances arising from purchases of services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated Entity	
	2018	2017
	\$	\$
Purchase of services		
Rent payable for premises from Director	14,875	-

### (b) Equity instrument disclosures relating to Key Management Personnel

#### (i) Rights holdings

The numbers of rights over ordinary shares in the Company held during the financial year by each Director of BSA Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2018	Balance at the start of the year	Granted as Compensation	Rights Exercised	Net Change Other	Balance at End of Year	Vested but Not Exercisable	Vested and Exercisable	Rights Vesting During Year
Nicholas Yates	1,116,667	142,857	-	-	1,259,524	-	1,259,524	142,857
Nicholas Benson	90,322	-	( 90,322)	-	-	-	-	-
Timothy Harris	200,000	175,391	-	-	375,391	-	375,391	175,391
Michael Givoni	-	207,838	-	-	207,838	-	207,838	207,838
Graeme Barclay	-	50,000	-	-	50,000	-	50,000	50,000
	1,406,989	576,086	( 90,322)	-	1,892,753	-	1,892,753	576,086

2017	Balance at the start of the year	Granted as Compensation	Rights Exercised	Net Change Other	Balance at End of Year	Vested but Not Exercisable	Vested and Exercisable	Rights Vesting During Year
Nicholas Yates	1,116,667	-	-	-	1,116,667	-	1,116,667	-
Nicholas Benson	-	90,322	-	-	90,322	-	90,322	90,322
Timothy Harris	-	200,000	-	-	200,000	-	200,000	200,000
	1,116,667	290,322	-	-	1,406,989	-	1,406,989	290,322

Further details of schemes can be found in the Directors' Report.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 31 RELATED PARTY TRANSACTIONS (CONTINUED)

### (ii) Share holdings

The numbers of shares in the Company held during the year by each Director of BSA Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2018	Balance at the start of the year	Rights Exercised	Other Changes During the Year	Balance at the End of the Year	Balance Held Nominally
<b>Directors of BSA Limited</b>					
<b>Ordinary Shares</b>					
Mark Lowe	10,115,403	-	-	10,115,403	-
Paul Teisseire	680,012	-	-	680,012	-
Michael Givoni	796,400	-	-	796,400	-
Graeme Barclay	-	-	-	-	-
Nicholas Yates	2,727,273	-	127,487	2,854,760	-
<b>Ordinary Shares - Escrowed</b>					
Mark Lowe	200,000	-	-	200,000	-
<b>Key Management Personnel</b>					
<b>Ordinary Shares</b>					
Nicholas Benson	1,363,636	-	90,322	1,453,958	-
Timothy Harris	-	-	-	-	-
	15,882,724	-	217,809	16,100,533	-

Max Cowley is a nominee director of Birketu Pty Ltd and is also a director of Birketu Pty Ltd. Birketu Pty Ltd holds shares in BSA Limited of 72,000,000 (2017: 67,204,000). Max Cowley has no beneficial interest in Birketu Pty Ltd.

2017	Balance at the start of the year	Rights Exercised	Other Changes During the Year	Balance at the End of the Year	Balance Held Nominally
<b>Directors of BSA Limited</b>					
<b>Ordinary Shares</b>					
Mark Lowe	10,115,403	-	-	10,115,403	-
Paul Teisseire	680,012	-	-	680,012	-
Michael Givoni	636,400	-	160,000	796,400	-
Graeme Barclay	-	-	-	-	-
Nicholas Yates	2,727,273	-	-	2,727,273	-
<b>Ordinary Shares - Escrowed</b>					
Mark Lowe	200,000	-	-	200,000	-
<b>Key Management Personnel</b>					
<b>Ordinary Shares</b>					
Nicholas Benson	1,363,636	-	-	1,363,636	-
	15,722,724	-	160,000	15,882,724	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 31 RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Executive Securities Loans

	Opening Balance \$000	Balance at End of Year \$000	Notional Interest Charged \$000	Notional Interest Not Charged \$000	Provision for Impairment \$000	Number of Individuals
2018	1,661	914	(13)	-	74	8
2017	1,734	1,661	1	-	74	11
2016	1,705	1,734	29	-	-	11
2015	1,473	1,705	232	-	-	11
2014	1,473	1,473	90	-	-	11
2013	1,477	1,473	90	-	-	11
2012	2,552	1,477	93	-	-	11
2011	2,656	2,552	44	-	-	13
2010	2,487	2,656	334	-	-	13
2009	2,437	2,487	171	-	-	13
2008	1,029	2,437	148	-	-	13
2007	833	1,029	63	-	-	6
2006	807	833	26	-	-	1

#### Individuals with loans above \$100,000 in reporting period

2018	Opening Balance \$	Notional Interest Charged Using Effective Interest Rate Method \$	Balance at End of Year \$	Highest Balance During Period \$
Brendan Foley *	590,412	3,087	30,755	590,412
Ray Larkin	227,362	( 6,855)	220,507	227,362
Leaston Paull	227,362	( 6,855)	220,507	227,362
Bryce Wood	193,032	( 6,262)	186,770	193,032
Peter Tripodi *	143,750	-	142,500	143,750
Younis Tehfe	135,453	( 6,134)	129,319	135,453

\* Balance at year end stated at actual date to the terms of the loans

2017	Opening Balance \$	Notional Interest Charged Using Effective Interest Rate Method \$	Balance at End of Year \$	Highest Balance During Period \$
Brendan Foley	590,065	347	590,412	590,412
Ray Larkin	227,228	134	227,362	227,362
Leaston Paull	227,228	134	227,362	227,362
Bryce Wood	192,919	113	193,032	193,032
Peter Tripodi *	143,750	-	143,750	143,750
Younis Tehfe	135,373	80	135,453	135,453

\* Balance at year end stated at actual date to the terms of the loans

The above current loans represent unsecured loans to purchase shares in BSA Limited which was passed at a meeting of members held on 12 December 2005. The shares were issued between 13 October 2006 and 10 February 2009 at values ranging from 10.0 cents per share to 68.0 cents per share. The loans are repayable on the termination of each individual from the Company and do not bear interest. These loans have been booked into the accounts at net present value on a rolling three year basis.

At the discretion of the Board, the above loan to Peter Tripodi was not repaid at the termination date. The outstanding principal is now due and receivable and actions to recover are continuing, with a recovery of \$1,250 in the year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 32 FINANCIAL INSTRUMENTS

### Fair value of financial instruments carried at amortised cost.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	Consolidated	
	2018	2017
	\$'000	\$'000
<b>Financial Assets</b>		
Cash and cash equivalents	12,670	16,432
<b>Loans and receivables</b>		
Trade and other receivables	105,735	100,001
<b>Financial Assets at amortised cost</b>	<b>118,405</b>	<b>116,433</b>
<b>Financial liabilities</b>		
<b>Financial liabilities held at amortised cost</b>		
Trade and other payables	81,914	78,578
Borrowings	5,704	2,927
<b>Financial liabilities at amortised cost</b>	<b>87,618</b>	<b>81,505</b>

## NOTE 33 FINANCIAL RISK MANAGEMENT

### (a) General objectives, policies and processes

In common with all other businesses, the Group is exposed to financial risks that arise. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The principal financial instruments from which financial instrument risk arises are:

- Trade receivables;
- Cash at bank;
- Bank overdrafts;
- Trade and other payables; and
- Borrowings.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives monthly reports from the Finance Department through which it reviews the effectiveness of the processes put in place and the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 33 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Group.

Trade receivables consist of a large number of customers. The Group does not have significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to the largest counterparty did not exceed 4% of gross monetary assets at balance date. Concentration of credit risk to any other counterparty did not exceed 7% of gross monetary assets at balance date.

The maximum exposure to credit risk at balance date is as follows:

	Consolidated	
	2018	2017
	\$'000	\$'000
Receivables	107,170	101,291
	107,170	101,291

Included in loans and receivables, the most significant customer accounts for 6.6% of trade receivables at 30 June 2018 (2017: 6.6%).

The maximum exposure to credit risk at balance date by country is as follows:

	Consolidated	
	2018	2017
	\$'000	\$'000
Australia	107,170	101,291
	107,170	101,291

The maximum exposure to credit risk for cash and trade receivables at balance date by type of customer is as follows:

	Consolidated	
	2018	2017
	\$'000	\$'000
BSA   Connect	29,408	35,792
BSA   Build	51,204	41,628
BSA   Maintain	26,558	23,871
	107,170	101,291

The Group's most significant outstanding balance is a **BSA | Build** customer, accounts for \$2,798,000 of trade receivables at 30 June 2018. At 30 June 2017, the Group's most significant customer was a **BSA | Build** customer which accounted for \$4,210,000.

All major customers are credit worthy, as detailed above.

The Group has significant concentration of credit risk as all loans and lease liabilities are with the one financial institution.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 33 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The table below sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

#### Financing arrangements

The following financing facilities were available at balance date:

	2018	Consolidated 2017
	\$'000	\$'000
<b>Credit stand-by arrangements</b>		
Total facilities:		
Corporate Market Loan	20,000	20,000
Debtor Finance Facility	12,500	-
	32,500	20,000
Used at balance date:		
Corporate Market Loan	-	-
Debtor Finance Facility	-	-
	-	-
Unused at balance date:		
Corporate Market Loan	20,000	20,000
Debtor Finance Facility	12,500	-
	32,500	20,000
<b>Master Asset Finance Facility *</b>		
Total facilities:	8,000	5,000
Used at balance date	4,961	2,278
Total unused Master Asset Finance Facility	3,039	2,722
<b>Total unused Facilities at balance date</b>	<b>35,539</b>	<b>22,722</b>

In addition to the above arrangements the consolidated entity has a bank guarantee facility of \$26,500,000 (2017: \$26,500,000) which was utilised to \$24,902,000 (2017: \$24,028,000).

In addition to the above facilities the consolidated entity has a surety bond facility with Swiss Re International SE of \$30,000,000 (2017: \$30,000,000) which was utilised to \$16,341,000 (2017: \$18,642,000).

Refer Note 22 and Note 28 for details of terms of financing arrangements.

\* Under this facility is an allowance of \$2.7m for a letter of credit facility.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 33 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Maturity Analysis - Group

The following table details the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

The table below includes the weighted average effective interest rate and a reconciliation to the carrying amount in the Statement of Financial Position as an example of summary quantitative data about exposure to interest rates at the end of the reporting period that an entity may provide internally to management personnel.

Financial Liabilities	Carrying Amount	Contractual Cash Flows	< 6 mths	6- 12 mths	1-3 years	> 3 years
30 June 2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other	743	743	743	-	-	-
Trade payables	37,573	37,573	37,573	-	-	-
Other payables	70,032	70,032	70,032	-	-	-
Finance lease and hire purchase liabilities	4,961	5,486	748	748	3,990	-
<b>TOTAL</b>	<b>113,309</b>	<b>113,834</b>	<b>109,096</b>	<b>748</b>	<b>3,990</b>	<b>-</b>

Financial Liabilities	Carrying Amount	Contractual Cash Flows	< 6 mths	6- 12 mths	1-3 years	> 3 years
30 June 2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other	649	649	649	-	-	-
Trade payables	41,771	41,771	41,771	-	-	-
Other payables	62,922	62,922	62,922	-	-	-
Finance lease and hire purchase liabilities	2,278	2,496	562	562	1,372	-
<b>TOTAL</b>	<b>107,620</b>	<b>107,838</b>	<b>105,904</b>	<b>562</b>	<b>1,372</b>	<b>-</b>

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Financial Assets	Carrying Amount	Contractual Cash Flows	< 6 mths	6- 12 mths	1-3 years	> 3 years
30 June 2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	5,986	6,338	6,338	-	-	-
Other receivables	101,184	102,013	100,734	85	-	1,194
<b>TOTAL</b>	<b>107,170</b>	<b>108,351</b>	<b>107,072</b>	<b>85</b>	<b>-</b>	<b>1,194</b>

Financial Assets	Carrying Amount	Contractual Cash Flows	< 6 mths	6- 12 mths	1-3 years	> 3 years
30 June 2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	8,026	8,186	8,186	-	-	-
Other receivables	93,265	93,070	91,409	119	-	1,542
<b>TOTAL</b>	<b>101,291</b>	<b>101,256</b>	<b>99,595</b>	<b>119</b>	<b>-</b>	<b>1,542</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 33 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Market Risk

#### Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied. As at 30 June 2018 there were no bank borrowings.

## NOTE 34 CAPITAL RISK MANAGEMENT

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

It is the Group's policy to review its gearing ratio to ensure adequate funds are available to meet its obligations. The Group's gearing ratio at the balance sheet date is shown below :

Gearing ratios	Consolidated	
	2018 \$'000	2017 \$'000
Net (cash) / debt	(6,966)	(13,505)
Total equity	45,037	45,444
Total Gearing Ratio	(15.47%)	(29.72%)

Gearing levels were maintained at a healthy position at 30 June 2018. It is the Board's intention to monitor gearing levels going forward to ensure flexibility. There have been no changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

## NOTE 35 OTHER EXPENSES

	Note	Consolidated	
		2018 \$'000	2017 \$'000
Bad debt and debt collection expenses		248	471
Communications		2,691	2,709
Insurance		1,680	1,182
Legal		2,915	2,124
Motor vehicle expenses		3,857	3,242
Travel and entertainment		3,889	2,716
Recruitment and Training		3,166	2,423
Temporary Staff		4,806	1,569
Increase OSR Provision		-	2,500
Other		14,200	11,369
Total Other Expenses		37,452	30,305

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 36 CONTINGENT LIABILITIES

(i) Guarantees established in favour of National Australia Bank Limited and Swiss Re International SE for guarantees issued to various clients for satisfactory contract performance, secured by cross guarantees from all wholly owned group members amounting to \$41,242,000 (2017:\$42,670,000).

(ii) On 27 June 2016 the Company received a certificate of finding under section 27J of the Industry Research and Development Act 1986 from Innovation Australia. The certificate of finding outlines Innovation Australia's view that certain activities claimed in respect of the 2012, 2013 and 2014 years by BSA as Research and Development are not "Core R&D activities" for the purpose of the Income Tax Assessment Acts.

The section 30C internal review of the section 27J finding filed by BSA has confirmed the original findings. The matter is now being taken to the Administrative Appeals Tribunal (AAT).

In the event that BSA is unsuccessful in challenging the finding through appropriate mechanisms, the Company may be denied tax credits previously claimed totalling approximately \$2m (tax effected) of tax relating to prior year's tax concessions claimed.

Based on expert advice the directors are of the opinion that the activities fall within the legislative requirements for R&D claims to be made under the Income Tax Assessment Acts, that the documents submitted to Innovation Australia support and are consistent with the claims made and that therefore BSA is in a defensible position against the Innovation Australia finding under s27J.

Accordingly, BSA has not made any provision in relation to this matter in these financial statements

(iii) Following the settlement of the NSW OSR issue, BSA is currently working with other State Revenue Authorities on outstanding matters. In relation to these discussions, BSA has made provisions at 30 June 2018 based on current available information.

## NOTE 37 CORPORATE INFORMATION

The Financial Report of BSA Limited for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 29 August 2018 and covers the consolidated entity consisting of BSA Limited and its subsidiaries as required by the Corporations Act 2001. BSA Limited is a company limited by shares incorporated in Australia and whose shares are publicly traded on the Australian Securities Exchange.

The Financial Report is presented in Australian currency.

The address of the registered office and principal place of business is:

Level 7, 3 Thomas Holt Drive  
Macquarie Park NSW 2113

# DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2018

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The Directors declare that:

- (a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3.1 to the financial statements;
- (c) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) The Directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 17 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors.



**Michael Givoni**

Chairman  
Sydney

29 August 2018



Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

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## Independent Auditor's Report to the members of BSA Limited

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of BSA Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

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

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

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

#### *Key Audit Matters*

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

# INDEPENDENT AUDITOR'S REPORT



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><i>Recognition of revenue related to construction contracts</i></p> <p>Refer to Note 3.8 'Construction contracts and work in progress', Note 4 'Critical accounting judgements and key sources of estimation uncertainty', Note 5 'Revenue', and Note 27 'Segment Information'.</p> <p>Included in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018 is revenue relating to construction contracts of \$335.2 million.</p> <p>The Group's primary source of revenue is from construction projects. Revenue is derived from a number of contracts and recognised based on the stage of completion of each contract. Stage of completion of the construction work is determined with reference to the work completed, i.e. the percentage of work performed up to the reporting date with respect to the total anticipated contract work to be performed.</p> <p>The recognition of revenue is dependent on the following key factors:</p> <ul style="list-style-type: none"> <li>• determination of stage of completion;</li> <li>• estimation of total contract revenue and contract cost including the estimation of cost contingencies;</li> <li>• determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims; and</li> <li>• estimation of project completion date.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluating management's processes and controls in respect of the recognition of contract revenue, including; <ul style="list-style-type: none"> <li>- obtaining an understanding of the key controls in particular the estimation and review of costs to complete; and</li> <li>- the project reviews that are undertaken by Group management on a monthly basis.</li> </ul> </li> <li>• Attending a sample of project review meetings to enhance our understanding of the Group's contracting processes, the consistency of their application, and to discuss directly with project management the key risks and opportunities in relation to individual contracts;</li> <li>• Selecting a sample of contracts for testing using a combination of quantitative and qualitative factors which may indicate that a greater level of judgement is required in recognising revenue;</li> <li>• For the sample of contracts selected the procedures included: <ul style="list-style-type: none"> <li>- obtaining an understanding of the contract terms and conditions and inspecting signed contracts to evaluate whether contract terms were reflected in management's estimate of forecast costs and revenue;</li> <li>- challenging the forecast costs to complete, as well as inspection of supporting documentation for contracted costs;</li> <li>- testing on a sample basis contractual entitlement, variations and claims recognised in contract revenue;</li> <li>- for loss making contracts, recalculating the expected loss at completion and verifying that the entire loss was recorded; and</li> <li>- evaluating on a sample basis significant exposures to liquidated damages for late delivery of contract works.</li> </ul> </li> <li>• Assessing the appropriateness of the disclosures in the consolidated financial statements.</li> </ul>



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*Collectability of trade receivables and amounts due from customers under construction contracts*

*Refer to Note 32 'Financial Instruments' and Note 12 'Trade and other receivables' and Note 19 'Amounts due from (to) customers under construction contracts'.*

Included in the Group's consolidated statement of financial position as at 30 June 2018 is amounts due from customers under construction contracts of \$56.3 million.

The Group recognises amounts due from customers under construction contracts in respect of the progressive valuation of work completed as well as trade receivables which represent amounts invoiced to customers.

Credit risk and collectability of trade receivables are subject to estimation and judgement and are required to be monitored by management on an ongoing basis.

Amounts due from customers under construction contracts (or work in progress) are amounts due to the Group from customers that have not been invoiced. Some of these project receivables are made up of claims and variations, both approved and not approved by the customer. Management assesses the likelihood of recovery prior to recognising the amount due from the customer.

Our procedures included, but were not limited to:

- Evaluating management's processes and controls in respect of the collectability of trade receivables and amounts due from customers under construction contracts;
  - Assessing the completeness and accuracy of the aged debtor and work in progress reports at year end and on a sample basis where applicable agreeing to the subsequent receipt of cash;
  - For the trade receivable balances that were not collected prior to the issue of the financial statements, evaluating on a sample basis the probability of recovery of outstanding amounts by reference to the status of contract negotiations, correspondence with the customers, external and internal legal advice and supporting documentation, historical recoveries and other supporting documentation;
  - Testing on a sample basis that unbilled work in progress amounts at year end were subsequently billed to the customer;
  - For the work in progress amounts that were not billed to the customer by the end of our audit, challenging management's assessment of the recoverability of these amounts via inquiry of management, inspection of internal and external legal advice, or inspection of subsequent billing approved by the client; and
  - Assessing the appropriateness of the disclosures in the consolidated financial statements.
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# INDEPENDENT AUDITOR'S REPORT

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## *Litigation and claims*

*Refer to Note 23 'Provisions' and Note 36 'Contingent Liabilities'.*

Included in the Group's consolidated statement of financial position at 30 June 2018 is provisions related to litigation and claims of \$5.4 million.

The Group is party to legal proceedings brought by third parties as a result of normal business operations. Management have assessed each of these legal matters and determined, with the assistance of external legal counsel where relevant, whether there is a requirement to provide for expected exposures or disclose a contingent liability in the consolidated financial report.

Our procedures included, but were not limited to:

- Evaluating management's processes and controls to assess the likely financial impact of legal proceedings;
- Obtaining the Group's litigation reports and making enquiries about the status of litigation matters with Group management and external legal advisors;
- Reviewing minutes of meetings of those charged with governance to identify their consideration of legal proceedings as relevant and correspondence between the Group and its external legal advisors;
- Assessing management's determination of the provisions recorded for potential litigation losses; and
- Assessing the appropriateness of the disclosures in the consolidated financial statements.

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## *Recoverability of goodwill*

*Refer to Note 4 'Critical accounting judgements and key sources of estimation uncertainty' and Note 15 'Non-current assets – goodwill'.*

Included in the Group's consolidated statement of financial position at 30 June 2018 is goodwill relating to BSA | Build of \$15.2 million.

Management has assessed the recoverable amount of the goodwill relating to BSA | Build utilising discounted cash flow models which incorporate significant judgement in respect of assumptions such as discount rates and future contract wins, as well as economic assumptions such as growth rates.

In conjunction with valuation experts, our procedures included, but were not limited to:

- Evaluating the discounted cash flow model developed by management to assess the recoverable amount of the goodwill, including critically assessing the following assumptions:
    - discount rate;
    - forecasted cash flows and capital expenditure;
    - growth rates; and
    - terminal growth rate.
  - Evaluating market related assumptions in respect of the discount rate by reference to external data;
  - Testing on a sample basis the mathematical accuracy of the cash flow model;
  - Reviewing the budget approved by senior management and the Board;
  - Assessing the historical accuracy of forecasting of the Group in relation to cash flows of cash generating units;
  - Performing sensitivity analysis on a number of assumptions, including discount rate and forecast profitability; and
  - Assessing the appropriateness of the relevant disclosures in the consolidated financial statements.
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## *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of the Directors for the Financial Report*

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

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

## *Auditor's Responsibilities for the Audit of the Financial Report*

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



# INDEPENDENT AUDITOR'S REPORT

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## Deloitte.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included on pages 17 to 24 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of BSA Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

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

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



AG Collinson  
Partner  
Chartered Accountants  
Sydney, 29 August 2018



BSA | Build Plenty Valley - The chilled water and heating hot water plantroom for the redevelopment consists of 1200kw of cooling capacity and 400kw of heating output.

# SHAREHOLDER INFORMATION

THE SHAREHOLDER INFORMATION SET OUT BELOW WAS APPLICABLE AS AT 31 JULY 2018

## A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

	Number of Holders	Ordinary Shares	Number of Holders	Options	Number of Holders	Performance Rights
1 to 1,000	177	67,072	-	-	-	-
1,001 to 5,000	519	1,637,178	-	-	-	-
5,001 to 10,000	283	2,231,401	-	-	-	-
10,001 to 100,000	801	35,206,557	-	-	1	50,000
100,001 and above	220	383,855,460	-	-	3	1,842,753
	2,000	422,997,668	-	-	4	1,892,753

There were 254 (2017: 194) holders of less than a marketable parcel of ordinary shares.

## B. EQUITY SECURITY HOLDERS

### Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name of Holder	Ordinary Shares	
	Number Held	Percentage of Issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	108,109,686	25.56%
NATIONAL NOMINEES LIMITED	80,368,559	19.00%
BIRKETU PTY LTD	72,000,000	17.02%
SANDHURST TRUSTEES LTD <WENTWORTH WILLIAMSON A/C>	15,694,540	3.71%
HGT INVESTMENTS PTY LTD	14,870,544	3.52%
SAMLOWE PTY LTD <LOWE SUPER FUND A/C>	10,115,403	2.39%
MR GREG MULLANE	7,548,743	1.78%
FF OKRAM PTY LTD <FF OKRAM A/C>	6,021,401	1.42%
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,771,734	1.36%
EMELWIN PTY LTD <N & E YATES SUPER FUND A/C>	2,854,760	0.67%
EDINGTON PTY LIMITED <HERRING SUPER FUND A/C>	1,769,376	0.42%
TALOOMBI PTY LTD	1,721,257	0.41%
CTS F PTY LTD <VC SUPERANNUATION FUND A/C>	1,675,945	0.40%
MR NICHOLAS JOHN BENSON	1,453,958	0.34%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,407,418	0.33%
MISS YAN LI	1,200,000	0.28%
VANWARD INVESTMENTS LIMITED	1,194,807	0.28%
MR RICHARD EWAN BROMLEY MEWS	1,162,949	0.27%
MR GRAEME LESLIE HERRING + MRS JOAN HERRING	1,090,656	0.26%
MS SUE ELIZABETH MCGREGOR	1,000,000	0.24%
Top 20 Shareholders	337,031,736	79.66%

# SHAREHOLDER INFORMATION

THE SHAREHOLDER INFORMATION SET OUT BELOW WAS APPLICABLE AS AT 31 JULY 2018

## C. SUBSTANTIAL SHAREHOLDERS

Substantial shareholders in the Company are set out below:

Ordinary Shares	Number Held	Percentage
THE TRUST COMPANY LIMITED <LAVF>	87,382,061	20.66%
NAOS ASSET MANAGEMENT LIMITED	74,127,210	17.52%
BIRKETU PTY LTD	72,000,000	17.02%

## D. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

### (a) Ordinary shares

On a show of hands every member present at a meeting in person, or by proxy, shall have one vote and upon a poll each share shall have one vote.

### (b) Option over an ordinary share

No voting rights.

### (c) Rights over an ordinary share

No voting rights.

# CORPORATE DIRECTORY

## BSA Limited - Corporate

### Registered Office (Sydney)

Level 7, 3 Thomas Holt Drive  
Macquarie Park NSW 2113

P +61 2 8748 2400  
F +61 2 8748 2577  
E [corporate@bsa.com.au](mailto:corporate@bsa.com.au)  
W [www.bsa.com.au](http://www.bsa.com.au)

## BSA | Build

### Head Office (Sydney)

Level 7, 3 Thomas Holt Drive  
Macquarie Park NSW 2113

P +61 2 9763 6200  
F +61 2 9763 6201

## BSA | Connect

### Head Office (Sydney)

Level 7, 3 Thomas Holt Drive  
Macquarie Park NSW 2113

P +61 2 8748 2400  
F +61 2 8748 2577

## BSA | Maintain

### Head Office (Sydney)

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F +61 2 9763 6201

## Share Registry

### Computershare Investor Services

GPO Box 2975  
Melbourne VIC 3001 Australia

P 1300 85 05 05  
P +61 3 9415 4000  
F +61 3 9473 2500

## Auditor

### Deloitte Touche Tohmatsu

225 George Street  
Sydney NSW 2000

## Banker

### National Australia Bank

255 George Street  
Sydney NSW 2000

[www.bsa.com.au](http://www.bsa.com.au)