Appendix 4E

SHAPE

Name of entity: SHAPE Australia Corporation Limited
ABN: 14 654 729 352
Reporting Period: For the year ended 30 June 2023
Previous Period: For the year ended 30 June 2022

Results for announcement to the market	Up/Down	Movement	$'000
Revenues from ordinary activities	up	31.0%	862,367
Profit after tax	up	45.7%	10,497
Profit for the year attributable to the owners of SHAPE Australia Corporation Limited	up	45.7%	10,497
EBITDA	up	27.4%	19,444
Underlying EBITDA	up	103.9%	19,444

Earnings per share	30 June 2023 (cents)	30 June 2022 (cents)
Basic earnings per share	12.58	8.73
Diluted earnings per share	12.14	8.39

Net tangible assets	30 June 2023 (cents)	30 June 2022 (cents)
Net tangible assets per ordinary security	20.34	12.16*

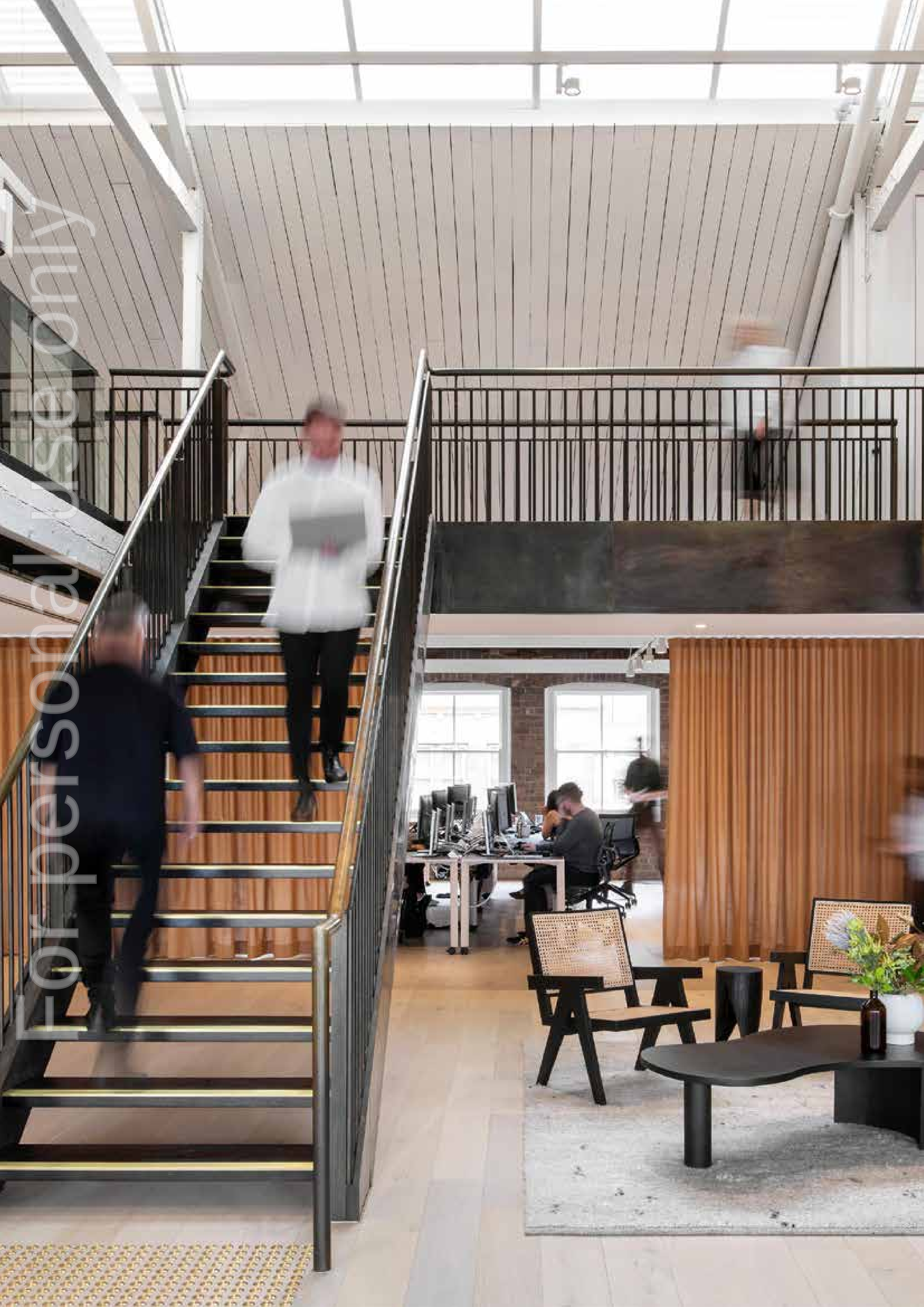
* Net tangible assets per ordinary security as at 30 June 2022 was amended from 11.65 cents to 12.16 cents following the finalisation of the provisional accounting of the K. L. Modular Systems (Aust) Pty Ltd acquisition.

Dividends	Amount per share (cents)	Franked amount per share (cents)	Record Date	Payment Date
2022 Final dividend	2.00	2.00	1 Sep 2022	14 Sep 2022
2023 Interim dividend	5.00	5.00	6 Mar 2023	20 Mar 2023
2023 Final dividend **	6.50	6.50	1 Sep 2023	15 Sep 2023

** Declared on 24 August 2023

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

The remainder of the information requiring disclosure to comply with listing rule 4.3A is contained in the June 2023 Directors' Report and the Financial Report for the year ended 30 June 2023.



FY23
Annual Report

SHAPE Australia Corporation Limited
ABN: 14 654 729 352

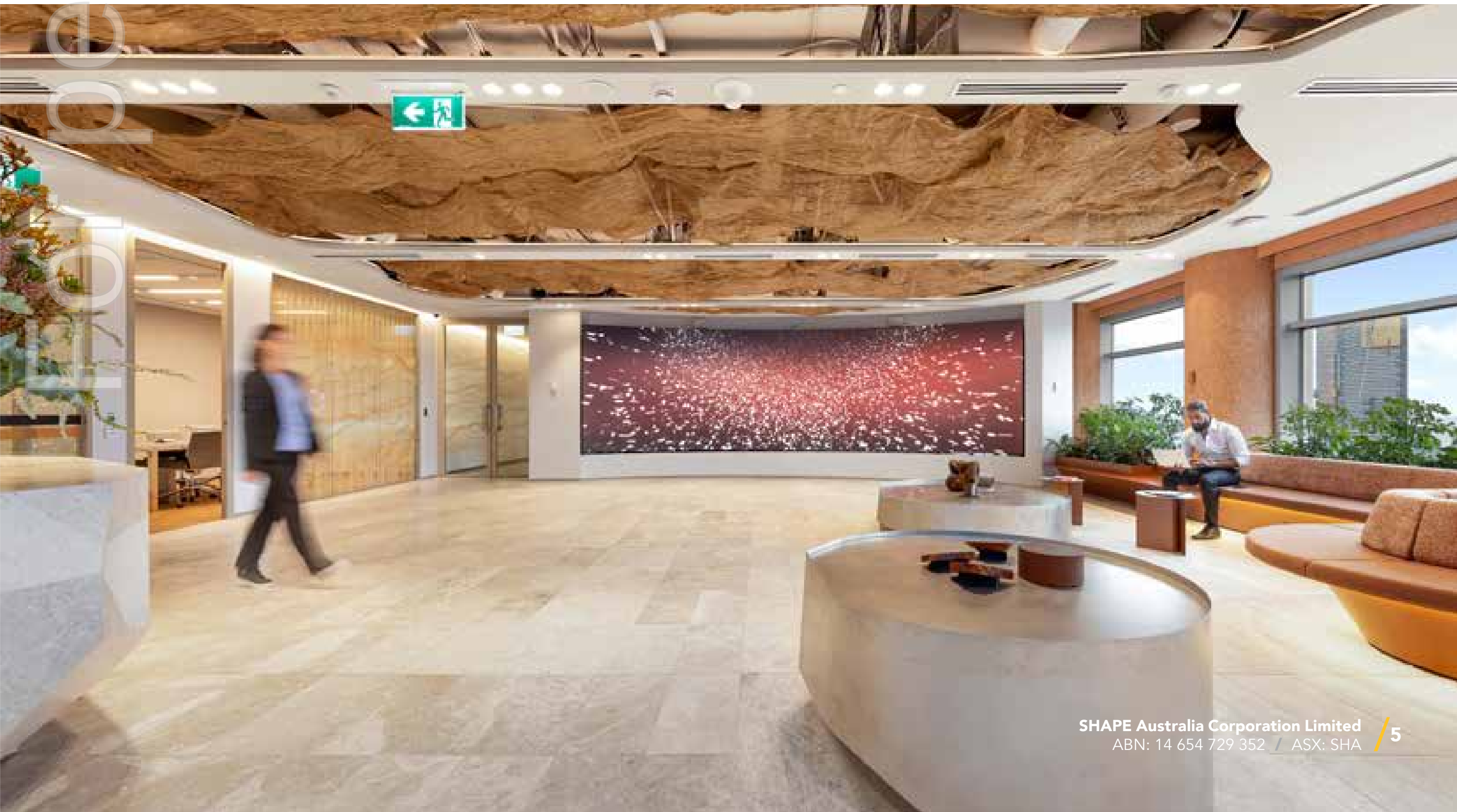
Level 11, 155 Clarence Street,
Sydney NSW 2000

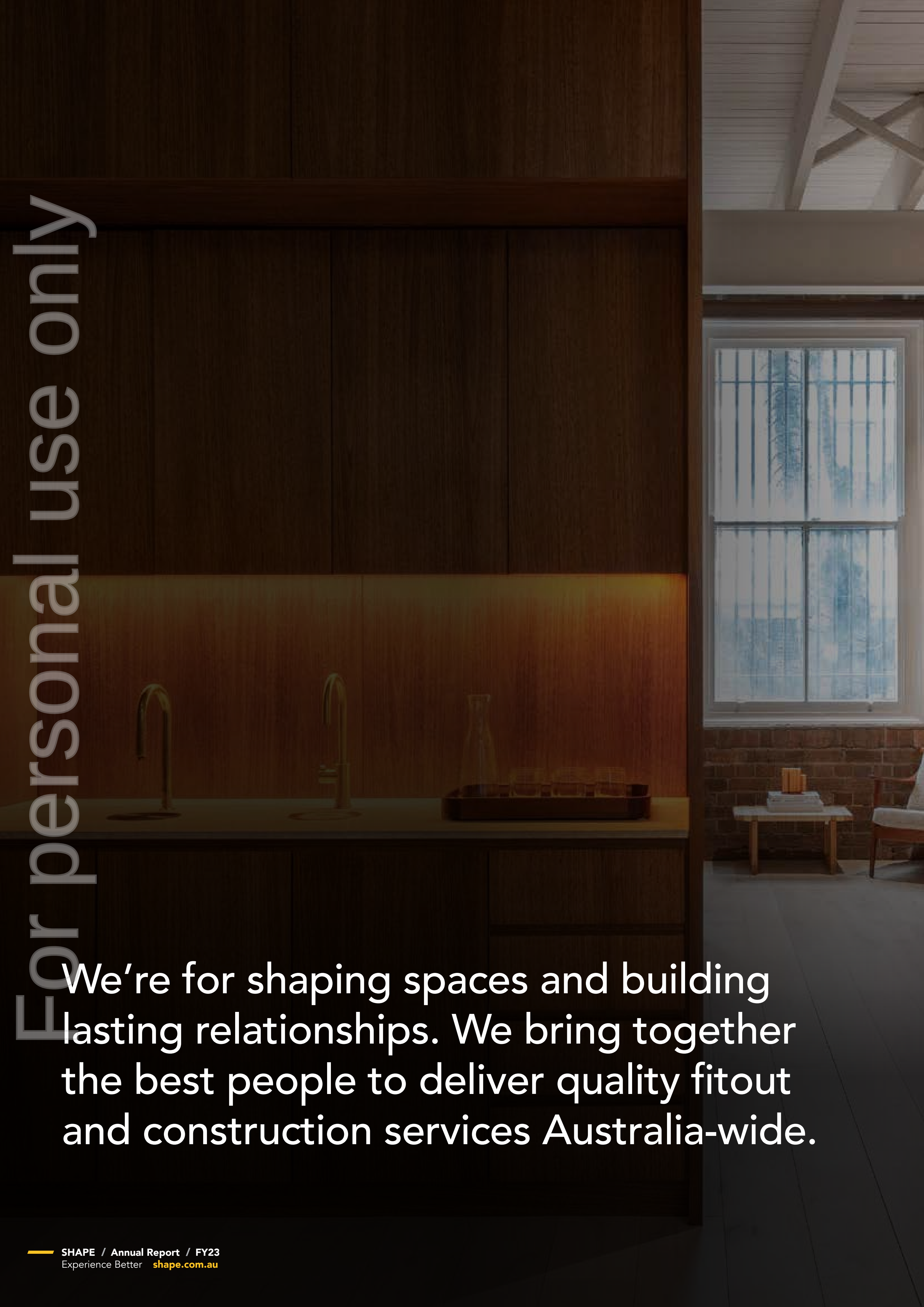
Important Notice and Disclaimer

Information, including forecast financial information, in this report, should not be considered as a recommendation in relation to holding, purchasing or selling shares, securities or other instruments in SHAPE Australia Corporation Limited or any other company. Due care and attention have been used in the preparation of forecast information; however, actual results may vary from forecast and any variation may be materially positive or negative.

Forecasts, by their very nature, are subject to uncertainty and contingencies may occur which are outside the control of SHAPE Australia Corporation Limited.

Before making or varying any decision in relation to holding, purchasing or selling shares, securities or other instruments in SHAPE Australia Corporation Limited, investors should consider the appropriateness of that investment in light of their individual investment objectives and financial situation and should seek their own independent professional advice.





We're for shaping spaces and building lasting relationships. We bring together the best people to deliver quality fitout and construction services Australia-wide.

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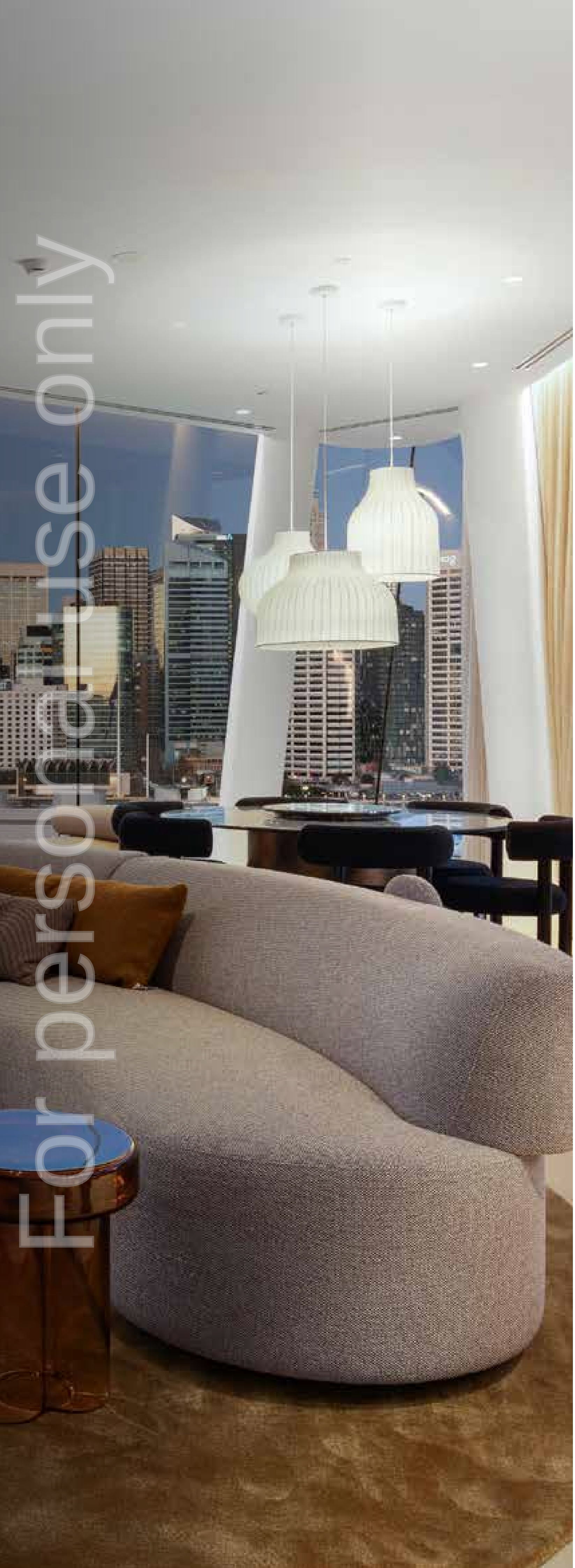


Corporate Directory

Principal Place of Business and Registered Office

Level 11, 155 Clarence Street
Sydney NSW 2000
(02) 9906 6977

Auditor

SW Audit (formerly ShineWing Australia)
Level 7, Aurora Place
88 Phillip Street
Sydney NSW 2000

Banker

National Australia Bank

Company Secretary

L Newell
S Jamieson

Solicitors

Turtons Lawyers
Level 18, 56 Pitt Street
Sydney NSW 2000

Share Registry

Boardroom Pty Ltd
Level 8, 210 George Street
Sydney NSW 2000
(02) 9290 9600

Stock Exchange Listing

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

Website

shape.com.au

Corporate Governance Statement

investor.shape.com.au/corporate-governance

About SHAPE

Leading national fitout and construction services specialist

MARKETS AND INDUSTRIES SERVICED

Our national team across ten branches are powered by 33 years of SHAPE experience in a wide range of sectors. Whether it's a small interior enhancement or a large-scale, multi-million-dollar construction project, we bring the same attention to detail, focus on relationships, commitment to quality, and industry-leading safety practises to every construction project.

Fitout and Refurbishments

Whether it is delivering a high-end office fitout or a boutique hotel, we have the experience and specific know-how to manage our clients' unique expectations.

Facade Remediation

From aesthetic upgrades to compliance-driven cladding replacement requirements, we deliver high-quality and cost-effective outcomes while minimising disruption to tenants and operations.

Modular

Utilising modern methods of construction, we develop unique modular solutions to solve complex building challenges for our clients across Australia.

Aftercare

We take clients from larger projects completed by SHAPE into ongoing maintenance, additions, or future upgrades.

Defence

We have significant experience in delivering complex Defence work and understand the unique and strict requirements that come with sensitive and confidential aspects of these projects.

New Build

We have the experience and relationships to deliver traditional new construction and extensions to existing buildings, especially those requiring well-planned approaches to high-risk works, permit requirements, staged delivery methodologies, and strict regulatory compliance.

Chairman's Report

Dear Shareholders,

On behalf of the Directors of SHAPE Australia Corporation Limited, it is my privilege to present the Company's Annual Report for the period ended 30 June 2023.

With 33 years of experience in the industry, SHAPE has established itself as a highly respected fitout and construction services provider, renowned for its unwavering commitment to safety, quality, and customer excellence.

Our performance during the year has been nothing short of impressive in a challenging environment, and this is reflected in the financial results, which demonstrated consistent growth across all key metrics.

Since joining the Board last September, I have been impressed with SHAPE's dedication to attracting and retaining top talent in the industry. Our employees have been instrumental in securing high-profile projects across the country. Additionally, we have invested significantly in developing robust construction risk management and operational excellence systems, ensuring the safety and stability of our operations.

We secured more than $800 million in project wins during the reporting period, and this growth can be attributed to our continued focus on quality, innovation, and customer satisfaction.

Our financial performance has been strong, with a record-breaking full-year revenue result of $862 million, marking an impressive 31% increase on FY22. In addition, we achieved a 104% increase in underlying EBITDA, reaching $19.4 million for the year. This is notable especially considering the challenges that continue to impact the industry.

"Since joining the Board last September, I have been impressed with SHAPE's dedication to attracting and retaining top talent in the industry."

Our differentiation lies in the size and type of projects we have secured, with an overall portfolio weighted towards short-duration projects. I am pleased to report a 44% increase in earnings per share compared to the previous year, up to 12.6 cents, reaffirming our commitment to enhancing shareholder value. In line with our dividend policy, we are distributing a final dividend of 6.5 cents per share, bringing the total dividend for FY23 to 11.5 cents per share.

Throughout FY23, we expanded our service offering through the integration of K. L. Modular Systems (KLMSA), acquired in March 2022, allowing SHAPE to better serve our customer base. Our Facade Remediation and New Build works have shown robust revenue performance, while our Defence sales remained strong despite a slowdown in Federal Government spending. We maintain confidence in the sector's long-term growth potential and continue to position the business accordingly.

On 30 June 2023, we bid farewell to Jim Sloman OAM, who retired from the SHAPE Board after 18 years of dedicated service. Similarly, Craig van der Laan resigned from the Board on 25 July 2023, after seven years with SHAPE. We extend our heartfelt thanks to Jim and Craig for their long-term contribution to the SHAPE success story. In line with our commitment to reduce the size of the Board, we will consider additional Directors as we plan for succession over time. I would like to express my gratitude to my fellow Directors for their dedication, support, and contribution to the success of SHAPE.

Our performance in FY23 is a testament to the strength and stability of SHAPE's Senior Leadership Team and its commitment to maintaining an industry-leading workplace culture. As we look ahead to FY24, we are committed to further enhancing shareholder value by focusing on margin growth and maintaining our strong business fundamentals.

On behalf of the Board of Directors, I extend my heartfelt gratitude to all our employees, customers, partners, and shareholders for their unwavering support and trust in SHAPE.

Greg Miles
Chairman

FY23 Financial Summary

Compared to prior corresponding period.

Revenue
$862.4m
31%
FROM $658.3M

EBITDA
$19.4m

STATUTORY
27%
FROM $15.3M

UNDERLYING
104%
FROM $9.5M

NPAT
$10.5m

STATUTORY
46%
FROM $7.2M

UNDERLYING
225%
FROM $3.2M

Cash*
$90.6m
10%
FROM $82.0M

Backlog Orders*
$343.0m
13%
FROM $395.2M

Project Wins
$802.1m
2%
FROM $787.3M

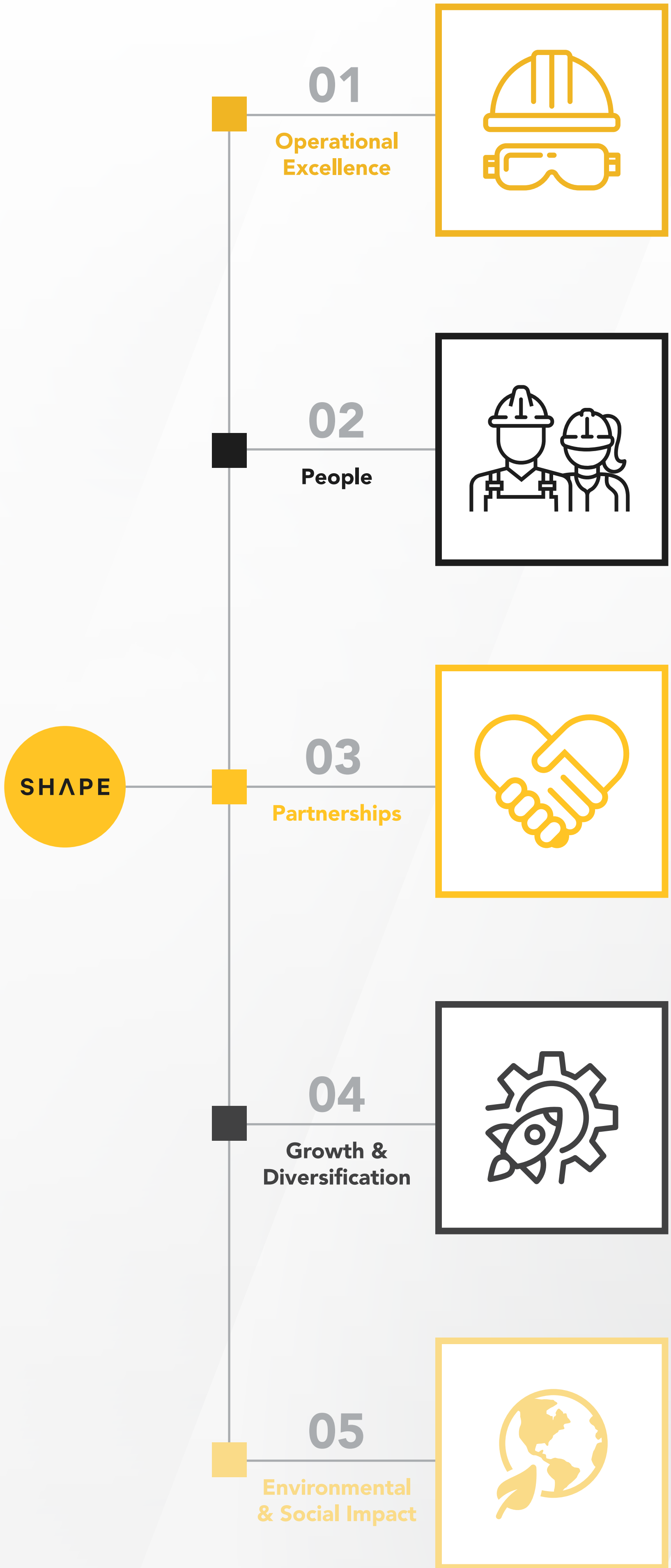
Earnings per Share
12.6 cents
44%
FROM 8.7 CENTS

Declared Dividends per Share
11.5 cents
44%
FROM 8.0 CENTS

Identified Pipeline
$3.8b
41%
FROM $2.7B

*As at 30 June 2023, noting backlog orders do not include Construction Management (CM) or Managing Contractor (MC) engagements where trade orders have not been let.

There were no differences between statutory and underlying results in FY23.


SHAPE
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Operational Excellence
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FY23 Operational Summary

Operational Excellence

Our safety commitment and culture are led by our "Path to Perfect Safety" programme:

- Recordable injuries reduced by 37% - down from 27 to 17.
- TRIFR improved by 43% - down from 6.7 to 3.8.
- LTIFR improved by 55% - down from 2.0 to 0.9.
- All State Operations recorded a TRIFR below the 6.1 target.
- Proactive Safety, Quality, and Environmental observations increased by 7% from 49,959 to 53,608.

People & Culture

We aim to recruit, train, and retain the best people in the industry:

- SHAPE maintained exceptional levels of employee engagement, reflecting our commitment to create a truly exceptional workplace. This was evidenced by Great Place to Work™ Certification and a result in the top 10% of Culture Amp's Australian database (compared to Australia 500-1000 employees Top 10% January 2023).
- 8% increase in our total workforce (571 total employees).
- 22% of employees were promoted.
- 5,237 training hours.

Partnerships

- Maintained strong performance with secured orders of $802.1m.
- Client Net Promoter Score +84.
- Subcontractor Net Promoter Score +74.
- 91% of projects delivered achieved Perfect Delivery™ (projects completed on-time with zero defects and O&M Manuals delivered within a week of handover).

Growth & Diversification

- Best year to date for Defence sector sales.
- Continued strong revenue in facade remediation works.
- Establishment of new regional offices (Gold Coast and Newcastle).
- Record number and value of projects delivered in Tasmania.
- Acquired modular business (KLMSA) earnings accretive in year one.
- First two modular projects secured in South Australia.

Environmental & Social Impact

- SHAPE corporate operations achieved Climate Active certification.
- Delivered 13 Green Star projects with a combined value of $191m.
- More than $1.5m in value of goods, services, and donations to support charities as part of our positive commitment to social impact through our Community+ programme.

Chief Executive Officer's Report

Dear Shareholders,

In challenging conditions over the past 12 months, I have been proud of our 570+ dedicated staff who have worked tirelessly to drive performance improvements across our business. I also extend my appreciation to our clients, supply chain partners, and shareholders for their ongoing support.

Market conditions have included heightened cost pressures and rising interest rates, and although not yet at pre-COVID levels, we have observed a general return to office trend for most CBDs across Australia. Supply chain issues have now generally stabilised, and availability of labour, though still constrained by record low unemployment levels, is gradually improving.

Despite these trading conditions, our agility and resilience have allowed us to achieve strong results. We experienced an impressive 31% increase in FY23 revenue, delivering over $850 million of work, and secured record project wins of more than $800 million.

Diligent project delivery produced a NPAT of $10.5 million and EBITDA of $19.4 million, representing strong increases of 46% and 27%, respectively, on the prior corresponding period's underlying result. Earnings per share increased 44% compared to the prior year. Our strong cash position and robust balance sheet signals that SHAPE is well-positioned from a capitalisation perspective in the current interest rate environment.

SHAPE's order book is heavily weighted by short-duration projects, which offer some protection against the cost escalations that have challenged most contractors over the past 12 months. Although we undertake projects of varying sizes, our average project size amounts to less than $4 million, with an average duration of just 16 weeks. This, along with the strength of the SHAPE brand, our ability to attract and retain high-quality talent, and the loyalty of our supply chain, allows us to be nimble and resilient in responding to market conditions.

While we have delivered more work than ever over the past 12 months, we are pleased that our continued commitment and responsibility to best practice safety culture has resulted in a reduction to our Lost Time Injury Frequency Rate (LTIFR) from 2.0 to 0.9 and our Total Recordable Injury Frequency Rate (TRIFR) declining from 6.7 to 3.9. While we are proud of our performance in this area, we know that we cannot rest on our laurels and need to be relentless in our efforts to ensure the safety of every single person that steps onto our sites.

As a member of the Green Building Council of Australia since its foundation, SHAPE has a longstanding commitment to sustainability in the built environment. This Financial Year marked an important milestone in our decarbonisation journey, with our corporate operations being certified as carbon neutral by Climate Active. Additionally, we were also able to support our clients in their sustainability ambitions through the successful delivery of 13 Green Star projects, totalling $191 million.

Our dedication to giving back to the community continues, with our employees volunteering their time and effort to address critical issues such as mental health, suicide prevention, and homelessness. The combined value of our social impact activities reached more than $1.5 million.

SHAPE's commitment to Perfect Delivery™ and customer excellence underpins our world-class Net Promoter Score of +84 and contributes to our high conversion rate of over 45% and extensive levels of repeat business.

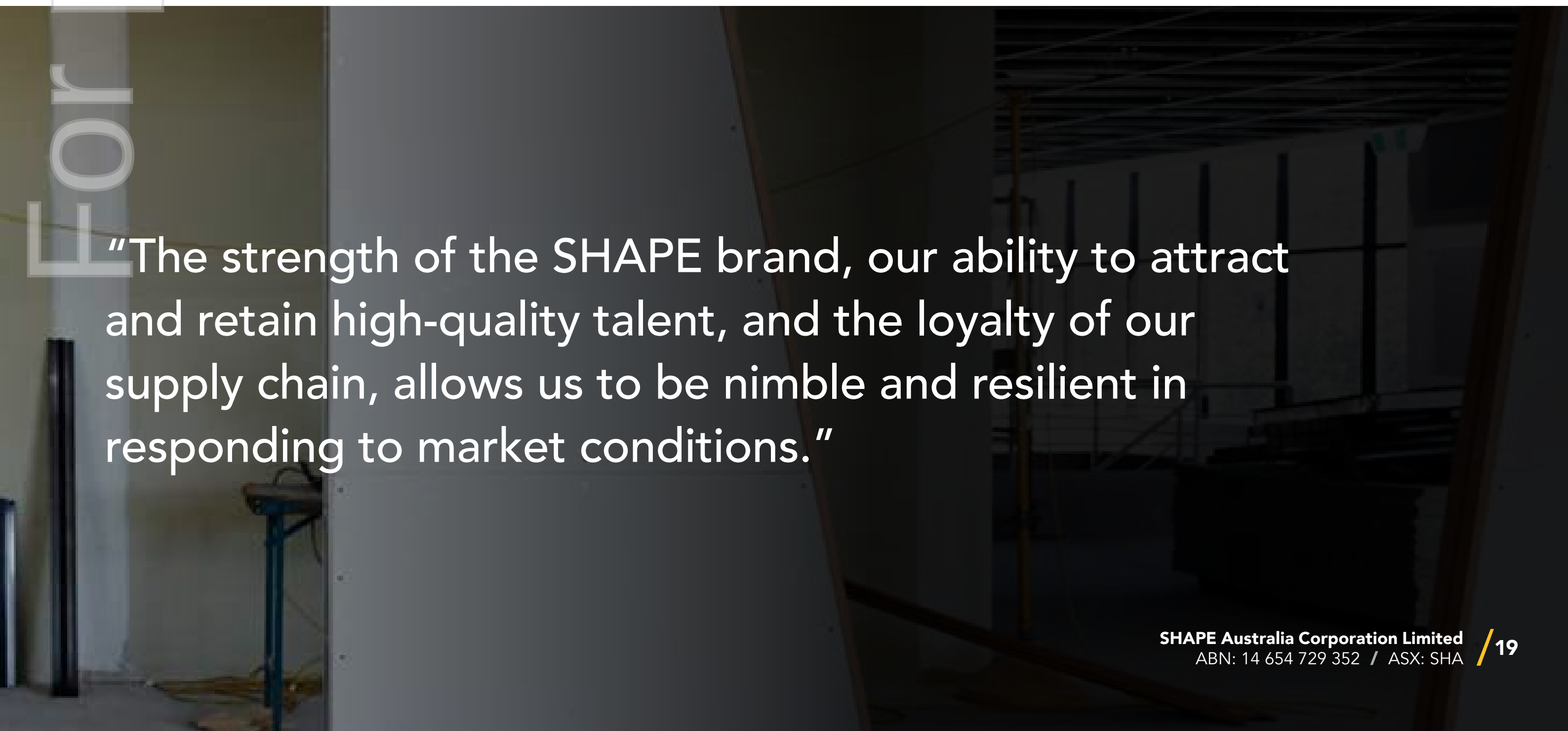
Our disciplined growth strategy positions SHAPE for continued success, with a backlog order book exceeding $340 million and a strong sales pipeline of up to $3.8 billion of identified projects forecast to commence in the next 18 months.

Our new regional offices in Newcastle and the Gold Coast have gained strong traction and will further bolster SHAPE's growth trajectory in the coming years. We continued to diversify our order book, securing a record 12 facade remediation projects throughout the year. FY23 also marked strong Defence sector project wins of more than $50 million, despite the temporary slowdown of projects pending the release of the Defence Strategic Review findings.

KLMSA, the modular business acquired in March 2022, contributed to the Group's bottom line in its first year and we strengthened the existing team with experienced operational staff from SHAPE, to deliver further growth. We maintained our ongoing commitment to the modular sector in FY23 with the establishment of a small facility in Adelaide where we will start producing modules in FY24.

Optimism is building for the upcoming year, demonstrated by our strong backlog order book and pipeline, and supported by the expectation of continued improvement in overall market conditions. As we move into FY24, I am looking forward to working closely with all our stakeholders and updating you on the progress of SHAPE.

Peter Marix-Evans
Chief Executive Officer



"The strength of the SHAPE brand, our ability to attract and retain high-quality talent, and the loyalty of our supply chain, allows us to be nimble and resilient in responding to market conditions."

Directors' Report

The Directors of SHAPE Australia Corporation Limited ('the Company') present their report, together with the financial statements, on the Group ('SHAPE' or 'the Group') consisting of the Company and the entities it controlled at the end of, or during, the year ended 30 June 2023.

DIRECTORS

The names of each person below were Directors of SHAPE Australia Corporation Limited during the year and to the date of this report.

Name	Position Held
G Miles (appointed 1 September 2022)	Chairman and Non-Executive Director
P Marix-Evans	Chief Executive Officer and Managing Director
P Arnall (resigned 1 September 2022)	Chairman and Non-Executive Director
M Barnes	Non-Executive Director
J Lloyd	Non-Executive Director
G McMahon (resigned 30 September 2022)	Non-Executive Director
K Parsons	Non-Executive Director
J Sloman OAM (resigned 30 June 2023)	Non-Executive Director
C van der Laan (resigned 25 July 2023)	Non-Executive Director

All Directors have been in office since the start of the Financial Year to the date of this report unless otherwise stated.

INFORMATION ON DIRECTORS AND COMPANY SECRETARIES

The experience and responsibilities of the Directors in office at the date of this report are as follows:

Greg Miles

Chairman and Non-Executive Director

Greg joined SHAPE in September 2022. Greg has more than 35 years' experience in property investment, development and construction, as well as equity capital markets and financial reporting, including 23 years with Westfield/Scentre Group. Prior to leaving Scentre Group, Greg was President and Chief Operating Officer of Westfield US (2012-2015) and for four years was Chief Operating Officer of Scentre Group.

Greg is currently Chairman and Non-Executive Director of RAM Property Funds Management Limited (responsible entity of RAM Essential Services Property Fund (ASX: REP) and a Non-Executive Director of IP Generation.

Greg brings a wealth of experience in large multi-disciplinary teams across geographies and demonstrated strategic skills that are well suited to the next phase of SHAPE's growth.

Other Listed Company Directorships in last 3 years

- None

Interests in Shares of SHAPE

- 0

Michael Barnes

Non-Executive Director

Michael joined SHAPE in 1990, rising steadily from Project Manager to ACT Manager and Chief Executive Officer in 1997. After 20 years, he retired as CEO in 2017 and now remains on the Board as a Non-Executive Director.

Michael holds a degree in Civil Engineering and has more than 30 years of experience in the construction industry. Michael was a Director of the Green Building Council of Australia and is a founding director of the majority Indigenous-owned fitout and construction business, DLG SHAPE.

Michael is a member of the Audit & Risk Committee.

Other Listed Company Directorships in last 3 years

- None

Interests in Shares of SHAPE

- 2,800,000

Peter Marix-Evans

Chief Executive Officer & Managing Director

Peter was appointed as Chief Executive Officer in December 2017. After joining SHAPE in 2011 as the Group Executive and General Manager of NSW, he became Chief Operating Officer in August 2016.

Peter brings more than 34 years of wide-ranging construction and industry experience, including senior roles in both commercial and public sectors, including risk and commercial management, customer experience and environmental health and safety (EHS).

Before joining SHAPE, Peter held several operational and strategic management positions at Lendlease, including Head of EHS for the Asia Pacific, National Operations Director, General Manager for NSW and Operations Manager for ACT. He has particular passions for customer experience, as well as developing and leading high-performance teams.

Other Listed Company Directorships in last 3 years

- None

Interests in Shares of SHAPE

- 1,329,556

Jane Lloyd

Non-Executive Director

Jane joined the SHAPE board in October 2021. She has more than 30 years of experience in the Australian and international property markets across the commercial, retail, industrial, and residential sectors. Her executive career includes two years as Stockland's General Manager of Development and Design, Commercial Property and 11 years at Dexus, culminating in her role as Managing Director of US Investments. Jane started her career in the development business of Lendlease.

Jane has a Bachelor of Town Planning (Hons), a Master of Business Administration from AGSM/UNSW and a Master of Public Administration from the Harvard Kennedy School.

Jane is a Non-Executive Director of ISPT and chairs ISPT's People and Culture Committee as well as being a member of the Conflicts and Nomination Committees. Jane is a Non-Executive Director of Cromwell Funds Management, and a Global Trustee of the Urban Land Institute.

Jane is Chair of the Nomination, People & Culture Committee, and is a member of the Audit & Risk Committee.

Other Listed Company Directorships in last 3 years

- None

Interests in Shares of SHAPE

- 8,000

Scott Jamieson

Chief Financial Officer & Company Secretary

After working as an External Auditor of SHAPE for seven years, Scott joined the business in 2008 as Financial Controller. In 2012, he was appointed Chief Financial Officer with a strategic and operational focus, bringing more than 25 years of experience to the role.

Scott is Company Secretary and also has responsibility for SHAPE's Risk Management areas. He has a Bachelor of Business (Accounting and Finance) from the University of Technology Sydney and is a Chartered Accountant and Chartered Tax Advisor.

Other Listed Company Directorships in last 3 years

- None

Interests in Shares of SHAPE

- 1,633,690

Kathy Parsons

Non-Executive Director

Kathy joined the SHAPE Board in October 2021. Kathy is a Chartered Accountant with a wealth of experience in accounting, finance, governance, and risk management. Formerly an Audit Partner at Ernst & Young, she has extensive international experience through her time as a partner in the firm's US, UK, and Australian practices and has worked in a wide range of industries including real estate and construction. She was part of the firm's Oceania Assurance Leadership team responsible for quality assurance and risk management.

Kathy is currently an Independent Non-Executive Director and Chair of the Audit, Risk and Compliance Committee at McMillan Shakespeare Limited (ASX: MMS) and an Independent Non-Executive Director at Nick Scali Limited (ASX: NCK).

Kathy has a B. Comm (UNSW).

Kathy is Chair of the Audit & Risk Committee and a member of the Nomination, People & Culture Committee.

Other Listed Company Directorships in last 3 years

- Tassel Group Limited (ASX: TGR)

Interests in Shares of SHAPE

- 0

Laura Newell

Company Secretary

Laura joined the SHAPE Board in September 2022. Laura is an experienced Chartered Company Secretary who has worked for a broad range of organisations, both in-house and for corporate secretarial service providers.

Laura has more than 12 years of experience in company secretarial and governance management of ASX & NSX listed entities, unlisted public entities and FTSE100 entities. She has worked with Boards and executive management of listed and unlisted companies across a range of industry sectors. Laura manages a team of corporate governance professionals to deliver high quality company secretarial support to a range of clients.

Laura is a Company Secretary of a number of ASX listed and unlisted public companies. She holds a degree with Honours in Law and Criminology and a Masters degree in Law and Corporate Governance. She is an Associate of the Governance Institute of Australia (AGIA).

Other Listed Company Directorships in last 3 years

- None

Interests in Shares of SHAPE

- 0


STRONGER

Directors' Meetings

The number of Directors' Meetings and the number of meetings attended by each Director of the Company during FY23 were:

	Board Meetings		Audit & Risk		Remuneration & Human Resource		Nomination		Nomination, People & Culture	
	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
P Arnall	3	2	-	-	-	-	-	-	-	-
G Miles	7	7	-	-	-	-	-	-	-	-
P Marix-Evans	10	10	-	-	-	-	-	-	-	-
M Barnes	10	10	7	7	-	-	-	-	-	-
J Lloyd	10	10	5	5	2	2	2	2	4	4
G McMahon	4	4	2	2	-	-	-	-	-	-
K Parsons	10	10	7	7	-	-	-	-	-	-
J Sloman OAM	10	9	-	-	2	2	2	2	4	4
C van der Laan	10	10	-	-	2	2	2	2	4	4

* The Chair of the Board has a standing invite to all committee meetings.

** The Remuneration & Human Resource Committee and Nomination Committee amalgamated to form the Nomination, People & Culture Committee.

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS AND FINANCIAL POSITION

SHAPE's statutory profit after providing for income tax amounted to $10.5m, up 45.7% from FY22, and net profit before tax was $15.5m, representing an increase of 49.1% compared to the prior corresponding period.

Core operating metrics include EBITDA and Underlying EBITDA.

EBITDA and Underlying EBITDA amounted to $19.4m, which was up 27.4% and 103.9%, respectively, on FY22. Underlying EBITDA excludes the effects of significant items of income and expenditure to reflect the ongoing business activities of the group.

Underlying EBITDA was arrived at as follows:

RECONCILIATION OF PROFIT BEFORE INCOME TAX TO EBITDA AND UNDERLYING EBITDA (UNAUDITED)

	30 Jun 2023 $'000	30 Jun 2022 $'000
Profit before income tax	15,480	10,377
Depreciation and amortisation	4,955	4,528
Interest revenue	(2,421)	(207)
Finance costs	1,430	563
EBITDA	**19,444**	**15,261**
Initial Public Offering costs	-	2,794
Customer legal dispute	-	(3,400)
Revised revenue recognition accounting estimate [1]	-	(6,335)
Shares granted to employees in conjunction with IPO	-	924
Transaction costs related to KLMSA acquisition	-	292
Underlying EBITDA	**19,444**	**9,536**

[1] The accounting estimate in relation to revenue recognition changed during the period ended 30 June 2022 based on new information identified and analysed. The impact of this for the period ended 30 June 2022 was an increase in profit of $6.335m.

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

SHAPE maintained a strong net cash position of $90.6m at 30 June 2023 (30 June 2022: $82.0m) maximising the Company's opportunity to benefit from the current interest rate environment.

SHAPE delivered strong revenue growth of more than $200m to $862.4m, up 31% on prior year. Underlying gross margins increased 0.7% to 7.6% as the Company started to see market conditions stabilise from prior periods. Strong improvement in underlying EBITDA of 104% to $19.4m and NPBT of 49% to $15.5m support a growth in earnings per share of 44% to 12.6 cents. Generally, market conditions remained tight with rising prices, inflation, and wage pressures impacting margins. This has been driven by 50-year record low unemployment. SHAPE's approach to contracting and its strong focus on risk management has supported our improved performance through this period. SHAPE's workbook is heavily weighted towards shorter duration (less than 16 weeks) projects and our focus on early procurement with subcontractors allows SHAPE to lock away risk at an earlier stage and therefore minimise exposure to material movements in costs. The Company's disciplined approach to contracting, combined with strong client and subcontract relations, offers SHAPE a level of resilience in a market plagued by insolvencies.

Overheads percentage decreased slightly from 6.7% down to 6.4% as efficiencies of scale appear despite ongoing investment in our growth initiatives. To strengthen SHAPE's growth and diversification strategy, investment has been directed towards enhancing administration and marketing capabilities, aimed at repositioning SHAPE from fitout and refurbishment expert to fitout and construction services specialist.

KLMSA (our modular manufacturing business acquired in FY22) has been earnings accretive in the first year of ownership, delivering gross margin percentages of circa 17%, although as a percentage of revenue KLMSA only represents 2.8%. SHAPE has also opened a small manufacturing facility in South Australia which will be organically grown. In FY23, SHAPE also opened two new regional offices on the Gold Coast and in Newcastle, in line with its strategic growth plan.

DETAILS OF ASSOCIATES

The Group has a 49% holding in DLG SHAPE Pty Limited, a majority Indigenous-owned business with David Liddiard Group Pty Ltd. The Group generated management fees of $2.903m for the 12-month period, up 53.2% compared to $1.895m in the prior corresponding period.

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

OUTLOOK

Markets continue to stabilise despite remaining headwinds of rising prices and low unemployment. Inflation, whilst by no means stable, appears to have slowed in its upward trajectory.

We expect continued investment into Health Infrastructure and Defence by the Federal Government to continue to keep the industry buoyant, and SHAPE remains well positioned across our diverse sector offerings.

We continue to see working from the office becoming the norm once more although with added flexibility. This means that the office environment needs to be cutting edge and appropriate to attract workers back to the office, which in itself drives a level of activity in this market sector. SHAPE continue to see strong growth in the office market, despite popular headlines.

With a turnover backlog of $343.0m on 30 June 2023, a strong sales pipeline of identified projects in excess of $3.8bn and stable conversion rates, SHAPE is well positioned to continue on our trajectory of increased performance into FY2024.

GROWTH AND STRATEGY

The Group's current growth strategy has three pillars:

1. Expansion in target growth sectors

Defence and Defence industry projects

SHAPE made steady progress in the Defence market this year, with annual revenue increasing by 101% up to $48.8m. This was despite a temporary pause in the Defence Estate Works Program, as a result of the government's Defence Strategic Review. The securing of Defence Industry Security Program (DISP) certification this year marked another step towards our goal of becoming a long-term industry partner for the Department of Defence.

Non-Core Markets Growth

Continued investment in growing our non-core markets saw revenue increases of more than 70% for Retail and Hotels and Education increasing by 63%. Health achieved a modest increase of 7% on revenue but offers further potential for growth.

2. Geographic expansion

The Group's organic growth plan saw the establishment of two new regional offices this year. The Gold Coast office was formally established in November 2022, and Newcastle commenced operation in December 2022. We are also building a track record and pipeline of work in Tasmania, with the delivery of six projects, totalling $15m, in FY23.

3. Service offering expansion

New Build

In response to requests from our clients, SHAPE continued to expand its New Build capability for key clients. Revenue in this capability increased more than 300% to $49.4m.

Replacement of combustible cladding facades on commercial buildings

SHAPE's project and risk management skills continue to be valued in the facade remediation segment, with 12 projects secured this year and similar revenues to the record levels seen in FY22.

Modular Construction

In March 2022, SHAPE acquired modular construction business, KLMSA. Post-transaction, SHAPE's efforts focused on establishing a leadership team and risk management framework to support growth in the modular market. This has included the transfer of some of SHAPE's key talent and tried and tested systems and processes into the business.

In response to a growing pipeline of modular work in South Australia, particularly in regional locations, SHAPE has taken a short-term lease on a production facility in Adelaide. The first projects to be built in this facility will be modular buildings for the Royal Flying Doctor Service in William Creek and Purple House in Coober Pedy.

RISK MANAGEMENT

The business, assets, and operations of the Group are subject to certain risk factors that have the potential to influence future operating and financial performance. These risks may have an impact on the value of an investment in SHAPE. The Board aims to manage these risks by carefully planning its activities and implementing mitigating risk control measures. Some risks are unforeseeable and so the extent to which these risks can be effectively managed is somewhat limited. Set out below are specific key risks to which the Group is exposed, and the systems and processes developed and implemented to manage and control them.

Risk Description	Risk Management Approach
Safety and Environment **A workplace health or safety incident that leads to a serious injury or fatality, or a significant environmental incident.**	SHAPE's National and State Leadership Teams conduct regular reviews of safety and environmental performance, legal compliance, and opportunities for improvement. SHAPE's safety and environmental management systems are regularly reviewed and updated. Our safety management systems are certified to ISO 45001 and the OFSC WHS Accreditation Scheme, and our environmental management system is certified to ISO 14001. Compliance with safety policies is monitored and measured. Staff receive ongoing risk management support from experienced operational leaders and through internal and external training programs tailored to individual needs and role functions. The SHAPE Minimum Standards App provides mobile access to our best practice safety and environmental management processes for our people and supply chain.
People **Failure to attract and retain high quality talent.**	Leaders at SHAPE are incentivised to role model the behaviours that drive a sustainable high-performance organisational culture. This includes investing in the professional development and career growth of their people, through ongoing feedback and performance appraisals, and tailored learning and development opportunities. Culture and engagement are systematically measured, using best practice tools and frameworks, with the results being used to drive continuous improvement. We believe that appropriate and competitive remuneration plays a pivotal role in attracting, retaining, and motivating top talent, fostering a culture of excellence, and contributing to the continued growth and success of SHAPE.
Economic Environment **Macroeconomic pressures leading to subdued demand and increased competition.**	A focus on diversification to hedge against market cyclicality is reflected in sales targets and continued investment in quality people with relevant experience and skillsets to support growth initiatives. The Group maintains a disciplined and risk-based approach to identifying opportunities, tendering and project execution. It also reviews lessons learned from key projects to ensure we continually improve our ability to be competitive.

Risk Description	Risk Management Approach
Tender Process and Pricing **Failure to properly identify, assess, and manage tender risks.**	The Group has drawn on decades of experience to develop sophisticated sales pipeline management tools and workflows, which support risk identification and decision making through the tender process.
Contracts **Failure to correctly manage contract risks.**	SHAPE's corporate commercial and legal teams work closely with operational leaders and project teams in the review, negotiation, and management of contracts. They have developed, and continue to add to, a comprehensive library of templates, workflows, and other resources to support effective management of contract risk.
Project Delivery and Supply Chain **Project delivery and supply chain challenges, resulting in schedule and/or cost impacts.**	SHAPE's Project Delivery System contains workflows and tools (with senior leadership oversight commensurate with risk) to support effective management of project delivery and supply chain risk. SHAPE is typically protected against cost escalation risk by the relatively short duration of its projects and the speed with which subcontracts are issued post-award.
Information and Cyber Security **A technology failure or an information security or cyber incident.**	SHAPE has policies and procedures covering operational performance, including information security, business continuity, and disaster recovery. The business has Defence Industry Security Program (DISP) entry level certification and is currently undergoing ISO 27001 Information Security Management System certification. The performance of our Information Security Management System is monitored and reviewed monthly, and Information Security training is completed by all SHAPE employees.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

SUBSEQUENT EVENTS

The Directors declared a fully franked final dividend of 6.5 cents per share on 24 August 2023, a record date of 1 September 2023 and a payment date set for 15 September 2023.

Apart from the matters described above, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect SHAPE's operations, the results of those operations, or SHAPE's state of affairs in future Financial Years.

DIVIDENDS

Dividends paid or declared during the Financial Year were:

	2022 Final dividend	2023 Interim dividend	2023 Final dividend*
Amount per share (cents)	2.00	5.00	6.50
Franked amount per share (cents)	2.00	5.00	6.50
Record Date	1 Sep 2022	6 Mar 2023	1 Sep 2023
Payment Date	14 Sep 2022	20 Mar 2023	15 Sep 2023

* declared on 24 August 2023

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

OPTIONS

No options over issued Shares or interests in the Company or a controlled entity were granted during or since the end of the Financial Year and there were no options outstanding at the date of this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* 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.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor of the Company, SW Audit (formerly ShineWing Australia) and its related practices, for non-audit services provided, during FY23, are disclosed in note 29 to the Financial Statements.

The Audit & Risk Committee has reviewed the services other than the statutory audit provided by SW Audit (formerly ShineWing Australia) during the Financial Year ended 30 June 2023. The services related to other services which are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001 (Cth)*. This has been formally advised to the Board. Consequently, the Directors are satisfied that the provision of non-audit services during the year by the auditor and its related practices did not compromise the auditor independence requirements of the *Corporations Act 2001 (Cth)*.

INDEMNITY AND INSURANCE OF OFFICERS

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

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

INDEMNITY AND INSURANCE OF AUDITOR

To the extent permitted by law, the Company has agreed to indemnify its auditors, SW Audit (formerly ShineWing Australia), as part of the standard terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment with respect to such indemnity has been made to SW Audit during or since the Financial Year.

Remuneration Report

The Remuneration Report for the year ended 30 June 2023 (2023 Financial Year or FY23) forms part of the Directors' Report. It has been prepared in accordance with the *Corporations Act 2001 (Cth)* (the Act), Corporations Regulation 2M.3.03, in compliance with AASB124 Related Party Disclosures, and audited as required by section 308(3C) of the Act. It also includes additional information and disclosures that are intended to support a deeper understanding of remuneration governance and practices, for shareholders, where statutory requirements are not sufficient.

Letter from the Chair of the Nomination, People & Culture Committee

Dear Shareholders,

On behalf of the Nomination, People & Culture Committee (NPCC), I am pleased to present the 2023 Remuneration Report.

SHAPE delivered a strong result in FY23. While the business has seen the continuation of economic challenges in the construction sector posed by supply chain disruptions, rising costs, competition for talent, and inflationary pressures, SHAPE has steadily increased its pipeline of work. The Board has sought to ensure that SHAPE's remuneration framework appropriately rewards, motivates, retains, and attracts employees with the skills and capabilities required to ensure SHAPE's ongoing success.

Our remuneration framework remains firmly connected to profit and dividend generation while pursuing opportunities for growth. Annual Short Term Incentive (STI) bonuses are contingent upon a net profit-based gatekeeper, with the bonuses tied to a company balanced scorecard assessment that includes safety performance, financial results, and customer growth. The Long Term Incentive (LTI) is designed to deliver sustained long term shareholder value by calculating the compound annual net profit growth, that vests over a 3-year measurement period. Overall, our remuneration framework is aimed at achieving sustainable value generation and improved outcomes for our shareholders.

The Board is pleased to report that the remuneration outcomes for FY23 are aligned with the business results achieved during the year. SHAPE will continue to transition its remuneration framework in the listed environment so that remuneration packages remain competitive within the market and aligned with the practices of ASX-listed companies.

The following key outcomes arose in respect of the FY23 Reporting Period:

- Short Term Incentive (STI): The STI outcomes for Key Management Personnel (KMP) ranged from 93-100% of maximum opportunity.
- Long Term Incentive (LTI): The compound annual net profit growth for the measurement period 1 July 2020 to 30 June 2023 was below the minimum standard of performance and therefore results in nil vesting for FY23.
- The Board determined to leave Board and Committee fees unchanged for the year ending 30 June 2023.

We believe that appropriate and competitive remuneration plays a pivotal role in attracting, retaining, and motivating top talent, fostering a culture of excellence, and contributing to the continued growth and success of SHAPE. Our commitment to simplicity, collaboration, and accountability drives our remuneration practices, ensuring they reflect the best interests of all stakeholders.

As always, we value the opinions and feedback of our shareholders. We encourage you to review this Remuneration Report and provide your insights.

Thank you for your continued support.

Jane Lloyd
Chair, Nomination, People & Culture Committee

1. PEOPLE COVERED IN THIS REPORT:

This report covers the following Key Management Personnel (KMP), being those who have the authority and responsibility for planning, directing, and controlling the activities of SHAPE.

Name	Position	Term as KMP	Committee
NON-EXECUTIVE KMP			
Greg Miles [1]	Chairman, Non-Executive Director	Part Year	
Michael Barnes	Non-Executive Director	Full Year	Audit & Risk
Jane Lloyd	Non-Executive Director	Full Year	Chair, Nomination, People & Culture, Audit & Risk
Kathy Parsons	Non-Executive Director	Full Year	Chair Audit & Risk Nomination, People & Culture
EXECUTIVE KMP			
Peter Marix-Evans	Chief Executive Officer	Full Year	
Scott Jamieson	Chief Financial Officer	Full Year	
FORMER KMP			
Phillip Arnall [2]	Chairman, Non-Executive Director	Part Year	Audit & Risk Nomination, People & Culture
Gerard McMahon [3]	Non-Executive Director	Part Year	Audit & Risk
Jim Sloman OAM [4]	Non-Executive Director	Full Year	Nomination, People & Culture
Craig van der Laan [5]	Non-Executive Director	Full Year	Chair, Nomination, People & Culture

1. Appointed 1 September 2022
2. Resigned 1 September 2022
3. Resigned 30 September 2022
4. Resigned 30 June 2023
5. Resigned 25 July 2023

2. REMUNERATION OVERVIEW

2.1 Executive Remuneration Structure At-A-Glance

SHAPE Executive Remuneration Framework Overview

ELEMENT	FIXED PAY	VARIABLE REMUNERATION	
		Short Term Incentive Plan (STI)	**Senior Executive Long Term Incentive Plan (LTI)**
Purpose	To pay executives competitively and fairly, relative to the market and to recognise individual experience, calibre and performance levels that role benchmarking cannot factor in.	To reward participants for performance against annual objectives that focus on the delivery of business plans and contribute to SHAPE's long term strategy.	To align the interests of participants and shareholders and to reward participants for delivering on SHAPE's long term strategy and long term value creation for shareholders.
Delivery	Base Salary, Superannuation and other benefits where applicable.	100% delivered in cash after the auditing of financial statements.	Performance Rights to receive SHAPE shares subject to performance and service conditions over a 3-year Measurement Period.
SHAPE Approach FY23	Fixed Pay practices are appropriate to the scale of the Company, whilst offering a competitive pay policy to ensure talent is attracted and retained.	See STI table below	See LTI tables below
SHAPE Approach FY24	SHAPE undertakes regular Fixed Pay reviews to ensure current practices are aligned with the market.	SHAPE considers company and individual performance and market and internal relativity in setting the level of remuneration. SHAPE has used a range of sources including appropriate independent external advice to assist in decision making to review the Company's short term and long term plans to ensure they are market competitive, linked to performance and are aligned with the market practices of ASX listed companies.	

STI – % of Fixed Pay

	Target	Stretch
CEO	50%	75%
CFO	40%	60%

LTI – % of Fixed Pay

	Target	Stretch
CEO	20%	40%
CFO	15%	30%

Vesting is subject to a Net Profit Growth hurdle over a 3-year Measurement Period:

Net Profit Growth (NPG)	% Vesting
≥ 12% p.a.	100%
> 8% p.a. & < 12% p.a.	Pro-rata
8% p.a.	**50%**
> 5% p.a. & < 8% p.a.	Pro-rata
5% p.a.	25%
< 5% p.a.	0%

2.2 FY23 Company Performance At-A-Glance

The following outlines the Company's performance in FY23, which is intended to assist in demonstrating the link between performance and executive reward:

Table 1 – Statutory Performance Disclosure

FY End Date	30/06/2023
NPAT	$10,497,000
Share Price (beginning)	$1.89
Share Price (end)	$1.46
Change in Share Price	$(0.43)
Dividends Paid in FY23*	$0.07
Change in Shareholder Wealth (per share) **Total Value**	$(0.36)

* Dividends declared attributable to profit from FY23 performance was $0.115

In addition to these indicators of company performance, the following were notable performance achievements for the year:

- Resilient safety results with record low LTIFR of 0.9 and TRIFR of 3.8.
- Strong performance on growth initiatives, supporting an increase of more than $200m, resulting in record revenue of $862m (up 31%).
- Underlying EBITDA increased to $19.4m (up 49%).
- Increase in earnings per share to 12.6 cents (up 44%).
- Underlying Gross Margin increase to 7.6% (up 0.8%).
- Achieved Great Place to Work certification and ranked in the top 10% comparator group of Culture Amp Database.
- Client Net Promoter Score +84.

3. THE SHAPE REMUNERATION POLICY AND FRAMEWORK

3.1 Executive Remuneration - Total Remuneration Package (TRP) - Fixed Pay (FP), and the Variable Remuneration Framework

The Nomination, People & Culture Committee (NPCC) operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team.

During FY23, the Company undertook benchmarking to ensure current remuneration practices were appropriately aligned with the market.

TOTAL REMUNERATION PACKAGE

Total Remuneration Package (TRP) is composed of an appropriate mix of remuneration elements including Fixed Pay, Short Term Incentives (STI) and Long Term Incentives (LTI). The Target TRP (TTRP, being the TRP value at Target/Expected performance) is generally intended to fall around between P50 and P75 of market benchmarks, subject to smoothing for volatility across role samples at the same level. The Board views P50 to P75 market positioning as an indicator of actual/true P50 TTRP opportunities in the market.

The gap between P50 Fixed Pay and P50 to P75 Target TRP is composed of variable remuneration in the form of STI and LTI designed to drive performance and value creation for shareholders.

FIXED PAY

Fixed remuneration is reviewed against independently sourced comparable benchmark data, and specific advice as may be appropriate from time to time.

Fixed Pay (FP) comprises base salary plus any other fixed elements such as superannuation, car parking and the general employee share scheme. FP is intended to be calculated by reference to market benchmarks for comparable roles and to reflect individual/incumbent factors such as experience, qualifications and performance.

The Board reviews FP annually which may have flow-on implications for variable remuneration which is expressed as a percentage of FP.

VARIABLE REMUNERATION

Variable remuneration consists of STI and LTI.

3.2 FY23 Short Term Incentive (STI) Plan

A description of the STI plan is set out below:

Purpose

To provide at-risk remuneration and incentives that rewards Executive KMP for performance against annual objectives set by the Board at the beginning of the Financial Year. Objectives selected are designed to support long term value creation for shareholders, and link to the long term strategy on an annual basis.

Measurement Period

The Financial Year of the Company (1 July 2022 – 30 June 2023)

Opportunity

% of Fixed Pay

	Target	Stretch
CEO	50%	75%
CFO	40%	60%

Metrics, Gate & Modifiers

A gate of 80% of Net Profit of the budget set in June 2022 was required to be achieved in order for any award to become payable.

Each STI award was to be calculated in the first instance based on Net Profit actually achieved, scaled between 80% and 150% of the Target award. For FY23, the following scale applied:

Performance Level	Net Profit Ratio (NPR)	% Target
Stretch	150%	150%
Between Target & Stretch	Pro-rata	Pro-rata
Target	**100%**	**100%**
Between Threshold & Target	Pro-rata	Pro-rata
Threshold	80%	80%
Below Threshold	< 80%	0%

The outcome from this calculation was then subject to possible reduction by reference to the outcome from the Company's Balanced Scorecard, expressed as a percentage.

The balanced scorecard which is focused on areas strongly aligned to shareholder interests including safety, customer net promoter scores, quality, people and culture, growth and diversification, environmental sustainability and social impact.

STI Outcome Formula

The following formula is used to determine the STI outcomes for FY23:

STI Outcome = NPR Target $ × NPR Modifier % × Balanced Scorecard Result %

Award Settlement

Awards are settled in the form of cash.

Board Discretion

The Board has discretion to vary awards upwards or downwards, including to nil, in the circumstance that the award would otherwise be likely to be viewed as inappropriate given the circumstances that prevailed over the Measurement Period (such as in the case of harm to the Company's stakeholders for which Participants are accountable).

3.3 FY23 Long Term Incentive (LTI) Plan

A description of the LTI Plan, which is operated under the SHAPE Senior Executive LTI Plan and applied to FY23, is set out below:

Purpose

The purpose of LTI Plan is to create a strong link between performance and reward for senior executives over the long term and to align the interests of participants with those of stakeholders through share ownership and performance testing.

Measurement Period

1 July 2022 to 30 June 2025 (3 years).

Grant Calculation

The number of Rights in a Tranche of LTI to be granted are calculated via the application of the following formula:

Target LTI $ x Tranche Weighting at Target ÷ Right Value ÷ % Vesting at Target

Where Right Value was the value of a Right (ignoring vesting conditions and not discounted) based on the 20-day volume weighted average price (VWAP) following the release of the annual financial results, which was $1.7252. The Right Value was determined to be $1.4852 under a modified Black-Scholes model.

Opportunity & Grant Value

% of Fixed Pay

	Target	Stretch
CEO	20%	40%
CFO	15%	30%

Based on the Right Value of $1.4852 the maximum/stretch level of grants made to KMP disclosed in this report, respect of FY23, LTI were as follows:

- For the CEO, Peter Marix-Evans: 228,925
- For the CFO, Scott Jamieson: 102,814

Instrument

The LTI is in the form of Performance Rights with a nil Exercise Price, which are subject to performance and service vesting conditions.

Performance Metric, Weightings & Vesting Scale

The Board has discretion to set vesting conditions for each tranche of each Invitation.

The vesting of Performance Rights to be awarded in FY23 will be subject to a Compound Annual Net Profit Growth vesting condition over a 3-year Measurement Period from FY22 to FY25, according to the following vesting scale:

Performance Level	Compound Annual Net Profit Growth	% Vesting
Stretch	≥ 12% p.a.	100%
Between Target & Stretch	> 8% p.a. & < 12% p.a.	Pro-rata
Target	**8% p.a.**	**50%**
Between Threshold & Target	> 5% p.a. & < 8% p.a.	Pro-rata
Threshold	5% p.a.	25%
Below Threshold	< 5% p.a.	0%

Where Net Profit = Profit before Income Tax and Employee Profit Share

This metric was selected because it has strong links to long term sustainable financial health and performance, and to long term sustainable growth.

Service Condition	Continued service during the whole Measurement Period is a requirement for all Rights to become eligible to vest.
Settlement	The Share Rights are settled in the form of Company Shares, upon valid exercise.
Term and Lapse	Rights that vest are automatically exercised into shares at the end of the 3-year Measurement Period. Rights that do not vest automatically lapse.
Termination of Employement	If cessation of employment or engagement of Participant occurs, the Board will determine whether the Participant is to be treated as a Good Leaver or a Bad Leaver. Circumstances where the Participant will be classified as a Good Leaver include death, total and permanent disablement, retirement and other circumstances determined by the Board from time to time. Where a Participant is classified as a Good Leaver the Board has the discretion to determine the extent, if any, to which unvested Rights shall vest and any remaining unvested Rights shall be forfeited. For participants classified as a Bad Leaver (i.e. resignation and termination for serious misconduct) all unvested Rights will be forfeited, unless otherwise determined by the Board.
Retesting	No retesting facility is available under the Rights Plan Rules.
Corporate Actions	In the event of a Change of Control, unvested rights that have not expired at the time of the announcement to the ASX of the Change of Control, will vest based on the amount that would have been received had the Target level of performance be achieved.
Board Discretion	The Board has discretion to vary vesting upwards or downwards, including to nil, in the circumstance that the outcome would otherwise be likely to be viewed as inappropriate given the circumstances that prevailed over the Measurement Period (such as in the case of harm to SHAPE's stakeholders for which Participants are accountable).
Disposal Restrictions	There are no disposal or sale restrictions on Shares received by a participant when Rights vest, other than to comply with SHAPE's securities trading policy.
Malus	SHAPE's Malus policy applies to unpaid variable remuneration opportunities. In the event that the Board forms the opinion that a Participant has committed an act of fraud, defalcation or gross misconduct in relation to the Company, the Participant will forfeit all unvested Rights.
Change in Control	In the event of a Change of Control (e.g. the SHAPE business or its shares being sold), all unvested rights will immediately vest based on the amount that would have been received had the Target performance level been reached.

THE LINK BETWEEN PERFORMANCE AND REWARD IN FY23

The Board views the outcomes of remuneration for FY23 performance as appropriately aligned with stakeholder interests generally, given the strong group and individual performance against annual objectives and progress towards strategic objectives made by the executive team.

3.4 FY23 STI Outcomes

The outcome from the operation of the Balance Scorecard modifies (and, being expressed as a percentage, can only act to reduce) an executive's net profit based STI outcome.

Table 2: STI Outcomes for FY23

	Opportunity (as % of FP)						% Maximum STVR	
Name	Target STI	Stretch STI	NPR Modifier	Balanced Scorecard Result	STI Outcome (% of Target)	Total STVR Awarded ($)	Awarded	Forefited
Peter Marix-Evans	50%	75%	140%	100%	140%	$595,000	93%	7%
Scott Jamieson	40%	60%	140%	100%	150%	$305,400	100%	0%

BOARD DISCRETION

At the time of determining outcomes under the STI Plan for FY23, the Board did not exercise any discretion to increase awards for the Executive KMP outside of full potential.

3.5 FY23 LTI Outcomes

The LTI structure that was eligible to vest in relation to the completion of FY23 (being the LTI grant awarded in FY21) (the FY21 LTI award) is described below:

Instrument	Performance Rights with a nil Exercise Price, which are subject to performance and service vesting conditions.
Measurement Period	1 July 2020 to 30 June 2023.
Performance Outcome and Vesting Determination	The Board has assessed that the performance vesting conditions have not been met, and as a result, 0% vesting applies in respect of the completed FY23 reporting period for Participants that held unvested FY21 Performance Rights at the Vesting Date.
Board Discretions Applied	The Board did not apply any discretionary adjustments to the performance assessment or vesting.
Settlement	Rights are exercised automatically upon vesting. The Rights are settled in the form of a Company Share, upon valid exercise.

The following table sets out details of the FY21 LTI awards which had been issued to the Executive KMP, all of which lapsed during the year:

Table 3: Vested for Reporting Year

Incumbent	Peter Marix-Evans	Scott Jamieson
Role	CEO & Managing Director	CFO & Joint Company Secretary
Number Eligible to Vest Following FY23 Completion	206,993	94,406
Target Performance	8% p.a. Net Profit Growth	8% p.a. Net Profit Growth
Actual Outcome	Nil	Nil
% of Tranche Vested	0%	0%
Number Vested	0	0
Grant Date Valuation	$296,000	$135,000
$ Value of LTVR that Vested (as per Grant Date Valuation)	$0	$0
Realisable Value (Number x Vesting Date SP net of Exercise Price)	$0	$0

3.6 Achieved Total Remuneration Package for FY23

The following outlines 'Achieved' (what became payable, awarded or vested in respect of FY23 performance completed) total remuneration, including the portions of maximum variable remuneration that were awarded or vested, and portions that were forfeited or lapsed as the result of performance assessments that were completed as at the completion of FY23:

Table 4: Actual Executive Remuneration

		Fixed Super Package (including Super)		Total STI Awarded Following Completion of the Financial Year		Value of LTI (SELTI) that Vested Following Completion of the Measurement Period/ FY21		
Name	Role	Amount	% of TRP	Amount*	% of TRP	Amount	% of TRP	Total Remuneration Package (TRP)
Peter Marix-Evans	CEO & Managing Director	$850,000	59%	$595,000	41%	$0	0%	$1,445,000
Scott Jamieson	CFO & Joint Company Secretary	$509,000	63%	$305,400	37%	$0	0%	$814,400

* This is the value of the total STVR award calculated following the end of the Financial Year.

4. STATUTORY TABLES AND SUPPORTING DISCLOSURES

4.1 Executive KMP Statutory Remuneration for FY23

The following table outlines the statutory remuneration of Executive KMP.

The STVR value reported in this table is the STVR that was paid during the reporting period, being the award earned during the previous period. Incentive outcomes for the reporting and previous period are outlined elsewhere in this report.

Table 5: Statutory Executive Remuneration

		Peter Marix-Evans	Scott Jamieson
	Role	CEO & Managing Director	CFO & Joint Company Secretary
Fixed Pay	**Salary**	$825,103	$486,571
	Super	$27,500	$27,500
	Other Benefits	$2,841	$2,841
	Total Fixed Pay	$855,444	$516,912
Variable Remuneration	**Cash STVR ***	$389,015	$188,457
	LTI **	61,040	27,150
	Total Remuneration Package (TRP)	$1,305,499	$732,519
	Variable Remuneration as a % of TRP	34%	29%
	Change in Accrued Leave	$11,006	$59,741

* Note that the STVR value reported in this table is the STVR that was paid during the reporting period, being the award earned during the previous period. Incentive outcomes for the reporting and previous period are outlined elsewhere in this report.

** Note that the LTVR value reported in this table is the amortised accounting charge of all grants that have not lapsed or vested as at the start of the reporting period.

4.2 FY22 Non-Executive Director (NED) Fee Policy

The following outlines the principles that SHAPE applies to governing NED remuneration:

Policy

Fees for Non-Executive Directors (other than the Chair) are determined by the Chair and the Executive Director(s). Fees for the Chair are determined by the NPCC. External advice may be sought by any of the Chair, the Executive Director(s) and the NPCC to assist in making informative decisions and to ensure such decisions are supported by independent market data.

SHAPE's current Fee Policy is to remunerate Non-Executive Directors by reference to a range of market benchmarks which take into account the nature of SHAPE's business, the demands of the role (including recognition of the additional demands for Committee Chairs) and specialist expertise. Fees are inclusive of superannuation. The Board Chair does not receive committee fees. Non-Executive Directors are also reimbursed for out-of-pocket expenses that are directly related to SHAPE's business.

Non-Executive Directors are not currently entitled to receive equity as part of their Board Fees. To align Directors' interests with shareholders' interests, Directors are encouraged to hold the equivalent of one year's base fee in SHAPE shares within a three-year period, effective 1 July 2023.

The following outlines the Board Fees that were applicable in FY23:

	Main Board	Audit & Risk	Nomination, People & Culture
Chair	$200,000	$20,000	$20,000
Non-Executive Director	$110,000	n/a	n/a

Aggregate Board Fees

The total amount of fees paid to Non-Executive Directors in the year ended 30 June 2023 was $832,499, which is within the aggregate amount upon listing on 17 December 2021, of $1,000,000 per year.

4.3 Non-Executive Director (NED) KMP Statutory Remuneration for FY23

The following table outlines the statutory and audited remuneration of NEDs:

Table 6: Statutory Non-Executive Director Remuneration for FY23

Name	Role	Board and Committee Fees	Superannuation	Total
Greg Miles [1]	Chairman, Non-Executive Director	$166,666	-	$166,666
Phillip Arnall [2]	Chairman, Non-Executive Director	$28,333	-	$28,333
Michael Barnes	Non-Executive Director	$99,548	$10,452	$110,000
Jane Lloyd	Non-Executive Director	$110,000	-	$110,000
Gerard McMahon [3]	Non-Executive Director	$24,887	$2,613	$27,500
Kathy Parsons	Non-Executive Director	$117,647	$12,353	$130,000
Jim Sloman OAM [4]	Non-Executive Director	$130,000	-	$130,000
Craig van der Laan [5]	Non-Executive Director	$117,647	$12,353	$130,000

1. Appointed 1 September 2022
2. Resigned 1 September 2022
3. Resigned 30 September 2022
4. Resigned 30 June 2023
5. Resigned 25 July 2023

4.4 KMP Equity Interests and Changes During FY23

Movements in equity interests held by Executive KMP during the reporting period, including their related parties, are set out below:

Table 7: Executive KMPs

NAME		PETER MARIX-EVANS			SCOTT JAMIESON			TOTALS
Instrument		Shares	Unvested Rights	Vested Rights	Shares	Unvested Rights	Vested Rights	
Number Held at Open FY23	**Number**	1,329,556	426,406	-	1,633,092	194,056	-	**3,583,110**
Granted FY23	**Date Granted**	-	30/09/2022	-	30/09/2022	30/09/2022	-	**N/A**
	Number	-	228,925	-	598	102,814	-	**332,337**
Forfeited during FY23	**Number**	-	206,993	-	-	94,406	-	**301,399**
Vested and Exercisable during FY23	**Number**	-	-	-	-	-	-	**-**
Vested and Unexercisable during FY23	**Number**	-	-	-	-	-	-	**-**
FY23 Exercised (or Shares received from Exercising)	**Number**	-	-	-	-	-	-	**-**
FY23 Purchased/ Other	**Number**	-	-	-	-	-	-	**-**
FY23 Sold	**Number**	-	-	-	-	-	-	**-**
Number Held at Close FY23	**Number**	**1,329,556**	**448,338**	**-**	**1,633,690**	**202,464**	**-**	**3,614,048**

Movements in equity interests held by Non-Executive KMP during the reporting period, including their related parties, are set out below:

Table 8: Non-Executive Directors

		Number Held at Open FY23	FY23 Purchased/ Other	FY23 Sold	Number Held at Close FY23
Name	**Instrument**	**Number**	**Number**	**Number**	**Number**
Phillip Arnall *	Shares	1,391,039	-	-	1,391,039
Greg Miles	Shares	-	-	-	-
Michael Barnes	Shares	2,800,000	-	-	2,800,000
Jane Lloyd	Shares	8,000	-	-	8,000
Gerard McMahon **	Shares	9,737,920	22,496	-	9,760,416
Kathy Parsons	Shares	-	-	-	-
Jim Sloman OAM	Shares	209,119	-	-	209,119
Craig van der Laan	Shares	-	-	-	-
Totals		**14,146,078**	**22,496**	**-**	**14,168,574**

* Shares held upon resignation on 1 September 2022 and transacted between 1 July 2022 and 1 September 2022.

** Shares held upon resignation on 30 September 2022 and transacted between 1 July 2022 and 30 September 2022.

The following outlines the accounting values and potential future costs of equity remuneration granted during FY23 for Executive KMP:

Table 9: Executive KMP

	Peter Marix-Evans	Scott Jamieson	Totals
Tranche	FY23 LTI Performance Rights	FY23 LTI Performance Rights	
Grant Type	LTI	LTI	
Vesting Conditions	Net Profit Growth	Net Profit Growth	
Grant Date	30/09/2022	30/09/2022	
Grant Number	228,925	102,814	**331,739**
Total Value at Grant	$340,000	$152,700	**$492,700**
Value Expensed in FY23	$113,333	$50,900	**$164,233**
Max Value to be Expensed in Future Years	$226,667	$101,800	**$328,467**

Note: the minimum value to be expensed in future years for each of the above grant made in FY23 is nil. A reversal of previous expense resulting in a negative expense in the future may occur in the event of an Executive KMP departure or failure to meet non market-based conditions including failure for Gate to open.

4.5 KMP Service Agreements

4.5.1 EXECUTIVE KMP SERVICE AGREEMENTS

The following outlines current Executive KMP service agreements:

Table 10: Service Agreements

2022 Equity Grants				Period of Notice		
Name	**Position Held at Close of FY23**	**Employing Company**	**Duration of Contract**	**From Company**	**From KMP**	**Termination Payments***
Peter Marix-Evans	CEO & Managing Director	Shape Australia Corporation Limited	Ongoing	12 months	12 months	-
Scott Jamieson	CFO & Joint Company Secretary	Shape Australia Corporation Limited	Ongoing	3 months	3 months	-

*Note: Under the *Corporations Act* the Termination Benefit Limit is 12 months average Salary (over prior 3 years) unless shareholder approval is obtained.

4.5.2 NON-EXECUTIVE DIRECTORS (NEDS) SERVICE AGREEMENTS

The appointment of NEDs is subject to a letter of engagement. Under this approach NEDs are not eligible for any termination benefits following termination of their office, nor any payments other than those required under law such as in respect of superannuation. There are no notice periods applicable to either party under this approach.

4.6 Other Statutory Disclosures

4.6.1 LOANS TO KMP AND THEIR RELATED PARTIES

During the Financial Year and to the date of this report, the Company made no loans to Directors and other KMP and none were outstanding as at 30 June 2023.

4.6.2 OTHER TRANSACTIONS WITH KMP

There were no other disclosable transactions with KMP during FY23.

4.6.3 EXTERNAL REMUNERATION CONSULTANTS

During FY23 the Board engaged approved External Remuneration Consultants Godfrey Remuneration Group Pty Ltd (GRG) to provide KMP remuneration advice (including remuneration recommendations) and other services as outlined below:

- Remuneration Report Drafting: $20,000 + GST
- Review of equity plan to address changes in Corps Act: $5,000 + GST
- Non-Executive Director Remuneration Benchmarking: $14,000 + GST
- Executive Remuneration Benchmarking: $22,000 + GST

The Nomination, People & Culture Committee has procedures in place to ensure that all engagements with independent external remuneration consultants, and recommendations (if any) are free from undue influence. At times, remuneration consultants may be required to interact with management to obtain the relevant information needed to form any remuneration recommendations. In these instances, a Non-Executive Director will always have oversight of interactions between independent consultants and management.

The Board confirms that remuneration recommendations made during FY23 were made free from undue influence as these procedures were adhered to.

Rounding of Amounts

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

Auditor's Independence Declaration

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

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

Signed on behalf of the Directors

Greg Miles

Chairman

24 August 2023

Peter Marix-Evans

Managing Director

24 August 2023

Auditor's Independence Declaration

SW Accountants & Advisors

Take the lead

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF SHAPE AUSTRALIA CORPORATION LIMITED

As lead auditor, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023, there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and

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

SW

SW Audit
Chartered Accountants

RMuller

René Muller
Partner

Sydney, 24 August 2023

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Financial Report

SHAPE AUSTRALIA CORPORATION LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000
Revenue	2	862,367	658,324
Expenses			
Construction costs		(791,518)	(603,623)
Employee benefits expense - administration and marketing	3	(35,865)	(27,987)
Depreciation and amortisation expense	3	(4,954)	(4,528)
Transaction costs in connection with the IPO and preparation towards the IPO		-	(2,794)
Other expenses		(13,119)	(8,452)
Finance costs	3	(1,430)	(563)
Total expenses		**(846,886)**	**(647,947)**
Profit before income tax expense		**15,481**	**10,377**
Income tax expense	4	(4,984)	(3,174)
Profit after income tax expense for the year attributable to the owners of SHAPE Australia Corporation Limited		**10,497**	**7,203**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of SHAPE Australia Corporation Limited		**10,497**	**7,203**
		Cents	**Cents**
Basic earnings per share	1	12.58	8.73
Diluted earnings per share	1	12.14	8.39

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

SHAPE AUSTRALIA CORPORATION LIMITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

		Consolidated	
	Note	2023 $'000	2022* $'000
Assets			
CURRENT ASSETS			
Cash and cash equivalents	5	90,552	82,031
Trade and other receivables	7	117,899	87,497
Income tax refund due	4	158	245
Finance lease receivables	8	101	242
Prepayments		4,632	4,491
Total current assets		**213,342**	**174,506**
NON-CURRENT ASSETS			
Investments accounted for using the equity method	20	147	98
Property, plant and equipment	9	30,403	25,354
Intangibles	10	10,845	11,243
Deferred tax	4	4,277	5,433
Finance lease receivables	8	304	405
Total non-current assets		**45,976**	**42,533**
Total assets		**259,318**	**217,039**
Liabilities			
CURRENT LIABILITIES			
Trade and other payables	11	172,956	139,245
Borrowings	15	-	2,675
Lease liabilities	12	1,783	1,945
Employee benefits	13	11,417	10,679
Provisions	14	4,474	4,597
Total current liabilities		**190,630**	**159,141**
NON-CURRENT LIABILITIES			
Trade and other payables	11	9,665	7,609
Borrowings	15	5,350	8,025
Lease liabilities	12	24,318	18,754
Deferred tax	4	1,098	1,181
Employee benefits	13	2,053	1,779
Provisions	14	265	265
Total non-current liabilities		**42,749**	**37,613**
Total liabilities		**233,379**	**196,754**
Net assets		**25,939**	**20,285**
Equity			
Issued capital	16	13,250	12,872
Reserves	17	(2,330)	(2,948)
Retained profits		15,019	10,361
Total equity		**25,939**	**20,285**

* Refer to note 23, Business combinations for the finalisation of the provisional accounting.
The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

SHAPE AUSTRALIA CORPORATION LIMITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2021	9,477	(2,409)	11,377	18,445
Profit after income tax expense for the year	-	-	7,203	7,203
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**7,203**	**7,203**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 16)	3,107	-	-	3,107
Share-based payments (note 28)	-	(251)	-	(251)
Performance rights exercised in legal acquiree and settled in previously held treasury shares	288	(288)	-	-
Dividends paid (note 18)	-	-	(8,219)	(8,219)
Balance at 30 June 2022	**12,872**	**(2,948)**	**10,361**	**20,285**

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2022	12,872	(2,948)	10,361	20,285
Profit after income tax expense for the year	-	-	10,497	10,497
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**10,497**	**10,497**
Transactions with owners in their capacity as owners:				
Contributions of equity (note 16)	415	-	-	415
Share-based payments (note 28)	-	618	-	618
Treasury shares acquired (note 16)	(37)	-	-	(37)
Dividends paid (note 18)	-	-	(5,839)	(5,839)
Balance at 30 June 2023	**13,250**	**(2,330)**	**15,019**	**25,939**

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

SHAPE AUSTRALIA CORPORATION LIMITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		914,265	692,207
Payments to suppliers and employees (inclusive of GST)		(887,770)	(708,372)
Interest received		2,316	207
Interest and other finance costs paid		(1,430)	(563)
Income taxes paid		(3,824)	(4,073)
Net cash from/(used in) operating activities	**6**	**23,557**	**(20,594)**
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	(8,869)
Payment for deferred consideration	14	(194)	-
Payment for investment in associate	20	(49)	-
Payments for property, plant and equipment	9	(2,097)	(4,329)
Payments for intangibles	10	(3)	(384)
Proceeds from disposal of property, plant and equipment		32	-
Net cash used in investing activities		**(2,311)**	**(13,582)**
Cash flows from financing activities			
Proceeds from issue of shares	16	415	2,000
Proceeds from borrowings	6	-	10,700
Repayment of borrowings	6	(5,350)	-
Treasury shares purchased	16	(37)	-
Share issue transaction costs	16	-	(105)
Dividends paid	18	(5,839)	(8,219)
Repayment of lease liabilities	6	(1,914)	(3,316)
Net cash (used in)/from financing activities		**(12,725)**	**1,060**
Net increase/(decrease) in cash and cash equivalents		8,521	(33,116)
Cash and cash equivalents at the beginning of the Financial Year		82,031	115,147
Cash and cash equivalents at the end of the Financial Year	5	**90,552**	**82,031**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2023

The financial report of SHAPE Australia Corporation Limited and the entities it controlled at the end of or during the year (the Group) was authorised for issue in accordance with a resolution of Directors on 24 August 2023.

BASIS OF PREPARATION

This Financial Report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001 (Cth)*. The Financial Report also complies with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Financial Report is presented in Australian dollars, which is the Group's functional and presentation currency.

The principal accounting policies adopted in the preparation of the Financial Report are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

COMPARATIVE INFORMATION

The Company has finalised the provisional accounting for the acquisition of K. L. Modular Systems (Aust) Pty Limited. Accordingly, the consolidated statement of financial position at 30 June 2022 has been updated.

KEY JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires the use of judgements, estimates and assumptions, in applying the Group's accounting policies, that affect the reported amounts in the financial statements. Judgements, estimates, and assumptions are based on historical experience, current conditions and on reasonable expectations of future events. The resulting accounting judgements and estimates will seldom equal the related actual results. The key areas within the financial statements involving judgements or significant estimates and assumptions are set out below. Detailed information about each of these judgements, estimates, and assumptions are included in the notes.

Judgements		
Leases	Determining the lease term	Note 12

Estimates and assumptions		
Revenue recognition	Recognition of construction revenue	Note 2
Impairment of Intangible Assets	Assessment of recoverable amount	Note 10
Leases	Incremental borrowing rate	Note 12
Provisions	Maintenance and warranty	Note 14
Business combinations	Fair value of business combinations accounted for on a provisional basis	Note 23
Share-based payment transactions	Valuation of share-based payments	Note 28

FINANCIAL STATEMENT NOTES

The notes to the consolidated financial statements include information which is required to understand the consolidated financial statements and is material and relevant to the operations, financial performance and position of the Group.

Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature
- it is important for understanding the results of the Group
- it helps to explain the impact of significant changes in the Group's business
- it relates to an aspect of the Group's operations that is important to its future performance

The notes are organised into the following sections:

OPERATING PERFORMANCE

This section provides information on the performance of the Group, including segment results, earnings per share and income tax. (Notes 1 to 4)

ASSETS AND LIABILITIES

This section details the assets used in the Group's operations and the liabilities incurred as a result. (Notes 5 to 15)

CAPITAL

This section provides information relating to the Group's capital structure and financing. (Notes 16 to 18)

FINANCIAL RISK

This section details the Group's exposure to various financial risks, explains how these risks may impact the Group's financial performance or position, and details the Group's approach to managing these risks. (Note 19)

GROUP STRUCTURE

This section provides information relating to subsidiaries and other material investments of the Group. (Notes 20 to 23)

OTHER

This section provides other disclosures required by Australian Accounting Standards that are considered relevant to understanding the Group's financial performance or position. (Notes 24 to 31)

OPERATING PERFORMANCE

1. Earnings per share

	Consolidated	
	2023 $'000	**2022 $'000**
Profit after income tax attributable to the owners of SHAPE Australia Corporation Limited	**10,497**	**7,203**
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	83,427,386	82,520,366
ADJUSTMENTS FOR CALCULATION OF DILUTED EARNINGS PER SHARE:		
Performance rights	3,006,651	3,369,162
Weighted average number of ordinary shares used in calculating diluted earnings per share	86,434,037	85,889,528
	Cents	**Cents**
Basic earnings per share	12.58	8.73
Diluted earnings per share	12.14	8.39

ACCOUNTING POLICY FOR EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of SHAPE Australia Corporation Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the Financial Year, adjusted for bonus elements in ordinary shares issued during the Financial Year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

2. Revenue

	Consolidated 2023 $'000	2022 $'000
Revenue from customers for construction services	856,927	655,949
OTHER REVENUE		
Management fees	2,903	1,896
Rent	95	272
Interest income	2,421	207
Other revenue	21	-
	5,440	**2,375**
Revenue	**862,367**	**658,324**

ACCOUNTING POLICY FOR REVENUE RECOGNITION

(a) Construction services

Revenue is derived from providing construction services for customers, predominantly as head contractor for commercial fitout and refurbishments in Australia. The contract works performed on each individual project is generally taken as one performance obligation. These projects typically take between three and twelve months to complete. The transaction price includes the initial amount agreed in the contract plus any variations for contract work and claims to the extent that it is probable that they will result in revenue and can be measured reliably.

The performance obligation is fulfilled over time and as such revenue is recognised over time. As work is performed on the project, the underlying asset is controlled by the customer and has no alternative use to the Group, with the Group having the right to payment for performance to date. Generally, contracts identify various inter-linked activities required in the construction process.

Revenue recognition over time is based on an input method using a project's costs incurred to date as a percentage of total estimated costs. An expected margin based on the stage of completion is then applied. Customers are typically billed monthly or, in some cases, on achievement of milestones. Billings are made under normal commercial payment terms. The difference between revenue recognised and customer billings are recognised as either a contract asset or contract liability in the Statement of Financial Position.

Variable consideration

It is common for contracts to have variations to them throughout the project period without giving rise to a separate performance modification. These variations result in variable consideration for the Group. Where consideration in respect of a contract is variable, the change in transaction price is only recognised when the material uncertainty associated with the variable consideration is resolved. The Group will assess this on a periodic basis when estimating the variable consideration to be included in the transaction price. The estimate is based on all available information including, historic performance. Where modifications in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification has not been confirmed, an estimate is made of the amount of revenue to recognise whilst also considering the uncertainty of the consideration.

Contract asset and contract liability

'Contract asset' and 'contract liability' are used to describe what is commonly known as 'accrued revenue' and 'deferred income'. Contract receivables represent receivables in respect of which the Group's right to consideration is unconditional subject only to the passage of time. Contract assets represent the Group's right to consideration for services provided to customers for which the Group's right remains conditional on something other than the passage of time. Contract liabilities arise where payment is received prior to work being performed.

Loss-making contracts

Loss-making contracts are accounted for in accordance with the accounting policy for provisions. Refer to note 14.

(b) Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(c) Interest

Interest revenue is recognised using the effective interest rate method.

CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

Recognition of construction revenue

There is significant judgement in the recognition of revenue, including estimating the progress in satisfying the performance obligations within the contract, estimating contract costs expected to be incurred to satisfy remaining performance obligations and the probability that the amount to be recognised as variable consideration for approved variations and claims where the final price has not been agreed with the customer.

3. Expenses

	Consolidated	
	2023 $'000	**2022 $'000**
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	513	355
Plant and equipment	1,124	1,046
Buildings right-of-use assets	2,916	2,958
Total depreciation	**4,553**	**4,359**
Amortisation		
Customer relationships	277	69
Software	92	70
Licenses	32	30
Total amortisation	**401**	**169**
Total depreciation and amortisation	**4,954**	**4,528**
Finance costs		
Interest and finance charges paid/payable on borrowings	468	11
Interest and finance charges paid/payable on lease liabilities	962	552
Total finance costs expensed	**1,430**	**563**
Leases		
Short-term lease payments	14	-
Low-value assets lease payments	57	52
	71	**52**
Share-based payments expense		
Share-based payments expense	1,032	961
Aggregate employee benefits expense		
Superannuation	8,457	6,880
Other employee benefits expenses	78,918	67,449
	87,375	**74,329**
Classified as follows:		
Construction costs	51,510	46,342
Administration and marketing	35,865	27,987
	87,375	**74,329**

4. Income tax

	Consolidated 2023 $'000	Consolidated 2022 $'000
Income tax expense		
Current tax	**3,776**	**3,590**
Deferred tax - origination and reversal of temporary differences	1,073	(229)
Adjustment recognised for prior periods	135	(187)
Aggregate income tax expense	**4,984**	**3,174**
DEFERRED TAX INCLUDED IN INCOME TAX EXPENSE COMPRISES:		
Decrease/(increase) in deferred tax assets	1,156	(208)
Decrease in deferred tax liabilities	(83)	(21)
Deferred tax - origination and reversal of temporary differences	1,073	(229)

	Consolidated 2023 $'000	Consolidated 2022 $'000
Reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	15,481	10,377
Tax at the statutory tax rate of 30%	4,644	3,113
TAX EFFECT AMOUNTS WHICH ARE NOT DEDUCTIBLE/(TAXABLE) IN CALCULATING TAXABLE INCOME:		
Non-deductible items	205	248
	4,849	**3,361**
Adjustment recognised for prior periods	135	(187)
Income tax expense	**4,984**	**3,174**
Effective tax rate	32%	31%

	Consolidated 2023 $'000	Consolidated 2022 $'000
Deferred tax asset		
DEFERRED TAX ASSET COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:		
Amounts recognised in profit or loss:		
Provisions	4,287	3,937
Other	(10)	1,496
Deferred tax asset	**4,277**	**5,433**
Movements:		
Opening balance	5,433	4,897
Credited/(charged) to profit or loss	(1,156)	208
Additions through business combinations (note 23)	-	328
Closing balance	**4,277**	**5,433**

	Consolidated 2023 $'000	Consolidated 2022 $'000
Deferred tax liability		
DEFERRED TAX LIABILITY COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:		
Amounts recognised in profit or loss:		
Trade names	205	205
Customer relationships	893	976
Deferred tax liability	**1,098**	**1,181**
Movements:		
Opening balance	1,181	-
Credited to profit or loss	(83)	(21)
Additions through business combinations (note 23)	-	1,202
Closing balance	**1,098**	**1,181**

	Consolidated 2023 $'000	Consolidated 2022 $'000
Income tax		
Income tax receivable	**158**	**245**

ACCOUNTING POLICY FOR INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

SHAPE Australia Corporation Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'stand-alone taxpayer' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

ASSETS AND LIABILITIES

5. Cash and cash equivalents

	Consolidated	
	2023 $'000	**2022 $'000**
Current assets		
Cash at bank	53,853	62,808
Cash on deposit (i)	30,000	15,199
Restricted cash (ii), (iii)	6,699	4,024
	90,552	**82,031**

(i) The short-term bank deposits are partly held in order to comply with financial covenants associated with bank guarantees (refer to note 24). The total security required by these bank guarantees was $531,000 (2022: $2,188,000).

(ii) As required by relevant state based legislation surrounding Project Bank Accounts, Project Trust Accounts and Retention Trust Accounts. For the year ended 30 June 2023, the total balance of these accounts was $6,322,000 (2022: $3,761,000).

(iii) Restricted cash includes $377,000 (2022: $263,000) relating to charitable donations yet to be distributed. A corresponding payable has been recognised for the same amount.

ACCOUNTING POLICY FOR CASH AND CASH EQUIVALENTS

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

6. Cash flow information

RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM/(USED IN) OPERATING ACTIVITIES

	Consolidated	
	2023 $'000	**2022 $'000**
Profit after income tax expense for the year	10,497	7,203
Adjustments for:		
Depreciation and amortisation	4,954	4,528
Share-based payments	618	(251)
Net gain on disposal of non-current assets	(21)	-
Other expenses - non-cash	-	1,212
Change in operating assets and liabilities:		
Increase in trade and other receivables	(30,602)	(30,368)
Decrease/(increase) in tax balances	87	(670)
Decrease/(increase) in deferred tax assets	1,156	(208)
Increase in prepayments	(141)	(1,063)
Decrease in other operating assets	242	497
Increase in trade and other payables	35,767	3,417
Decrease in deferred tax liabilities	(83)	(21)
Increase in employee benefits	1,012	862
Increase/(decrease) in other provisions	71	(5,439)
Decrease in other operating liabilities	-	(293)
Net cash from/(used in) operating activities	**23,557**	**(20,594)**

Non-cash investing and financing activities

	Consolidated	
	2023 $'000	**2022 $'000**
Performance rights exercised in legal acquiree and settled in previously held treasury shares	-	288
Shares issued to employees for no consideration - settled previously held treasury shares	-	924
Shares issued in settlement of employee profit share - settled in previously held treasury shares	-	288

Changes in liabilities arising from financing activities

Consolidated	**Bank loans $'000**	**Leases $'000**	**Total $'000**
Balance at 1 July 2021	-	5,432	5,432
Net cash (used in)/from financing activities	10,700	(3,316)	7,384
Acquisition of leases	-	18,583	18,583
Balance at 30 June 2022	10,700	20,699	31,399
Net cash used in financing activities	(5,350)	(2,114)	(7,464)
Acquisition of leases	-	7,516	7,516
Balance at 30 June 2023	**5,350**	**26,101**	**31,451**

7. Trade and other receivables

	Consolidated 2023 $'000	Consolidated 2022 $'000
Current assets		
Trade receivables (a)	100,923	78,935
Less: Allowance for expected credit losses	(148)	-
	100,775	**78,935**
Contract assets (b)	16,480	8,141
Other receivables	149	223
Receivable from associate	495	208
	117,899	**87,497**

(A) TRADE RECEIVABLES

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The main source of credit risk to the Group is the class of assets described as 'trade and other receivables'.

The following table details the Group's trade and other receivables exposed to credit with ageing analysis. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

	Consolidated 2023 $'000	Consolidated 2022 $'000
Within initial trade terms	95,853	77,762
Up to 90 days	4,570	757
90+ days	500	416
	100,923	**78,935**

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2023 $'000	Consolidated 2022 $'000
Opening balance	-	-
Additional provisions recognised	148	-
Closing balance	**148**	**-**

(B) CONTRACT ASSETS

	Consolidated	
	2023 $'000	2022 $'000
Contract assets comprise:		
Net construction work in progress at the reporting date:		
Contract costs incurred	791,518	621,415
Recognised profits	65,409	52,081
	856,927	**673,496**
Less: progress billings received and receivable	(888,659)	(706,358)
Net contract liabilities	(31,732)	(32,862)
Representing:		
Cost in excess of billings — contract assets	16,480	8,141
Billings in excess of costs — contract liabilities (note 11)	(48,212)	(41,003)
	(31,732)	**(32,862)**

Contract assets have increased as the Group has provided more services ahead of the agreed payment schedules for fixed-price contracts.

(C) FINANCIAL ASSETS CLASSIFIED AS LOANS AND RECEIVABLES

	Consolidated	
	2023 $'000	2022 $'000
Trade and other receivables	117,899	87,497
Less: contract assets	(16,480)	(8,141)
Financial assets (note 19)	**101,419**	**79,356**

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

8. Finance lease receivables

	Consolidated	
	2023 $'000	2022 $'000
Current assets		
Finance lease receivables	101	242
Non-current assets		
Finance lease receivables	304	405
	405	**647**

The Group recognised $21,000 (30 June 2022: $41,000) as finance income from lease contracts in which the Group acts as a lessor.

ALLOWANCE FOR EXPECTED CREDIT LOSSES

All finance lease receivables are within the initial trade terms and have been assessed as being of high credit quality. Therefore, no lifetime expected credit loss provision has been recognised. No collateral is held over finance lease receivables.

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	Consolidated	
	2023 $'000	2022 $'000
1 year or less	116	264
Between 1 and 2 years	120	116
Between 2 and 3 years	125	120
Between 3 and 4 years	74	125
Between 4 and 5 years	-	74
Total undiscounted lease payments receivable	**435**	**699**
Less: future finance charges	**(30)**	**(52)**
Net investment in finance leases	**405**	**647**

ACCOUNTING POLICY

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right of use asset arising from the head lease.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

9. Property, plant and equipment

	Consolidated 2023 $'000	Consolidated 2022 $'000
Non-current assets		
Leasehold improvements - at cost	5,381	9,333
Less: accumulated depreciation	(1,396)	(5,773)
	3,985	**3,560**
Plant and equipment - at cost	5,396	4,388
Less: accumulated depreciation	(3,193)	(2,209)
	2,203	**2,179**
Right-of-use assets - at cost	29,072	24,070
Less: accumulated depreciation	(4,857)	(4,455)
	24,215	**19,615**
Total property, plant and equipment	**30,403**	**25,354**

RECONCILIATIONS

Reconciliations of the written down values at the beginning and end of the current and previous Financial Year are set out below:

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Right-of-use assets $'000	Total $'000
Opening net book amount at 1 July 2021	983	1,264	3,990	**6,237**
Additions	3,185	1,144	18,583	**22,912**
Additions through business combinations	-	564	-	**564**
Transfers in/(out)	(253)	253	-	**-**
Depreciation expense	(355)	(1,046)	(2,958)	**(4,359)**
Closing net book amount at 30 June 2022	3,560	2,179	19,615	**25,354**
Additions	938	1,159	7,516	**9,613**
Disposals	-	(11)	-	**(11)**
Depreciation expense	(513)	(1,124)	(2,916)	**(4,553)**
Closing net book amount at 30 June 2023	**3,985**	**2,203**	**24,215**	**30,403**

ACCOUNTING POLICY FOR PROPERTY, PLANT AND EQUIPMENT

Leasehold improvements, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less (without extension option) and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	10-19%
Plant and equipment	20-33%
Right-of-use assets	17-46%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and right-of-use assets are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

10. Intangibles

	Consolidated	
	2023 $'000	2022 $'000
Non-current assets		
Goodwill - at cost	6,891	6,891
Trade names - at cost	682	682
Customer relationships - at cost	3,325	3,325
Less: accumulated amortisation	(346)	(69)
	2,979	**3,256**
Software - at cost	866	866
Less: accumulated amortisation	(604)	(512)
	262	**354**
Licenses - at cost	178	175
Less: accumulated amortisation	(147)	(115)
	31	**60**
Total intangibles	**10,845**	**11,243**

RECONCILIATIONS

Reconciliations of the written down values at the beginning and end of the current and previous Financial Year are set out below:

Consolidated	Goodwill $'000	Trade names $'000	Customer relationships $'000	Software $'000	Licenses $'000	Total $'000
Opening net book amount at 1 July 2021	-	-	-	62	68	**130**
Additions	-	-	-	362	22	**384**
Additions through business combinations	6,891	682	3,325	-	-	**10,898**
Amortisation expense	-	-	(69)	(70)	(30)	**(169)**
Closing net book amount at 30 June 2022	6,891	682	3,256	354	60	**11,234**
Additions	-	-	-	-	3	**3**
Amortisation expense	-	-	(277)	(92)	(32)	**(401)**
Closing net book amount at 30 June 2023	**6,891**	**682**	**2,979**	**262**	**31**	**10,845**

ACCOUNTING POLICY FOR INTANGIBLE ASSETS

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Trade names

Trade names are not amortised. Instead, trade names are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the trade names might be impaired, and are carried at cost less accumulated impairment losses.

Customer relationships

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 12 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, at a rate of 20% to 30% per annum.

Licenses

License costs are deferred and amortised on a straight-line basis over the period of their expected benefit at a rate of 20% per annum.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal, and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a post-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

CRITICAL ACCOUNTING ESTIMATES

The Group tests intangible assets at least annually for impairment to ensure they are not carried above their recoverable amounts.

This test is performed by assessing the recoverable amount of each individual asset. The recoverable amount is its value in use which is determined by utilising a discounted cash flow model. Value in use is determined by discounting the future cash flows expected to be generated from the continuing use of an asset. The value in use calculation represents management's best estimate of the economic conditions that will exist over the remaining useful life of the asset in its current condition.

Forecast future cash flows

Forecast future cash flows are based on the Group's five-year forecasts and reflect management's best estimate of income, expenses, capital expenditure and cash flows for each asset. Changes in selling prices and direct costs are based on past experience and management's expectation of future changes in the market in which the Group operates.

Discount rate

Estimated future cash flows are discounted to their present value using discount rates that reflect the Group's weighted average cost of capital, adjusted for risks specific to the asset. A post-tax discount rate of 17.62% (2022: 16%) has been used and reflects the risk estimates for the business as a whole.

Expected long-term growth rates

Growth rates are based on historical performance as well as expected long-term market operating conditions specific to the asset and with reference to long-term average industry growth rates. The terminal growth rate used is 2.8% (2022: 2.8%). The judgements and estimates used in assessing impairment are best estimates based on current and forecast market conditions and are subject to change in the event of shifting economic and operational conditions.

Sensitivity

Increases in discount rates or changes in other key assumptions may cause the recoverable amount to fall below carrying values. The following table describes the effects that changes in estimates would have on the recoverable amount:

Assumption	Increase/ (decrease)	Effect
Forecast revenue	(5.0%)	Reduction of $849,000
Discount rate	1.0%	Reduction of $883,000

11. Trade and other payables

	Consolidated 2023 $'000	2022 $'000
Current liabilities		
Trade payables	89,626	70,270
Accrued expenses and other payables	16,828	11,888
Contract liabilities (note 7)	48,212	41,003
Retentions	16,317	14,788
GST payable	1,973	1,296
	172,956	**139,245**
Non-current liabilities		
Retentions	9,665	7,609
	182,621	**146,854**

RECONCILIATION OF FINANCIAL LIABILITIES

	Consolidated 2023 $'000	2022 $'000
Trade and other payables	182,621	146,854
Accrued expenses	(16,238)	(11,888)
Contract liabilities	(48,212)	(41,003)
GST payable	(1,973)	(1,296)
Financial liabilities (note 19)	**116,198**	**92,667**

ACCOUNTING POLICY FOR TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the Financial Year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

12. Lease liabilities

	Consolidated 2023 $'000	2022 $'000
Current liabilities		
Lease liability	1,783	1,945
Non-current liabilities		
Lease liability	24,318	18,754
	26,101	**20,699**

Refer to note 19 for further information on financial instruments.

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of five to eight years but may have extension options. Extension and termination options are included in a number of property leases. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

ACCOUNTING POLICY FOR LEASE LIABILITIES

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

KEY JUDGEMENTS

Determining the lease term

Extension options are included in the majority of property leases across the Group. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option are considered. Extension options are only included in the lease term if the lease is reasonably certain to be exercised. The assessment is reviewed if a significant event or change in circumstance occurs which affects this assessment and is within the control of the Group.

Changes in the assessment of the lease term are accounted for as a reassessment of the lease liability at the date of the change.

CRITICAL ACCOUNTING ESTIMATES

Incremental borrowing rate

If the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR requires estimation when no observable rates are available or when adjustments need to be made to reflect the terms and conditions of the lease. The Group estimates the IBR using observable market inputs when available and is required to make certain estimates specific to the Group (such as credit risk).

13. Employee benefits

	Consolidated 2023 $'000	Consolidated 2022 $'000
Current liabilities		
Annual leave and long service leave entitlements	11,417	10,679
Non-current liabilities		
Long service leave entitlements	2,053	1,779
	13,470	**12,458**

ACCOUNTING POLICY FOR EMPLOYEE BENEFITS

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

14. Provisions

	Consolidated	
	2023 $'000	**2022 $'000**
Current liabilities		
Deferred consideration	-	194
Lease make good	-	500
Maintenance and warranty	4,442	3,563
Onerous contracts	32	340
	4,474	**4,597**
Non-current liabilities		
Lease make good	265	265
	4,739	**4,862**

DEFERRED CONSIDERATION

The provision represents the obligation to pay contingent consideration following the acquisition of a business or assets. It is measured at the present value of the estimated liability.

LEASE MAKE GOOD

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

MAINTENANCE AND WARRANTY

A provision has been recognised for maintenance and warranty to cover specific or estimated claims that may arise due to defects or legal disputes in relation to projects.

ONEROUS CONTRACTS

The provision for onerous contracts relates to the difference between the unavoidable costs and contract value for loss-making projects.

MOVEMENTS IN PROVISIONS

Movements in each class of provision during the current Financial Year, other than employee benefits, are set out below:

Consolidated 2023	Lease make good $'000	Maintenance and warranty $'000	Onerous contracts $'000	Deferred consideration $'000	Total $'000
Carrying amount at the start of the year	765	3,563	340	194	**4,862**
Additional provisions recognised	200	1,281	-	-	**1,481**
Amounts used	-	(402)	(308)	-	**(710)**
Payments	(700)	-	-	(194)	**(894)**
Carrying amount at the end of the year	**265**	**4,442**	**32**	**-**	**4,739**

ACCOUNTING POLICY FOR PROVISIONS

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable 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 reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

CHANGE IN ACCOUNTING ESTIMATE

The accounting estimate in relation to the maintenance and warranty period provision has changed during the year ended 30 June 2022. The percentage of revenue estimated to cover potential defect liability costs has been reduced based on new information identified and analysed during the year.

CRITICAL ACCOUNTING ESTIMATES

Maintenance and warranty

A provision is recognised for any future rectification work to be performed on projects. There is significant judgement in estimating the expected costs of rectifying any identified and unidentified defects on projects. A provision has been recognised to cover estimated claims that may arise due to defects and legal disputes in relation to projects.

15. Borrowings

	Consolidated 2023 $'000	Consolidated 2022 $'000
Current liabilities		
Bank loan	-	2,675
Non-current liabilities		
Bank loan	5,350	8,025
	5,350	**10,700**

Refer to note 19 for further information on financial instruments.

The bank loan has a 3-year term and is repayable in 12 equal quarterly instalments of $668,750 each, and a final instalment of $2,675,000 payable at the end of the loan term. During the 2023 Financial Year, the Company paid the four quarterly instalments that are due in the 2024 Financial Year in advance, hence there is no current liability at 30 June 2023. Interest on the bank loan is calculated using the Bank Bill Swap (BBSY) Bid rate plus a relevant margin. The bank loan is secured by a fixed and floating charge over all present and future property of the Company. All banking covenants have been fully complied with.

FINANCING ARRANGEMENTS

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2023 $'000	Consolidated 2022 $'000
Total facilities		
Bank loan	10,700	10,700
Used at the reporting date		
Bank loan	5,350	10,700

ACCOUNTING POLICY FOR BORROWINGS

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

CAPITAL

16. Issued capital

	Consolidated			
	2023 Shares	2022 Shares	2023 $'000	2022 $'000
Ordinary shares - fully paid	83,464,483	83,241,085	13,250	12,872

MOVEMENTS IN ORDINARY SHARE CAPITAL

Details	Date	Shares	Issue price	$'000
Balance	1 July 2021	81,423,203	-	9,477
Performance rights exercised in legal acquiree and settled in previously held treasury shares	27 September 2021	179,128	$1.61	288
Shares issued to employees for no consideration - settled previously held treasury shares	4 November 2021	471,500	$1.96	924
Shares issued in settlement of employee profit share - settled in previously held treasury shares	4 November 2021	146,845	$1.96	288
Elimination of existing legal acquiree shares (refer note 1)	14 December 2021	(82,220,676)	$0.00	-
Share issued on incorporation of SHAPE Australia Corporation Limited	22 October 2021	1	$1.00	-
Shares issued to acquire SHAPE Australia Holdings Pty Limited (refer note 1)	14 December 2021	82,220,676	$0.00	-
Initial Public Offering	16 December 2021	1,020,408	$1.96	2,000
Transaction costs arising on share issues, net of tax		-	$0.00	(105)
Balance	**30 June 2022**	**83,241,085**	**-**	**12,872**
Shares issued to employees under the ESAP (note 28)	30 September 2022	248,175	$1.67	415
Treasury shares purchased	14-20 March 2023	(24,777)	-	(37)
Balance	**30 June 2023**	**83,464,483**	**-**	**13,250**

ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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.

INITIAL PUBLIC OFFERING (IPO)

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

TREASURY SHARES

Treasury shares are shares in SHAPE Australia Corporation Limited that are held by the SHAPE Employee Share Plan Trust (the Trust) for the purpose of issuing shares under the ESAP (see note 28). Shares issued to employees are recognised on a first-in-first-out basis.

Details	Number of Shares	$'000
Balance at 30 June 2022	-	-
Acquisition of shares by the Trust (average price: $1.49 per share)	(24,777)	(37)
Balance at 30 June 2023	**(24,777)**	**(37)**

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus debt.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the Financial Year.

The Group monitors capital on the basis of the gearing, debt service coverage and borrowing base ratios.

ACCOUNTING POLICY FOR ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

17. Reserves

	Consolidated	
	2023 $'000	**2022 $'000**
Unrealised capital profits reserve	(3,153)	(3,153)
Share-based payments reserve	823	205
	(2,330)	**(2,948)**

SHARE-BASED PAYMENTS RESERVE

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

MOVEMENTS IN RESERVES

Movements in each class of reserve during the current and previous Financial Year are set out below:

Consolidated	Unrealised capital profits reserve $'000	Share option reserve $'000	Total $'000
Balance at 1 July 2021	(3,153)	744	(2,409)
Share-based payments	-	(251)	(251)
Performance rights exercised in legal acquiree and settled in previously held treasury shares	-	(288)	(288)
Balance at 30 June 2022	**(3,153)**	**205**	**(2,948)**
Share-based payments	-	618	618
Balance at 30 June 2023	**(3,153)**	**823**	**(2,330)**

18. Dividends

Dividends paid during the Financial Year were as follows:

	Consolidated	
	2023 $'000	**2022 $'000**
Final dividend for the year ended 30 June 2022 (2022: 30 June 2021) of 2 cents (2022: 4 cents) per ordinary share	1,665	3,257
Interim dividends for the year ended 30 June 2023 (2022: 30 June 2022) of 5 cents (2022: 6 cents) per ordinary share	4,174	4,962
	5,839	**8,219**

FRANKING CREDITS

	Consolidated	
	2023 $'000	**2022 $'000**
Franking credits available for subsequent Financial Years based on a tax rate of 30%	14,496	11,980

The above amounts represent the balance of the franking account as at the end of the Financial Year, adjusted for, franking debits that will arise from the receipt of the income tax refund due at the reporting date.

ACCOUNTING POLICY FOR DIVIDENDS

Dividends are recognised when declared during the Financial Year and no longer at the discretion of the Company.

19. Financial instruments

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's risk management strategy is to meet its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Directors on a regular basis. These include the credit risk policies and future cash flow requirements. Refer to note 7 for details on impairment of receivables. Analysis of financial risk exposure in the context of the most recent economic conditions and forecasts is performed regularly.

Risk management is carried out by Senior Finance Executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

The Group's financial instruments consist of deposits with banks, accounts receivable and payable, and borrowings.

The totals for each category of financial instruments, measured in accordance with accounting standards as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated	
	2023 $'000	**2022 $'000**
Financial assets at amortised cost		
Cash and cash equivalents (note 5)	90,552	82,031
Trade and other receivables (note 7)	101,419	79,356
	191,971	**161,387**
Financial liabilities at amortised cost		
Trade and other payables (note 11)	116,198	92,667
Bank loans (note 15)	5,350	10,700
Deferred consideration (note 14)	-	194
	121,548	**103,561**

MARKET RISK

Foreign currency risk

The Group does not have any significant exposure to foreign currency risk through foreign exchange rate fluctuations.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities at reporting date whereby a future change in interest rates will affect future cash flows.

	Basis points increase			Basis points decrease		
Consolidated 2023	**Basis points change**	**Effect on profit before tax $'000**	**Effect on equity $'000**	**Basis points change**	**Effect on profit before tax $'000**	**Effect on equity $'000**
Cash and cash equivalents	100	906	906	(50)	(453)	(453)
Bank loan	100	(54)	(54)	(50)	27	27
		852	**852**		**(426)**	**(426)**

	Basis points increase			Basis points decrease		
Consolidated 2022	**Basis points change**	**Effect on profit before tax $'000**	**Effect on equity $'000**	**Basis points change**	**Effect on profit before tax $'000**	**Effect on equity $'000**
Cash and cash equivalents	100	820	820	(50)	(410)	(410)
Bank loan	100	(107)	(107)	(50)	54	54
		713	**713**		**(356)**	**(356)**

CREDIT RISK

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed on a Group basis and reviewed regularly by the finance department by maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound creditworthiness. Significant customers and counterparties are regularly monitored for financial stability. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 days from the date of invoice. Customers that do not meet the Group's credit policies may only transact with appropriate levels of security in place by way of prepayments or bank guarantees.

Risk is minimised through investing surplus funds in financial institutions that maintain a high credit rating.

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

Trade and other receivables that are neither past due or impaired and are considered to be of high credit quality. Aggregates of such amounts are detailed in note 7.

Credit risk related to balances with banks and other financial institutions is managed by the finance department in accordance with approved Board policy. This policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on S&P counterparty credit ratings.

	Consolidated 2023 $'000	Consolidated 2022 $'000
Cash and cash equivalents		
AA- Rated (2022: AA- Rated) (note 5)	**90,552**	**82,031**

LIQUIDITY RISK

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

REMAINING CONTRACTUAL MATURITIES

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated 2023	1 year or less $'000	Between 1 and 5 years $'000	More than 5 years $'000	Remaining contractual maturities $'000
Non-derivatives				
Non-interest bearing				
Trade and other payables	106,533	9,665	-	116,198
Interest-bearing				
Bank loan	383	5,661	-	6,044
Lease liability	2,955	11,299	17,997	32,251
Total non-derivatives	**109,871**	**26,625**	**17,997**	**154,493**

Consolidated 2022	1 year or less $'000	Between 1 and 5 years $'000	More than 5 years $'000	Remaining contractual maturities $'000
Non-derivatives				
Non-interest bearing				
Trade and other payables	85,058	7,609	-	92,667
Deferred consideration	307	-	-	307
Interest-bearing				
Bank loan	3,140	8,624	-	11,764
Lease liability	2,642	8,747	12,945	24,334
Total non-derivatives	**91,147**	**24,980**	**12,945**	**129,072**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

20. Investments accounted for using the equity method

	Consolidated	
	2023 $'000	2022 $'000
Non-current assets		
Investment in DLG SHAPE Pty Limited	147	98
Reconciliation		
Reconciliation of the carrying amounts at the beginning and end of the current and previous Financial Year are set out below:		
Opening carrying amount	98	98
Additional investment	49	-
Closing carrying amount	**147**	**98**

INTERESTS IN ASSOCIATES

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the Group are set out below:

		Ownership interest	
Name	**Principal place of business/Country of incorporation**	**2023 (%)**	**2022 (%)**
DLG SHAPE Pty Limited	Australia	49	49

SUMMARISED FINANCIAL INFORMATION

	Consolidated	
	2023 $'000	2022 $'000
Summarised statement of financial position		
Current assets	7,164	8,750
Total assets	**7,164**	**8,750**
Current liabilities	6,583	8,351
Non-current liabilities	281	199
Total liabilities	**6,864**	**8,550**
Net assets	300	200
Summarised statement of profit or loss and other comprehensive income		
Revenue	36,733	27,229
Expenses	(36,733)	(27,229)
Profit before income tax	-	-
Other comprehensive income	-	-
Total comprehensive income	**-**	**-**
Reconciliation of the Group's carrying amount		
Opening carrying amount	98	98
Additions	49	-
Closing carrying amount	**147**	**98**

ACCOUNTING POLICY FOR ASSOCIATES

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

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

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

21. Interests in subsidiaries

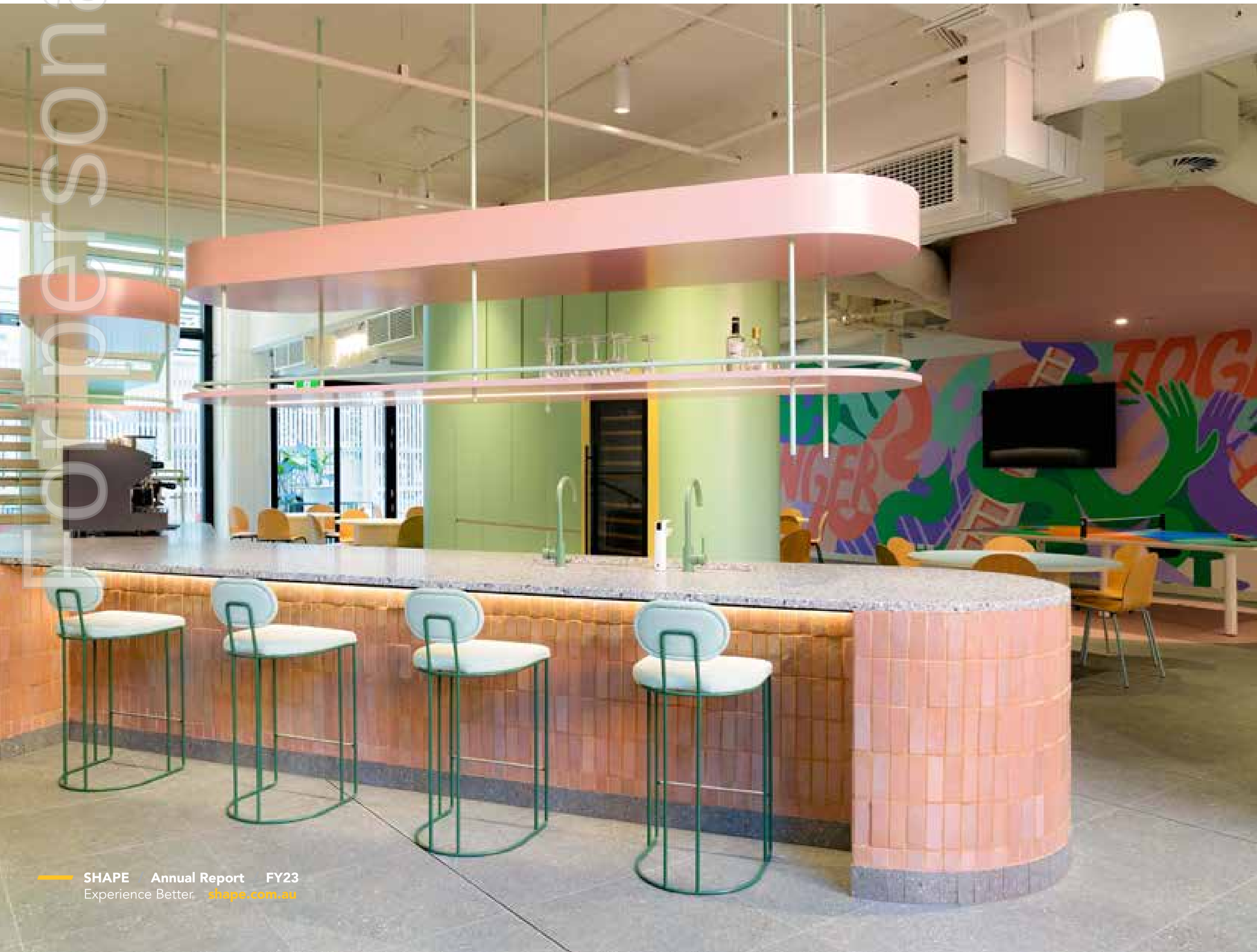
The Group's subsidiaries as at 30 June 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equates to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

		Ownership interest	
Name	**Principal place of business/Country of incorporation**	**2023 (%)**	**2022 (%)**
SHAPE Australia Holdings Pty Limited	Australia	100	100
SHAPE Australia Pty Limited	Australia	100	100
SHAPE Australia (Qld) Pty Limited	Australia	100	100
Experience Better Pty Limited	Australia	100	100
Senior Executive Long Term Incentive Trust	Australia	100	100
K. L. Modular Systems (Aust) Pty Limited	Australia	100	100
One Managed Investment Funds Limited*	Australia	-	-

* SHAPE Australia Corporation Limited consolidates the Trustee of the SHAPE Employee Share Plan Trust, which was established on 25 August 2022, based on an assesment of control.

ACCOUNTING POLICY FOR CONTROL

Control is achieved when the Group is exposed, or has rights to, variable returns and has the ability to affect those returns.



22. Parent entity information

Set out below is the supplementary information about the legal parent entity (SHAPE Australia Corporation Limited).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Parent	
	2023 $'000	**2022 $'000**
Profit after income tax	9,228	3,333
Total comprehensive income	**9,228**	**3,333**

STATEMENT OF FINANCIAL POSITION

	Parent	
	2023 $'000	**2022 $'000**
Total current assets	1,259	2,661
Total assets	127,620	175,147
Total current liabilities	376	2,869
Total liabilities	5,726	12,096
Net assets	121,894	163,051
Equity		
Issued capital	2,310	1,895
Financial assets at fair value through other comprehensive income reserve	116,193	161,153
Retained profits	3,391	3
Total equity	**121,894**	**163,051**

CONTINGENT LIABILITIES

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 31, with the addition of the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

23. Business combinations

FINALISATION OF PROVISIONAL ACCOUNTING

On 31 March 2022, the Group acquired 100% of the ordinary shares of K. L. Modular Systems (Aust) Pty Ltd (KLMSA) for the total consideration transferred of $10,131,000.

For 30 June 2022, this business combination had initially been accounted for on a provisional basis in accordance with AASB 3 *Business combinations*. Therefore, the fair value of assets acquired and liabilities assumed were initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and therefore may have an impact on the assets and liabilities, depreciation and amortisation reported.

The Group has finalised the accounting for this business combination and in doing so has increased deferred tax assets by $328,000 and reduced the consideration paid by $99,000. This adjustment resulted in a decrease in goodwill by $427,000. As noted above the finalisation accounting is retrospective and therefore the adjustments impact the 30 June 2022 Financial Year. These adjustments had no impact on the 30 June 2022 statement of profit or loss and other comprehensive income.

Details of the fair value of the net assets acquired as recorded on a provisional basis and the final position as impacting the fair value of net assets acquired as at 30 June 2022, are as follows:

	Provisional fair value $'000	Adjustment $'000	Final fair value $'000
Deferred tax asset	-	328	328
Deferred tax liability	(1,202)	-	(1,202)
Other net identifiable assets	4,114	-	4,114
Net identifiable assets acquired	**2,912**	**328**	**3,240**
Goodwill	7,318	(427)	6,891
Net assets acquired	**10,230**	**(99)**	**10,131**

ACCOUNTING POLICY FOR BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

CRITICAL ACCOUNTING ESTIMATES

Fair value of net assets acquired

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

OTHER

24. Contingent liabilities

	Consolidated	
	2023 $'000	2022 $'000
Guarantees provided by the Group as part of the group bank guarantee and surety bond facilities	49,759	44,348

The Group has obligations under the group bank guarantee facility and surety bond facilities with its financiers. The overall limit across the Group is $86,994,599 (30 June 2022: $86,966,980).

25. Operating segments

IDENTIFICATION OF REPORTABLE OPERATING SEGMENTS

The Group operates only in Australia and manages its operations as a single business operation. There are no parts of the Group that qualify as operating segments under AASB 8 Operating Segments. As the Group operates in only one segment, the consolidated results are also its segment results.

The Chief Executive Officer is the Chief Operating Decision Maker (CODM).

The information reported to the CODM is on a monthly basis.

MAJOR CUSTOMERS

For the years ended 30 June 2023 and 30 June 2022, approximately 11.4% and 12% respectively of the Group's external revenue was derived from sales to one customer.

26. Related party transactions

PARENT ENTITY

SHAPE Australia Corporation Limited is the parent entity.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the Directors' Report.

TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties:

	Consolidated	
	2023 $	2022 $
Other income:		
Management fees received from associate	2,903,308	1,895,709

RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

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

	Consolidated	
	2023 $	2022 $
Current receivables:		
Other receivables from associate	508,241	208,225

LOANS TO/FROM RELATED PARTIES

There were no loans to or from related parties at the current and previous reporting date.

TERMS AND CONDITIONS

All transactions were made on normal commercial terms and conditions and at market rates.

27. Key management personnel disclosures

COMPENSATION

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

	Consolidated	
	2023 $	2022 $
Short-term employee benefits	2,712,546	3,019,173
Post-employment benefits	92,771	109,343
Long-term benefits	47,756	22,147
Share-based payments	88,190	(247,207)
	2,941,263	**2,903,456**

28. Share-based payments

EMPLOYEE INCENTIVE PLANS

The Company has established:

(i) an employee incentive plan to assist in the attraction, motivation, retention and reward of senior management and other eligible employees (SELTI); and

(ii) an employee incentive plan to assist in the attraction, motivation, retention and reward of all of the Group's employees (ESAP).

The Company and SHAPE Australia Holdings Pty Limited undertook a restructure during the 2022 Financial Year, whereby the Company was interposed as the new holding company of SHAPE Australia Holdings Pty Limited (by way of a share for share exchange with the shareholders of SHAPE Australia Holdings Pty Limited). The interposition of the Company was undertaken as a preparatory step to, and in order to facilitate, the Company's listing on the Australian Securities Exchange.

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

(i) SELTI

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

The performance milestones for the performance rights will be determined by reference to compound annual net profit growth between the base year (year prior to commencement of the measurement period) and the final year of the measurement period and applying the following scale:

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

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

2023

Grant date	Expiry date	Exercise price $	Balance at the start of the year	Granted	Exercised	Expired / forfeited / other	Balance at the end of the year
01/12/2020	01/07/2023	$0.00	894,268	-	-	(894,268)	**-**
01/07/2021	01/07/2023	$0.00	92,308	-	-	(92,308)	**-**
27/09/2021	01/07/2024	$0.00	1,020,904	-	-	-	**1,020,904**
24/02/2022	01/07/2024	$0.00	65,035	-	-	-	**65,035**
30/09/2022	01/07/2025	$0.00	-	1,247,979	-	-	**1,247,979**
			2,072,515	**1,247,979**	**-**	**(986,576)**	**2,333,918**

2022

Grant date	Expiry date	Exercise price ($)	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
02/06/2020	01/07/2021	$0.00	903,358	-	(158,088)	(745,270)	**-**
02/06/2020	01/07/2022	$0.00	1,235,664	-	-	(1,235,664)	**-**
01/12/2020	01/07/2023	$0.00	976,435	-	-	(82,167)	**894,268**
01/07/2021	01/07/2021	$0.00	-	120,229	(21,040)	(99,189)	**-**
01/07/2021	01/07/2022	$0.00	-	116,814	-	(116,814)	**-**
01/07/2021	01/07/2023	$0.00	-	92,308	-	-	**92,308**
27/09/2021	01/07/2024	$0.00	-	1,083,841	-	(62,937)	**1,020,904**
24/02/2022	01/07/2024	$0.00	-	65,035	-	-	**65,035**
			3,115,457	**1,478,227**	**(179,128)**	**(2,342,041)**	**2,072,515**

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

The performance rights with an expiry date of 1 July 2023 use 2023 as the final year of the measurement period. The performance level relating to these performance rights was below threshold and therefore have become forfeited at 30 June 2023.

The weighted average remaining contractual life of rights outstanding at the end of the Financial Year was 1.54 years (2022: 1.53 years).

(ii) ESAP

Under the rules of the ESAP, the Company's Board of Directors may in its absolute discretion from time to time invite eligible employees of the Company to participate in the ESAP by providing it with an invitation, which entitles the employee to acquire shares in the Company.

On 4 November 2021, the Company granted 618,345 shares to employees that vested immediately on grant date and have no exercise price. Therefore, the fair value at grant date is the same as the share price at grant date being $1.96.

On 30 September 2022, the Company granted 248,175 shares to employees that vested immediately on grant date and have no exercise price. The fair value at grant date was $1.6697, being the volume-weighted average price of shares as traded on the ASX over the 10 trading days up to but excluding the acquisition date.

(iii) Share-based payments expense

	Consolidated	
	2023 $'000	**2022 $'000**
SELTI*	618	(251)
ESAP	414	1,212
Total expense	**1,032**	**961**

* Expenses are reversed where performance rights are forfeited following failure to satisfy the service or non-market performance conditions.

ACCOUNTING POLICY FOR SHARE-BASED PAYMENTS

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

CRITICAL ACCOUNTING ESTIMATES

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

29. Remuneration of auditors

During the Financial Year the following fees were paid or payable for services provided by SW Audit (formerly ShineWing Australia), the auditor of the Company, and its network firms:

	Consolidated	
	2023 ($)	2022 ($)
Audit services - SW Audit (formerly ShineWing Australia)		
Audit or review of the financial statements	235,759	230,320
Other services - network firms		
Tax services - compliance and advisory	124,160	286,647
Other services	45,745	70,618
	169,905	**357,265**

30. Events after the reporting period

On 24 August 2023, the Board approved the payment of a dividend of 6.50 cents per share with a record date of 1 September 2023.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future Financial Years.

31. Other accounting polices

PRINCIPLES OF CONSOLIDATION

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are all those entities over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

The Group administers some of its employee incentive schemes through trusts. The trusts are consolidated, as the substance of the relationship is that the trusts are controlled by the Group. Shares in the Company held by the trusts are disclosed as treasury shares in the consolidated financial statements and deducted from issued capital.

CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

FINANCIAL ASSETS AT AMORTISED COST

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

FINANCE COSTS

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

GOODS AND SERVICES TAX (GST) AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

CORPORATE RESTRUCTURE

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

The financial statements of SHAPE Australia Corporation Limited present a continuation of the existing SHAPE Australia Holdings Pty Limited. Assets and liabilities are recorded at their existing values in the statement of financial position of SHAPE Australia Corporation Limited. The statement of financial performance is a continuation of the existing statement of financial performance for SHAPE Australia Holdings Pty Limited.

ROUNDING OF AMOUNTS

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

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Directors' Declaration for the Full Year ended 30 June 2023

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 31 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the Financial Year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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

ON BEHALF OF THE DIRECTORS

Greg Miles

Chairman

24 August 2023

Independent Auditor's Report

SW Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHAPE AUSTRALIA CORPORATION LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of SHAPE Australia Corporation Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of SHAPE Australia Corporation Limited is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended, and

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

Basis for Opinion

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

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

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Key Audit Matters

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

1. Revenue recognition from construction services

Key Audit Matter	How our audit addressed the area of focus
For the year ended 30 June 2023, the Group's revenue from construction services were $856.9million. Revenue from construction contracts is recognised over time as the services are provided to the customer, based on costs incurred for work performed to date as a percentage of total estimated costs under the contract or amounts billed as a percentage of the contract value. As discussed in note 2, significant management judgements and estimates are required in determining total contract revenue and costs, in particular in relation to low margin and loss-making jobs, which has led to our inclusion of recognition of revenue and contract assets on construction contracts as a key audit matter.	Our procedures included: - obtained an understanding of the process undertaken by management to account for the recognition of revenue and contract assets; - obtained an understanding of the design and implementation of and tested the operating effectiveness of relevant controls in respect of revenue and contract assets recognition; - obtained an understanding of the design and implementation of and tested the operating effectiveness of relevant controls in respect of costs incurred as a percentage of total estimated costs; - recalculated classification between contracts assets and contract liabilities; - evaluated significant management judgements and estimates on a sample of contracts; - agreed, on a sample basis, job data back to source documentation, including customer contracts, approved variations and capitalised job costs; - assessed revenue recognition for compliance with AASB 15 *Revenue from Contracts with Customers*; and - assessed the adequacy and appropriateness of the disclosures in the financial statements.

2. Carrying Value of Identifiable Intangible Assets	
Key Audit Matter	**How our audit addressed the area of focus**
The Group acquired K. L. Modular Systems (Aust) Pty Ltd ("KLMSA") during the prior financial year resulting in identifiable intangible assets of $10.8m including brand assets amounting to $0.6m, customer relationships amounting to $3.3m and goodwill amounting to $6.9m (refer to note 10 Intangibles). The carrying values of the identifiable intangible assets are contingent on future cash flows and there is a risk that, if these cash flows do not meet the group's expectations, the assets might be impaired. The directors have determined that there is one cash generating unit ("CGU"). The recoverable amount of the CGU has been calculated based on value-in-use. These recoverable amounts use discounted cash flow forecasts in which the Directors make judgements over certain key inputs, for example but not limited to revenue growth, discount rates applied, long term growth rates and inflation rates. Overall due to the high level of judgement involved, and the significant carrying amounts involved, we have determined that this is a key area of judgement that our audit concentrated on.	Our procedures included: - obtained an understanding of and assessed adjustments made from provisional to final accounting for the acquisition of KLMSA; - obtained an understanding and assessed key controls over the preparation of the value-in-use model; - obtained an understanding of the methods, assumptions and data used by management in the value-in-use model; - tested the accuracy of the value-in-use model; - assessed whether the methods, assumptions and data used by management were appropriate; and - obtained assistance from our own valuation specialists to assess whether the key assumptions, methods and data were appropriate; and - considered the adequacy of the Group's disclosures in relation to the basis of valuation and any resulting impairment.

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

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 2023, 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 accordingly we do not express any form of assurance conclusion thereon.

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

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

Take the lead

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 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.
- 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, actions taken to eliminate threats or safeguards applied.

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 in pages 32 to 49 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of SHAPE Australia Corporation Limited for the year ended 30 June 2023 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.

SW

SW Audit
Chartered Accountants

RMuller

René Muller
Partner

Sydney, 24 August 2023

Shareholding Details

ADDITIONAL SECURITIES EXCHANGE INFORMATION

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information is current as at 14 July 2023 **(Reporting Date).**

NUMBER OF HOLDINGS OF EQUITY SECURITIES

As at the Reporting Date, the number of holders in each class of equity securities on issue in SHAPE is as follows:

Security Type	Number of Securities	Number of Shareholders
Fully Paid Ordinary Shares	83,489,260	1027
Share Performance Rights	2,333,918	18

VOTING RIGHTS OF EQUITY SECURITIES

The only class of equity securities on issue in the Company which carry voting rights is ordinary shares.

At a general meeting of the Company, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each ordinary share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up on that partly paid share bears to the total amounts paid. Amounts paid in advance of a call or credited on a partly paid share without payment in money or money's worth being made to the Company are ignored when calculating the proportion.

UNMARKETABLE PARCELS

The number of holders of less than a marketable parcel of ordinary shares as at the Reporting Date is as follows:

Unmarketable Parcels as at 14 July 2023	Minimum Parcel size	Holders	Number of Securities
Minimum $500.00 parcel at $1.5200 per share	328	153	31,664

DISTRIBUTION OF HOLDERS OF ORDINARY SHARES

Fully Paid Ordinary Shares			
	Total Holders	Number of Securities	% of Securities
1 - 1,000	310	126,600	0.150
1,001 - 5,000	422	804,311	0.960
5,001 - 10,000	66	445,483	0.530
10,001 - 100,000	169	4,383,709	5.250
100,001 and over	60	77,729,157	93.100
Totals	**1,027**	**83,489,260**	**100.000**

DISTRIBUTION OF HOLDERS OF SHARE PERFORMANCE RIGHTS

Share Performance Rights			
	Total Holders	Number of Securities	% of Securities
1 - 1,000	0	0	0.000
1,001 - 5,000	0	0	0.000
5,001 - 10,000	0	0	0.000
10,001 - 100,000	7	515,108	22.071
100,001 and over	11	1,818,810	77,929
Totals	**18**	**2,333,918**	**100.000**

SUBSTANTIAL HOLDERS

As at the Reporting Date, the names of the substantial holders of SHAPE and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to SHAPE, are as follows:

Shareholder	Number of Shares Held	% of Issued Capital
Michael van Leeuwen	14,862,989	17.80%
John Darryl Drayton	9,804,523	11.74%
Gerard McMahon	9,715,552	11.64%
Stephen McDonald	5,813,288	6.96%
Josephine Hynes	4,585,623	5.49%

ESCROW

Class of Restricted Securities	Type of Restriction	Number of Securities	End Date of Escrow Period
Ordinary shares	Voluntary escrow	18,566,150	Release of 30 June 2023 Financial Results
Ordinary shares	Voluntary escrow	18,563,600	Release of 31 December 2023 Financial Results
	Totals	**37,129,750**	

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, the number of ordinary shares and the percentage of capital held by each holder is as follows:

Shareholder Name	Shares Held	% Held
BIRAMONT PTY LTD <PACIFIC S/F A/C>	14,198,921	17.007%
DRAYTON NO 1 PTY LTD <DRAYTON RETIREMENT FUND A/C>	7,596,625	9.099%
SUPERCOMP NO 25 PTY LTD <MCMAHON SUPER BEN FUND A/C>	4,737,099	5.674%
SUPERCOMP NO 25 PTY LTD <MCMAHON FAMILY A/C>	4,634,580	5.551%
VEROXO PTY LTD <S R MCDONALD SUPER FUND A/C>	4,366,125	5.230%
SET AUSTRALIA PTY LIMITED	4,145,700	4.966%
DAKOV PTY LTD <TIM CAMPBELL SUPER FUND A/C>	3,959,388	4.742%
HYNES SUPER PTY LTD <JOSIE HYNES RETIREMENT FD AC>	2,622,829	3.142%
BUCKMAN NOMINEES PTY LTD <BUCKMAN FENWICK FAMILY A/C>	2,400,850	2.876%
DRAYTON NO 2 PTY LTD <J D DRAYTON FAMILY A/C NO 2>	2,207,898	2.645%
JOSEPHINE THERESA MARY HYNES <JOSEPHINE T M HYNES A/C>	1,962,794	2.351%
BEN CREEK PTY LIMITED <PATTERSON FAMILY A/C>	1,791,759	2.146%
PAUL JAMES LAPPIN & SIOBHAN CATHERINE LYONS <LAPPIN SUPER FUND A/C>	1,638,910	1.963%
HENTON PTY LIMITED <F W HENRY SUPER FUND A/C>	1,591,814	1.907%
CITICORP NOMINEES PTY LIMITED	1,519,177	1.820%
KAREN JAMIESON	1,516,288	1.816%
HUNONE PTY LTD <BARNES FAMILY SUPER FUND A/C>	1,500,000	1.797%
VEROXO PTY LTD <MCDONALD FAMILY A/C>	1,447,163	1.733%
MICHAEL BARNES NOMINEES PTY LTD <BARNES FAMILY A/C>	1,300,000	1.557%
BABINGTON PTY LTD <KIOPIA SUPER FUND A/C>	1,250,000	1.497%
Total Number of Shares of Top 20 Holders	**66,387,920**	**79.517%**

UNQUOTED EQUITY SECURITIES

Class of unquoted securities	Number of unquoted securities
Performance Rights	2,333,918

National reach, local Impact

We are a nationwide, ASX-listed fitout and construction services specialist with a team of more than 570 people working across our national head office and nine branches. We've delivered more than 7,000 projects (valued at $9b) over the 30-plus years we have been in business, with a focus on innovation, safety, and building trusting relationships. Our clients span the commercial, education, government, retail, and health sectors.

SHAPE's branch configuration is designed to strategically match the experience, scale, and capability of a national builder with the dynamic, friendly, and community-driven impact of our local teams on the ground. It's incredibly important to us that we build with local context through local relationships to provide a better end product for our clients.

ADELAIDE

Phone: 08 8410 7770

31 Waymouth Street
Adelaide SA 5000

Tarndanya, Kaurna Country

BRISBANE

Phone: 07 3871 3800

Level 5
175 Eagle Street
Brisbane QLD 4000

Meanjin, Yuggera Country

CANBERRA

Phone: 02 6241 6166

Level 1
121 Marcus Clarke Street
Canberra ACT 2601

Ngunnawal Country

DARWIN

Phone: 08 8914 6456

Level 4
Moonta House
43 Mitchell Street
Darwin NT 0800

Garramilla, Larrakia Country

GOLD COAST

Phone: 07 3871 3800

Ground Floor
64 Ferny Avenue
Surfers Paradise QLD 4217

Yugambeh

MELBOURNE

Phone: 03 9690 9555

Level 11
Queen & Collins Tower
100 Queen Street
Melbourne VIC 3000

Naarm, Kulin Nation

NEWCASTLE

Phone: 02 9906 6977

Level 2
180 King Street,
Newcastle NSW 2300

Mulubinba, Awabakal and Worimi Nation

PERTH

Phone: 08 9226 1433

Level 6
10 Telethon Avenue
Perth WA 6000

Boorloo, Whadjuk Country

SYDNEY

Phone: 02 9906 6977

Level 11
155 Clarence Street
Sydney NSW 2000

Warrang, Eora Nation

KLMSA

Phone: 03 5786 5596

12 Margaret Street
Kinglake West
VIC 3757

Taungurung

SHAPE

SHAPE