

Lindsay Australia Limited

ABN 81 061 642 733

ASX Code

LAU

Appendix 4E

for the year ended 30 June 2021

ASX Rule 4.3A

Lindsay Australia Limited (LAU)

Results for announcement to the market

| | | | A\$000 30 June 2021 | | A\$000 30 June 2020 |
|--|------|-------|------------------------|------|------------------------|
| Revenues | Up | 6.1% | 440,293 | From | 415,110 |
| Profit after tax attributable to members | Down | 76.4% | 1,254 | From | 5,322 |

Dividends

| | Amount per security | Franked amount per security | Conduit Foreign Income |
|---|---------------------|-----------------------------|------------------------|
| Interim 2021 dividend - paid on 09 April 2021 | 1.2 cent | 100% | Nil |
| Final 2021 dividend – to be paid on 08 October 2021 | 0.5 cent | 0% | Nil |

The Record Date for determining entitlements to the dividend is 24 September 2021.

Management Comments

Refer Annual Report 2021 which has been lodged concurrently with App 4E.

Comparison of half-year profits

| | \$A'000 30 June 2021 | \$A'000 30 June 2020 |
|--|-------------------------|-------------------------|
| Profit (loss) after tax attributable to members for the 1st half-year. | 6,511 | 5,785 |
| Profit (loss) after tax attributable to members for the 2nd half-year. | (5,257) | (463) |

Ratios

| | 30 June 2021 | 30 June 2020 |
|--|--------------|--------------|
| Profit before tax / revenue | | |
| Profit before tax as a percentage of revenue | 0.41% | 1.85% |
| Profit after tax / equity interests | | |
| Profit after tax attributable to members as a percentage of equity (similarly attributable) at the end of the year | 1.41% | 5.76% |

Earnings Per Security (EPS)

| | 30 June 2021 | 30 June 2020 |
|---|--------------|--------------|
| (a) Basic EPS | 0.4 cents | 1.8 cents |
| (b) Diluted EPS | 0.4 cents | 1.8 cents |
| (c) Weighted average number of ordinary shares outstanding during the period used in the calculation of Basic EPS | 299,604,515 | 298,409,063 |

NTA backing

| | \$A'000 30 June 2021 | \$A'000 30 June 2020 |
|--|-------------------------|-------------------------|
| Net Tangible Assets (NTA) | 79,914 | 83,058 |
| Net tangible asset backing per ordinary security | 26.6 cents | 27.8 cents |

The net tangible asset back per ordinary security of 26.6 cents is inclusive of right-of-use assets and lease liabilities.

Dividends

| | |
|---|-------------------|
| Date the dividend is payable | 08 October 2021 |
| Record date to determine entitlements to the dividend | 24 September 2021 |
| If it is a final dividend, has it been declared? | Yes |

Dividend amount per security

| | | Amount per security ¢ | Franked amount per security at 30% tax ¢ |
|-------------------------------------|---------------|---------------------------------|--|
| Final dividend: | Current year | 0.5 | 0% |
| | Previous year | 0.5 | 100% |
| Interim dividends: | Current year | 1.2 | 100% |
| | Previous year | 1.0 | 100% |
| Total dividend per security: | Current year | 1.7 | Mixed |
| | Previous year | 1.5 | 100% |

There is no Conduit Foreign Income in 2021 or 2020.

Other disclosures in relation to dividends

The company has a dividend reinvestment plan. The last date for election to participate in the plan is 27 September 2021. Shares issued pursuant to the plan are at 5% discount to the volume weighted average price for the five business days prior to and including the record date.

Issued and quoted securities at end of current year

| Category of securities | Total number | Number quoted | Issue price per security (cents) |
|------------------------------|--------------|---------------|--|
| Ordinary securities | 300,129,488 | 300,129,488 | |
| Changes during current year: | | | |
| Increases through issues: | | | |
| Dividend Re-investment Plan | 252,476 | 252,476 | 33.00 |
| Dividend Re-investment Plan | 586,979 | 586,979 | 35.00 |
| | 839,455 | 839,455 | |

Annual meeting

The annual meeting will be held as follows:

Place

The Annual General Meeting will be conducted as a virtual meeting. Details will be confirmed in the notice of meeting.

Date / Time

To be confirmed.

Approximate date the annual report will be available

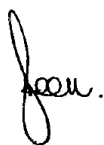
25 August 2021 – lodged concurrently with app 4E

Compliance statement

This report has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.

This report and the accounts, upon which the report is based, use the same accounting policies.

1. This report does give a true and fair view of the matters disclosed.
2. The entity has a formally constituted audit committee.
3. There are no entities over which control has been gained or lost during the period.
4. This report is based on accounts that have been audited.



Justin Green

Chief Financial Officer and Company Secretary

Date: 25 August 2021

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ANNUAL REPORT 2021



LINDSAY AUSTRALIA
LIMITED



ANNUAL REPORT

For the financial year ended 30 June 2021

DIRECTORS

Chairman non-executive

Mr Richard A Anderson OAM BCom FCA FCPA

Managing Director and Chief Executive Officer

Mr Michael K Lindsay

Non-executive Directors

Mr Anthony R Kelly LLB MAICD JP (Qual)

Mr Robert L Green BBus (QAC)

GROUP LEGAL COUNSEL & COMPANY SECRETARY

Mr Boderick T Jones LLB

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr Justin T Green BBus CPA

SHARE REGISTAR

Computershare Investor Services Pty Ltd
Level 1, 200 Mary Street, Brisbane QLD 4000
Telephone: 1300 552 270
Website: www.computershare.com.au

REGISTERED & PRINCIPAL ADMINISTRATIVE OFFICE

152 Postle St, Acacia Ridge, QLD 4110
Telephone: (07) 3240 4900
Fax: (07) 3054 0240
Website: www.lindsayaustralia.com.au

AUDITOR

Pitcher Partners
Level 38, 345 Queen Street, Brisbane, QLD, 4000

STOCK EXCHANGE LISTING

Lindsay Australia Limited shares are listed on the
Australian Securities Exchange, code LAU

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LINDSAY AUSTRALIA
LIMITED

OUR BUSINESS

Lindsay Australia Limited's core divisions share common customers within the agriculture and horticulture industries which gives the Lindsay Group a strategic advantage by providing a unique end-to-end service solution for all our customer's needs.

The Group continues to remain agile, increasing the range of services it can offer and the regions that it services. In the 2021 financial year the Group continued to expand its rail service offering, increasing the Transport divisions rail fleet by 110 refrigerated containers.

LOCATIONS

Lindsay Rural

Adelaide
Atherton
Brisbane Shop
Brisbane Warehouse
Bowen
Brandon Bundaberg
Childers
Coffs Harbour
Emerald
Gatton
Innisfail
Invergordon
Mareeba
Mildura
Mundubbera
Murwillimbah
Nambour
Stanthorpe
Tully
Woolgoolga

Lindsay Transport

Adelaide
Bowen
Brisbane
Bundaberg
Childers
Coffs Harbour
Emerald
Gatton
Innisfail
Mackay
Mareeba
Melbourne
Mildura
Mundubbera
Nambour
Perth
Stanthorpe
Sydney
Tully

Lindsay Fresh Logistics

Brisbane Markets



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DIRECTORS' REPORT

Directors' Report

The Directors present their report (including the Remuneration Report) together with the Financial Statements of the consolidated entity, being Lindsay Australia Limited and its controlled entities, for the year ended 30 June 2021, referred to throughout the report as the Group.

Directors and Company Secretary information

Mr Richard Anderson OAM

Chairman Non-executive Director

Mr Anderson is a former partner of PriceWaterhouseCoopers having served as the firm's managing partner in Queensland for nine years and also as a member of the firm's national committee.

Mr Anderson holds a Bachelor of Commerce degree from the University of Queensland and is a Fellow of the Institute of Chartered Accountants and a Fellow of CPA Australia.

Mr Anderson is the current Chairman of Data #3 Limited and is the current president of the Guide Dogs for the Blind Association of Queensland.

Mr Anderson was awarded the medal of the Order of Australia in 1997 for services to the Guide Dogs for the Blind Association of Queensland and the Queensland Art Gallery Foundation.

Mr Anderson held a previous directorship with Namoi Cotton Limited.

Mr Anderson has held no other directorships with other listed companies during the last three years.

Mr Michael Lindsay

Managing Director and Chief Executive Officer

Mr Lindsay has been Managing Director and Chief Executive Officer of Lindsay Australia Limited since 2002.

Mr Lindsay has over 35 years' experience in the Australian transportation and rural merchandising industries. From 1974 to 1983 he worked for Lindsay Transport, gaining hands-on knowledge of the transportation industry through an involvement in all areas of the Group's operations.

In 1983 Mr Lindsay established Lindsay Rural, a specialist rural merchandising business with operations in Central and South East Queensland. As Managing Director of the Company, he was responsible for expanding it from a small local operation to a major regional business.

Mr Lindsay has held no other directorships with listed companies during the last three years.

Mr Anthony Kelly

Non-executive Director

Mr Kelly's career portfolio of directorships include Brismark (President), Brisbane Markets Limited, Gladstone Ports Corporation, Carter & Spencer Group, Brisbane Lions AFL Football Club (Chairman) and Horticulture Innovation Australia Limited which included chairing the International Trade Advisory Panel and International Market Access Assessment Panel. He has chaired and been a member of various Board committees which included Finance and Audit, Legal and Compliance and Remuneration and Nominations.

Tony graduated with a Bachelor of Laws Degree (UQ) and worked in the legal profession as a Judge's Associate and Solicitor. More recently, Tony's business experience has been extended into his co-ownership of the emerging Veracity Technology in the IT industry.

Tony has been a Non-executive Director of Lindsay Australia Limited since 2019 and has held no other directorships with other listed companies during the past three years.

Mr Robert Green

Non-executive Director

Mr Green was appointed to the Board in August 2019 as an Independent Non-executive Director.

Mr Green has considerable board relevant experience working as a Senior Executive and General Manager in the Australian and International agricultural industry over many years. Key areas of experience include Operations Management and Business Development. Mr Green brings extensive relevant experience to the Group in trading, importing and distribution across a range of industries including the international agriculture industry.

Mr Green is currently a Director of Namoi Cotton Limited and is Chair of the Trading and Operational Risk Committee.

Mr Green has held previous directorships with Louis Dreyfus Australia, Union Dairy Company, Macrofert Australia, Soy Australia and was previously President of Australian Oilseeds Federation and Director and past President of Australia Grain Exporters Association.

Mr Green is a member of the Australia Institute of Company Directors.

Mr Justin Green

Chief Financial Officer and Company Secretary

Mr Green was appointed Chief Financial Officer in January 2018 and Company Secretary in May 2018.

Mr Green has been with the Group for 20 years and has held both Group finance positions in head office and commercial positions for both the Rural and Transport divisions.

Mr Green holds a Bachelor of Business (accounting) and is a member of CPA Australia.

Mr Broderick Jones

Group Legal Counsel and Company Secretary

Mr Jones joined Lindsay Australia Limited in September 2014 and was appointed Company Secretary in October 2014.

Mr Jones holds a Bachelor of Laws degree from Queensland University of Technology and has over 20 years' professional experience within law, finance, property and markets gained from a number of senior roles both domestically and internationally.

Meeting of the directors

The table below outlines the number of directors' meetings held (including meetings of committees of the Board) and the number of meetings attended by each of the directors of Lindsay Australia Limited during the financial year.

| | Directors' Meetings | | Audit & Risk Committee | | Remuneration Committee | | Environmental & Occupational Health & Safety Committee | |
|------------------|---------------------|----------|------------------------|----------|------------------------|----------|--|----------|
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| J F Pressler (a) | 6 | 6 | 1 | 1 | 1 | 1 | 4 | 4 |
| M K Lindsay | 29 | 27 | 2 | 2 | 2 | - | 12 | 12 |
| R A Anderson | 29 | 29 | 2 | 2 | 2 | 2 | 12 | 12 |
| A R Kelly | 29 | 29 | 2 | 2 | 2 | 2 | 12 | 12 |
| R L Green | 29 | 28 | 2 | 2 | 2 | 2 | 12 | 12 |

(a) J F Pressler retired on 6 November 2020.

Details of director and senior executive remuneration are set out in the Remuneration Report. The particulars of directors' interests in shares of the company as at the date of this report are set out below.

Committee membership

As at the date of this report, the Group has an Audit and Risk Committee, an Environmental & Occupational Health and Safety Committee, and a Remuneration Committee of the Board of Directors. Membership of the committees is as follows:

| Audit & Risk | Remuneration | Environmental & Occupational Health & Safety |
|----------------------|----------------------|--|
| A R Kelly (Chairman) | R L Green (Chairman) | A R Kelly (Chairman) |
| R A Anderson | R A Anderson | R A Anderson |
| R L Green | A R Kelly | R L Green |
| | | M K Lindsay |

Interests in shares of the company

At the date of this report the interests of current directors in securities of the Group are as follows:

| Director | Ordinary Shares | Share Options (i) | Share Options (ii) |
|--------------|-----------------|-------------------|--------------------|
| M K Lindsay | 11,891,515 | 800,000 | 400,000 |
| R A Anderson | 391,869 | - | - |
| A R Kelly | - | - | - |
| R L Green | - | - | - |

(i) Unlisted share options over ordinary shares not yet vested.

(ii) Unlisted share options over ordinary shares that have vested but not yet exercised.

Share options

Refer to the Remuneration Report for additional information on share options.

Share options do not entitle the holder to participate in any share issue of the Group.

No share options over ordinary shares in Lindsay Australia Limited were granted during the 2021 financial year or subsequently up to the date of this report.

During the 2021 financial year 400,000 share options granted over unissued ordinary shares as part of an employment agreement vested. At the end of the financial year there were 1,200,000 share options outstanding over unissued ordinary shares of which 400,000 have vested but not yet been exercised.

Detailed below is information regarding share options outstanding at the end of the financial year.

| Details | Quantity | Exercise Price |
|--|----------|----------------|
| M K Lindsay: Unlisted share options over ordinary shares Vested – not yet exercised (issued October 2017) | 400,000 | \$nil |
| M K Lindsay: Unlisted share options over ordinary shares Not Vested (issued October 2018) | 400,000 | \$nil |
| M K Lindsay: Unlisted share options over ordinary shares Not vested (issued October 2019) | 400,000 | \$nil |

Since the end of the financial year 400,000 share options for MK Lindsay issued in October 2018 have been modified and the vesting period has now been extended by a further twelve months to October 2022.

Shares issued on the exercise of options

No shares have been issued during the 2021 financial year or subsequently up to the date of this report pursuant to the exercise of options.

Refer to the Remuneration Report for additional information on share options.

Insurance of officers and indemnities

Lindsay Australia Limited agrees to indemnify each director, officer, and company secretary of the Group and of its Australian based subsidiaries against any liability:

- to a party other than Lindsay Australia Limited or a related body corporate, but only to the extent that the liability arises out of conduct in good faith; and
- for legal costs incurred in connection with proceedings for relief to the director or company secretary under the Corporations Act 2001 in which the court grants the relief.

The amount payable under the agreement is the full amount of the liability. No liability has arisen under these indemnities as at the date of this report.

Lindsay Australia Limited has paid a premium to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director, other than conduct involving a wilful breach of duty. Disclosure of the premium paid is not permitted under the terms of the insurance agreement.

Significant changes in state of affairs

There were no significant changes to state of affairs during the financial year.

Events after the reporting date

Requisition notice

On the 2nd August 2021 the Company received a notice under Section 249D of the Corporations Act 2001 (Cth), and a members statement under Section 249P of the Corporations Act 2001 (Cth) from Ankla Pty Ltd ACN 074 315 432, requesting that the Company call a general meeting of the Company. Details regarding the notice was announced by the Company on the 3rd August 2021. Subsequently on the 23rd August 2021, the Company received correspondence from Ankla Pty Ltd ACN 074 315 432 withdrawing the request to call a general meeting of the Company. Details regarding the correspondence was announced by the Company on the 23rd August 2021.

Dividend

Since the end of the financial year, the directors have recommended payment of a final ordinary dividend of \$1,500,647 (0.5 cents per share unfranked) for the year ended 30 June 2021.

Director Retirement

Since the end of the 2021 financial year, the Company has announced that Richard Anderson, Non-executive Director and Chairman of the Board will retire as director effective from the 31st August 2021.

Other

Other than the events disclosed above, to the directors' knowledge, no matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Principal activities

The principal activities and operations of the Group during the financial year were the transportation of refrigerated and general freight, logistic services associated with the import and export of horticultural goods and merchandising of rural supplies.

There were no significant changes in the nature of the activities of the Group during the year.

Likely developments and expected results

Refer to the Strategy, Risk and Governance section set out on page 12.

Environmental compliance

The Group's operations are subject to environmental laws and the National Greenhouse Energy Reporting Act 2007. The Group complies with this Act.

The directors are not aware of any environmental issues which have been raised in relation to the Group's operations since the beginning of the financial year up to the date of this report.

Dividends paid during the financial year

| Dividends paid to members are as follows: | 2021 cents | 2020 cents |
|---|---------------|---------------|
| Final ordinary dividend per share paid on 9 th October 2020 for the prior financial year (2020: 30 th September 2019) | 0.5 | 1.1 |
| Interim ordinary dividend per share paid on 9 th April 2021 (2020: 9 th April 2020) | 1.2 | 1.0 |

Dividends recommended after the end of the financial year

Since the end of the financial year, the directors have recommended payment of a final ordinary dividend of \$1,500,647 (0.5 cents per share unfranked) for the year ended 30 June 2021.

Rounding of amounts

Unless otherwise stated, the amounts in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) relying on rounding relief under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument (2016/191). The Group is an entity to which the instrument applies.

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is attached on page 22 of this report.

Non-audit services

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

Details of the amounts paid or payable to the auditor, Pitcher Partners, for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of the non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact on the impartiality and objectivity of the auditor; and
- None of the services undermines the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Pitcher Partners received or are due to receive the following amounts for the provision of non-audit services during the year ended 30 June 2021:

| Non-audit services | 2021 \$ | 2020 \$ |
|-------------------------|------------|------------|
| Tax compliance services | 12,150 | 28,920 |

Operating and financial review

Reconciliation of results from the Group's operations

A summary of the Group's financial results from its continuing operations for the financial year ending 30 June 2021 and the prior comparative year is set out below.

Underlying operations defined in this report are the Group's reported financial results as set out in the financial statements, adjusted for significant items that are non-recurring or items incurred outside the ordinary operations of the Group. Significant items include a fuel tax credit adjustment relating to prior years, M&A costs and a trade receivable impairment provision. Significant items arose in the prior financial year from restructuring the Group's core operations and non-recurring costs associated with the closure of underperforming segments.

The below table provides a reconciliation of the Group's results as contained in the financial statements and non-IFRS (International Financial Reporting Standards) underlying operations. The Directors believe the additional information included in the report is useful for measuring the financial performance of the Group. The following non-IFRS reconciliation has not been subject to the Group's audit but is extracted from the audited financial statements.

| | Transport | Rural | Corporate/ Unallocated | Group |
|---|-----------|--------|---------------------------|----------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 2021 – reconciliation of results from the Group's operations | | | | |
| Reported profit (loss) before tax | 19,909 | 8,339 | (26,445) | 1,803 |
| Impact of application of AASB 16 | | | | |
| Depreciation right of use properties | 6,404 | 758 | 2,416 | 9,578 |
| Finance costs right of use properties | 2,567 | 103 | 939 | 3,609 |
| Operating lease rental payments | (7,530) | (829) | (2,980) | (11,339) |
| AASB 16 profit impact (a) | 1,441 | 32 | 375 | 1,848 |
| Underlying adjustments | | | | |
| Fuel tax credit provision relating to prior years (b) | 6,266 | - | - | 6,266 |
| Interest on fuel tax credit assessment relating to prior years (b) | - | - | 1,546 | 1,546 |
| Merger and acquisition costs (c) | - | - | 1,231 | 1,231 |
| Provision for doubtful debt (d) | - | - | 1,140 | 1,140 |
| Total underlying adjustments | 7,707 | 32 | 4,292 | 12,031 |
| Underlying profit (loss) before tax | 27,616 | 8,371 | (22,153) | 13,834 |
| Reported EBITDA | 52,316 | 9,607 | (13,927) | 47,996 |
| Less: depreciation right of use properties | (6,404) | (758) | (2,416) | (9,578) |
| Less: finance costs right of use properties | (2,567) | (103) | (939) | (3,609) |
| Add: underlying adjustments (excludes underlying interest adjustment) | 7,707 | 32 | 2,746 | 10,485 |
| Underlying EBITDA | 51,052 | 8,778 | (14,536) | 45,294 |

- (a) Eliminates the impact on the adoption of AASB 16 *Leases* which was adopted on 1 July 2019.
- (b) As previously disclosed in Note 35 of the FY2020 Annual Financial Report and in Note 12 of the Half-Year 2021 Interim Financial Report, the Company had been subject to a fuel tax credit (FTC) audit by the ATO. In June 2021 the ATO completed its FTC audit and issued the Company with an amended assessment relating to FTC's previously assessed. The notice relates to the review period of May 2017 to June 2019 which included claims for periods dating back to 2006. The amended assessment relates to prior financial years and is not anticipated to have a material impact on ongoing FTC claims of the Company.
- (c) Merger and acquisition costs that have been incurred by the Company and have been expensed during the financial year are outside the Companies ordinary operations.
- (d) The Company has made a provision for a trade receivable for a customer who notified the Company that they had entered administration proceedings. The Company consider this as a one-off transaction that will not impact ongoing ordinary operations.

| | Transport | Rural | Corporate/ Unallocated | Group |
|--|-----------|--------|---------------------------|---------|
| 2020 – reconciliation of results from the Group's operations | \$'000 | \$'000 | \$'000 | \$'000 |
| Reported profit (loss) before tax | 26,029 | 6,482 | (24,828) | 7,683 |
| Impact of application of AASB 16 | | | | |
| Depreciation right of use properties | 4,382 | 742 | 2,423 | 7,547 |
| Finance costs right of use properties | 1,505 | 98 | 1,024 | 2,627 |
| Operating lease rental payments | (5,096) | (817) | (2,903) | (8,816) |
| AASB 16 profit impact (a) | 791 | 23 | 544 | 1,358 |
| Underlying adjustments | | | | |
| Restructure costs (b) | 985 | - | 443 | 1,428 |
| Merger and acquisition costs (c) | - | - | 211 | 211 |
| Historical claim costs (d) | - | - | 451 | 451 |
| Total underlying adjustments | 1,776 | 23 | 1,649 | 3,448 |
| Underlying profit (loss) before tax | 27,805 | 6,505 | (23,179) | 11,131 |
| Reported EBITDA (net of fair value gain) | 53,022 | 7,757 | (13,646) | 47,133 |
| Less: depreciation right of use properties | (4,382) | (742) | (2,423) | (7,547) |
| Less: finance costs right of use properties | (1,505) | (98) | (1,024) | (2,627) |
| Add: underlying adjustments | 1,776 | 23 | 1,649 | 3,448 |
| Underlying EBITDA | 48,911 | 6,940 | (15,444) | 40,407 |

- (a) Eliminates the impact on the adoption of AASB 16 *Leases* which was adopted on 1 July 2019.
- (b) Restructure costs have been excluded as an underlying adjustment as they are considered one-off costs that are not expected to impact the ongoing operations of the Company.
- (c) Merger and acquisition costs that have been incurred by the Company and have been expensed during the financial year are outside the Companies ordinary operations.
- (d) During the 2020 financial year the Company made a commercial decision to settle a long outstanding matter that dated back over 35 years. The settlement is considered one-off in nature and will not impact the ongoing operations of the Company.

Summary of operating results

The 2021 financial year saw the Group continue to execute on its long-term value creation strategy by diversifying its range of services, products, and geographical reach to meet the evolving needs of customers. The Group continued to invest in capacity, facilities, equipment, technology, and cost efficiency initiatives to deliver value for customers, employees, shareholders, and the community. This was achieved despite unprecedented challenges and ongoing disruptions caused by Covid-19.

Higher operating costs related to Covid-19 were mitigated in part by efficiencies gained from prior year upgrades to facilities and the Group's on-going commitment to invest in equipment and technology.

Group operating revenue for FY2021 grew by 5.7% to \$435.15m, and on an underlying basis, Group EBITDA increased by 12.1% to \$45.29m.

| Reported and underlying results | 2021 \$'000 | 2020 \$'000 | % Change |
|--|----------------|----------------|----------|
| Operating Revenue | 435,153 | 411,515 | 5.7% |
| EBITDA (2020: net of fair value gain) | 47,996 | 47,133 | 1.8% |
| Depreciation & Amortisation | (36,288) | (31,258) | 16.1% |
| EBIT (2020: net of fair value gain) | 11,708 | 15,875 | (26.2%) |
| Finance Costs (2020: net of fair value gain) | (9,905) | (8,192) | 20.9% |
| Reported Net Profit Before Tax | 1,803 | 7,683 | (76.5%) |
| Income Tax | (549) | (2,361) | (76.7%) |
| Reported Net Profit After Tax | 1,254 | 5,322 | (76.4%) |
| Underlying EBITDA | 45,294 | 40,407 | 12.1% |
| Underlying Net Profit Before Tax | 13,834 | 11,131 | 24.3% |

Throughout FY2021, the Transport division remained focused on its long-term rail strategy. Capital investment in new equipment continued to increase the division's operational capacity. Strong customer demand for the rail segment will see the operations expand further in FY2022.

Although rail remains a key organic growth strategy for the Transport division, capital investment for renewal of the road fleet is necessary to ensure Transport remains a market leader. The integrated road and rail service offer is unique in meeting customers' evolving logistic requirements and is paramount to the ongoing success of the Group.

The expanded rail operations were able to mitigate some of the challenges encountered by the import/export logistics operations which resulted in reduced service availability due to Covid-19, particularly in air freight operations.

Transport's external freight service revenues grew 5.3% to \$297.26 million while the underlying segment contribution for the year remained steady.

The Rural division expanded its geographical reach in FY2021 with the opening of a new branch in Woolgoolga, NSW in the second half of the year and continued to focus on expanding its dedicated sales team. Rural delivered an increase in external revenues of 7.2% to \$137.88 million and an increase in underlying segment contribution of 28.7% to \$8.37 million.

Capital expenditure (capex) in FY2021 was focused on delivering long-term growth:

- **RAIL:** The addition of 110 new refrigerated containers during the year, expanding the Group's capacity to 294 at the end of the financial year. Growth capex for the year was \$12.0m for refrigerated containers and associated equipment;
- **ROAD:** Renewal capex of \$12.4m was invested in the Group's road operations to ensure the Transport division takes advantage of the latest safety technology and efficiency improvements; and
- **RURAL:** Expanding the division's geographical footprint with the opening of a new store in Woolgoolga, NSW.

Divisional Performance

| Segment overview | 2021 \$'000 | 2020 \$'000 | % Change |
|------------------------------|----------------|----------------|----------|
| External sales | | | |
| Transport – freight services | 297,266 | 282,431 | 5.3% |
| Transport – sale of goods | - | 424 | (100%) |
| Rural | 137,887 | 128,660 | 7.2% |
| | 435,153 | 411,515 | 5.7% |

| Segment overview | 2021 \$'000 | 2020 \$'000 | % Change |
|---------------------------|----------------|----------------|----------|
| Segment profit before tax | | | |
| Transport – reported | 19,909 | 26,029 | (23.5%) |
| Transport – underlying | 27,616 | 27,805 | (0.7%) |
| Rural – reported | 8,339 | 6,482 | 28.6% |
| Rural – underlying | 8,371 | 6,505 | 28.7% |

Transport Segment

Transport external freight revenue for the year grew by \$14.83 million or 5.3% to \$297.26 million. Increases in rail freight revenues of \$17.5 million were driven by new customer additions and capacity expansion, offsetting a reduction in import/export logistic revenue from Lindsay Fresh which continued to be impacted by Covid-19 throughout the year.

Transport made a divisional contribution of \$19.90 million in FY2021, which was below FY2020 by \$6.12 million (23.5%). However, on an underlying basis, the Transport division's segment contribution was on par with FY2020. The underlying comparison excludes additional fuel tax credits in FY2021 relating to prior years and eliminates the impact of the adoption of AASB 16 for comparison purposes and other abnormal restructuring costs.

Transport's road fleet capacity was similar to the previous year with growth investment concentrated on opportunities in refrigerated rail. 110 refrigerated rail containers were added to the fleet during the financial year, taking the Group's total container fleet to 294 at year end. An additional 50 refrigerated containers are included in the capital expenditure plan for the first half of FY2022. The road fleet will continue to be renewed in line with the replacement plan to ensure the fleet remains first in class while delivering efficiency and safety across Lindsay's network.

Rural Segment

Rural external revenues grew by \$9.22 million or 7.2% to \$137.88 million. The Rural division achieved an uplift in revenues from an expanded branch footprint and a focus on increasing its dedicated sales team in both new and established horticulture regions.

Rural made a divisional contribution in FY2021 of \$8.33 million, an increase of \$1.85 million (28.6%), benefiting from the expanded branch footprint, increase in sales staff, increased share of wallet with customers and a focus on reducing operating costs.

The division will continue to focus on high growth horticulture regions that have a strategic synergy with the Transport division and will look to further expand its branch footprint in FY2022.

Corporate Update

Safety, People, Culture

During the financial year, the Group employed 1,467 full-time equivalent employees (FTE's) an increase of 10 FTE's from FY2020.

| Division | 2021 | 2020 | Change | % |
|-----------|-------|-------|--------|--------|
| Corporate | 70 | 76 | (6) | (7.9%) |
| Rural | 106 | 99 | 7 | 7.1% |
| Transport | 1,291 | 1,282 | 9 | 0.1% |
| Total FTE | 1,467 | 1,457 | 10 | 0.1% |

The Board recognises the important leadership role it plays in promoting the Group's core values. The "Lindsay Way" motto sets a standard through which we hold ourselves accountable to customers, shareholders, partners and employees by honouring commitments and striving for excellence. The Group's core values are both individually significant and in combination lay the platform for the everyday operations and build a sustainable business for the future.

SAFETY FIRST: Making safety a personal value; think SAFE, act SAFE, be SAFE

PEOPLE FOCUSED: Development and support of current and future employees

VALUE FAMILY: Recognising the importance and value of family life

COMMUNITY SUPPORTIVE: Involved and supportive of the local communities

CUSTOMER & SUPPLIER ORIENTED: Maintain and improve high level of service to customers and suppliers

INDUSTRY INNOVATORS: Constantly challenging ourselves to provide and develop new innovations

Covid-19 impact

As a leading national provider of transport and logistic services to the horticulture and food related industries, the Group remains committed to maintaining its essential services to customers during these unprecedented times and continuing its key role in the nations food supply chain.

The Transport division's import and export operations which are conducted by Lindsay Fresh Logistics experienced a material decline in revenues during the financial year due to a shortage of available air freight services. The capacity restraints also impacted negatively the revenues generated from ancillary services of the division. The division expects to experience air freight capacity restraints until the frequency of international flights increases. The Lindsay Fresh division was eligible for the Australian Government JobKeeper wage subsidy scheme and received subsidies in FY2021 of \$2.06m (FY2020 \$0.87m).

Transport's road freight business has been impacted by freight imbalances and sub-optimal equipment utilisation rates caused by abnormal consumer spending on food and related products during periodic lockdowns.

The Rural division continues to experience some supply restraints across a number of products which are manufactured overseas due to increased shipping timeframes. The division overall has not been materially impacted.

The Group has implemented and maintains a significant number of initiatives in response to the Covid-19 challenges, with a particular focus on staff wellbeing, customer communications and safety and compliance for suppliers, customers and all community stakeholders.

Although the Group's divisions remain fully operational as an essential service provider in all States, we note that circumstances are subject to sudden and continual changes.

Strategy, Risk and Governance

Business strategies and prospects for future years

The Group's overall business strategy remains consistent with prior years. Plans and initiatives for both service and geographical diversification remain a goal to reduce seasonal revenue risks. Operational performance from equipment utilisation remains a priority as is the continuous review of the latest technology to improve safety and systems.

Investing for future growth and sustainability

- Upgrading facilities to increase capacity and improve operational efficiencies;
- Expanding geographical reach to reduce seasonality risks;
- Expanding service range to meet changing customer needs; and
- Investing in technology to deliver safety outcomes.

Transport division

- Rail fleet expansion to support new freight lanes and customer additions;
- Road fleet renewal to deliver a modern fleet with latest safety features;
- Facility upgrades to deliver increased cold chain capacity; and
- Technology updates to achieve increased equipment utilisation.

Rural division

- Expand geographical reach to new major horticulture regions;
- Expand dedicated sales team;
- Focus on product sales mix to deliver margin improvements; and
- Leverage existing Transport geographical reach.

Risk management

The Group takes a proactive approach to risk management. The board is responsible for ensuring that risks and opportunities are identified on a timely basis.

The board adopts the "three lines of defence" model for management of risks:

1. Accountability and ownership of risks within the operation. Implementation of board-approved operating plans and budgets and board monitoring of progress against these budgets, including the establishment and monitoring of KPI's of both a financial and non-financial nature;
2. Monitor and management of risks. Committees to report on specific business risks including such matters as environmental issues and concerns, and occupational health and safety; and
3. Testing and assurance of the risk systems.

Risk and uncertainties that could impact future results

External risks include: weather, volatile fuel pricing, exchange rates, commodity prices, credit risks, competition, cyber, climate change and regulatory changes.

Strategic risks include: making unsuccessful acquisitions and not adapting to continually changing technologies.

Operation risks include: labour force management, fleet safety, and succession planning for key management personnel.

Funding and dividend strategy

Total dividends of 1.7 cents (1.2 cent interim, 0.5 cents final) have been paid or recommended out of the FY2021 profit. This is a payout of \$5,096,000 representing 423% of after-tax profit. The board continually evaluates the payout ratio to ensure there are sufficient funds to sustain and grow the business while considering shareholder's interests.

Remuneration Report (Audited)

The Remuneration Report details the nature and amount of remuneration for non-executive directors, the executive director and other key management personnel of Lindsay Australia Limited and its controlled entities.

The Remuneration Report is set out under the following main headings:

Contents

| | | |
|----|--|----|
| A. | Principles used to determine the Nature and Amount of Remuneration | 14 |
| B. | Service Agreements | 17 |
| C. | Details of Remuneration Paid to Key Management Personnel | 18 |
| D. | Other Transactions with Key Management Personnel | 19 |
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The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A. Principles used to determine the Nature and Amount of Remuneration

Remuneration philosophy

It is the Group's objective to provide maximum shareholder benefit by the attraction and retention of a high-quality board and executive team (key management personnel). This is in part achieved by remunerating directors and executives fairly and appropriately with reference to relevant employment market conditions and results delivered.

Remuneration committee

The board's Remuneration Committee is responsible for determining and reviewing compensation arrangements for directors and executives of the Group. To assist in achieving this objective, the Remuneration Committee takes into account the nature and amount of executive directors' and officers' emoluments and the Group's achieved financial and operational performance when determining and reviewing compensation arrangements.

Remuneration structure

The structure of non-executive director and senior management remuneration is separate and distinct.

Non-executive director remuneration

Objective

The board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain suitably qualified and experienced directors, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution of the Company and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by shareholders at a General Meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the General Meeting held on 19 November 2007 where shareholders approved an aggregate remuneration of \$450,000 per year. The actual amount paid including statutory superannuation during the financial year ended 30 June 2021 was \$255,653 (2020: \$287,986).

The amount of aggregate remuneration sought (subject to the approval of shareholders) and the manner in which it is apportioned amongst directors is reviewed annually. The board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. No additional remuneration is paid for board committee membership.

Details of the nature and amount of the emolument of each director of the Company for the years ended 30 June 2021 and 30 June 2020 are set out on page 18.

The table below lists the executive directors and non-executive directors of Lindsay Australia Limited during the financial year:

| Name | Position | Appointment Date | Resignation Date |
|--------------|---|------------------|------------------|
| R A Anderson | Chairman (Non-Executive) | 16 December 2002 | |
| M K Lindsay | Managing Director and Chief Executive Officer | 26 November 1996 | |
| J F Pressler | Chairman (Non-Executive) | 8 January 1997 | 6 November 2020 |
| A R Kelly | Director (Non-Executive) | 3 May 2019 | |
| R L Green | Director (Non-Executive) | 26 August 2019 | |

The directors mentioned above held office for the entire financial year and since the end of the year except as otherwise noted.

Executive director and other key management personnel remuneration

Objective

The Group aims to reward key management personnel with a level and mix of remuneration commensurate with their position and responsibilities within the Group to:

- Link rewards with the strategic goals and performance of the Group;
- Align the interests of key management personnel with shareholders; and
- Ensure total remuneration is market competitive.

Structure

The key management personnel remuneration and reward framework has three components:

| Component | Vehicle(s) | Rewarding |
|-----------------------------|--|--|
| Fixed remuneration | Base salary, superannuation and salary packaged benefits | Skills and experience relative to the market |
| Short-term incentives (STI) | Discretionary bonus payments | Performance relative to annual goals |
| Long-term incentives (LTI) | Grants of performance options | Long term performance of the Group |

Fixed remuneration

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash, superannuation and fringe benefits such as motor vehicles, and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating an undue cost for the Group. The fixed remuneration is not dependent upon the satisfaction of any performance conditions.

Short-term incentives (STI)

The payment of short-term incentives to key management personnel is at the discretion of the Chief Executive Officer (CEO) and the Remuneration Committee, having regard to the overall performance of the Group and the performance of the individual during the period. Key financial indicators of profitability, revenue growth, revenue diversification and working capital improvements are factored into short-term incentive remuneration. Other key indicators include safety, employee engagement, employee retention and sustainability. The Board considers this as a balanced approach to align key management personnel rewards with overall shareholder value creation.

During the 2017 financial year, an employment agreement was entered into with the CEO, M K Lindsay. The agreement provides for STI's between 0% and 60% of fixed remuneration based on achieving goals. The STI's earned and paid to the CEO are measured against the delivery of strategic objectives, including:

- Safety outcomes and initiatives benchmarked and measured internally;
- Delivering an updated network with new sites, systems and updating the fleet;
- Growing new sources of revenue, particularly in import/export;
- Maintaining a profitable business; and
- Building staff skills and retaining key management personnel.

The short-term objectives were chosen because of the need to renew infrastructure and set the Group on a future path of growth. In FY2021, M K Lindsay achieved STI cash bonus, inclusive of superannuation of \$120,000 (FY2020: \$200,000).

The table below details the STI cash bonus that was awarded and how much was forfeited, based on the maximum STI payable in the employment agreement of M K Lindsay.

| | Fixed Remuneration \$ | Maximum STI \$ | STI Awarded \$ | STI Awarded % | STI Forfeited % |
|---|--------------------------|-------------------|-------------------|------------------|--------------------|
| M K Lindsay - Managing Director & Chief Executive Officer | | | | | |
| 2021 | 845,518 | 507,311 | 120,000 | 24% | 76% |
| 2020 | 845,518 | 507,311 | 200,000 | 39% | 61% |

Long term incentives (LTI)

Key management personnel are eligible to participate in the Long Term Incentive (Option) Plan (LTIP) that was approved by shareholders at the 2016 Annual General Meeting. Terms and conditions of the LTIP are detailed in Note 30.

At the 2017, 2018 and 2019 Annual General Meeting, shareholders approved the issue of 400,000 share options (each year) to the CEO, M K Lindsay, pursuant to the LTIP.

The terms of the options issued under the LTIP are:

- Each option is to acquire one ordinary share in Lindsay Australia Limited (the Company);
- The options were issued for nil consideration;
- The employee must remain employed by the Company during the vesting period;
- The exercise price to acquire a share is \$nil;
- The options will not be transferrable other than with the written consent of the Board;
- The options will expire on the date which is seven years after the issue date;
- In the event that the CEO leaves the Company, the Board will determine their status as a Good Leaver or Bad Leaver and determine the treatment of any equity instruments in accordance with the LTIP rules;
- The options will vest if a number of performance targets are achieved (refer table below);
- Notwithstanding the vesting conditions, in accordance with the LTIP rules, the Board may, at its absolute discretion, waive some or all of the vesting conditions such that the options may vest despite a vesting condition not being satisfied.

Details of share options issued under the LTIP (including performance targets) that have not yet vested or been cancelled are detailed below.

| | FY2020 | FY2019 |
|---|-----------------------|-----------------------|
| Share Options Granted To | M K Lindsay | M K Lindsay |
| Share Options Granted | 400,000 | 400,000 |
| Valuation at Grant Date | \$0.3071 | \$0.3151 |
| Net Profit After Tax Hurdle | \$9,530,000 (FY2020) | \$9,010,000 (FY2019) |
| 3 Year Aggregate EPS Target | 11.54 cents per share | 11.54 cents per share |
| 4 Year Aggregate EPS Target (if 3 year not met) | Board to determine | Board to determine |

The Board reviews other key management personnel remuneration on a regular basis to ensure remuneration is linked to the achievement of operational goals and performance of the Group.

Refer to section (E) below and Note 30 for additional information on LTIP.

The following people employed by Lindsay Australia Limited also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the 2021 and 2020 financial years:

| Name | Position | Term as KMP |
|-------------|---|---------------------|
| M K Lindsay | Managing Director and Chief Executive Officer | Full financial year |
| J T Green | Chief Financial Officer and Company Secretary | Full financial year |
| B T Jones | Group Legal Counsel and Company Secretary | Full financial year |
| C R Baker | General Manager Rural | Full financial year |

Details of the nature and amount of remuneration and all monetary and non-monetary components for each key management personnel during the years ended 30 June 2021 and 30 June 2020 are provided later in this report.

Use of external consultants

The Remuneration Committee has approved the engagement of external consultant, The Indelible Link, to review and provide recommendations regarding remuneration mix and quantum for executives and to assist in designing the future performance and remuneration framework for the Group's executives. The Indelible Link consultancy services were not used in FY2021 or in FY2020.

Voting and comments made at the Group's 2020 Annual General Meeting

Lindsay Australia Limited received more than 95% of "yes" votes on eligible votes cast by shareholders present or by proxy on its Remuneration Report for the 2020 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

B. Service Agreements

The Group's policy in operation during the 2021 financial year is that service contracts for the Chief Executive Officer (CEO) and other key management personnel are unlimited in term but capable of termination, either by employer or employee, on giving between one and twelve months' notice. The notice period varies depending on the position held.

Notice period contained in employment agreements for key management positions:

| Position | Employee | Notice Period |
|-------------------------|-------------|---------------|
| Chief Executive Officer | M K Lindsay | 12 months |
| Chief Financial Officer | J T Green | 3 months |
| Group Legal Counsel | B T Jones | 1 month |
| General Manager – Rural | C R Baker | 1 month |

Key management personnel are entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

Short-term incentives (STI) are based on performance against a key set of performance measures which are aligned to shareholder outcomes.

Long term incentives (LTI) include a combination of performance measures and tenure.

Compensation levels are reviewed each year to meet the principles of the remuneration policy.

There were no new key management personnel service agreements entered into during the financial year.

C. Details of Remuneration Paid to Key Management Personnel

The persons listed below are the only persons to have authority and responsibility for planning, directing and controlling the activities of Lindsay Australia Limited and the Group. There are no other executives who are key management personnel. Amounts disclosed for cash salary, fees and superannuation include amounts accrued during the year in respect of leave entitlements. Total remuneration expense may vary, as compared to base salary, with the movements in annual and long service leave accruals.

| | Salary and fees | Short-term benefits | Long-term benefits | Post-employment benefits | Share-based payments (a) | Total | Performance related |
|--|-----------------|---------------------|--------------------------|--------------------------|--------------------------|------------|---------------------|
| | \$ | Cash Bonus \$ | Non-monetary benefits \$ | Long service leave \$ | Superannuation \$ | Options \$ | % |
| Non-executive directors | | | | | | | |
| R A Anderson (Chairman) | | | | | | | |
| 2021 | 76,855 | - | - | - | 7,301 | - | NA |
| 2020 | 63,117 | - | - | - | 5,996 | - | NA |
| J F Pressler (Chairman) (retired 6 November 2020) | | | | | | | |
| 2021 | 30,063 | - | - | - | 2,856 | - | NA |
| 2020 | 84,156 | - | - | - | 7,995 | - | NA |
| A R Kelly | | | | | | | |
| 2021 | 63,278 | - | - | - | 6,011 | - | NA |
| 2020 | 63,117 | - | - | - | 5,996 | - | NA |
| R L Green | | | | | | | |
| 2021 | 63,278 | - | - | - | 6,011 | - | NA |
| 2020 | 52,611 | - | - | - | 4,998 | - | NA |
| Sub-Total 2021 | 233,474 | - | - | - | 22,179 | - | NA |
| Sub-Total 2020 | 263,001 | - | - | - | 24,985 | - | NA |
| Executive director and other key management personnel | | | | | | | |
| M K Lindsay - Managing Director & Chief Executive Officer | | | | | | | |
| 2021 | 828,506 | 109,000 | 8,063 | 12,564 | 17,956 | 61,958 | 16 |
| 2020 | 843,420 | 182,648 | 12,713 | 12,590 | 26,411 | 131,592 | 26 |
| J T Green - Chief Financial Officer & Company Secretary | | | | | | | |
| 2021 | 287,560 | 40,000 | - | 4,666 | 25,369 | - | 11 |
| 2020 | 298,682 | 40,000 | - | 4,677 | 25,260 | - | 11 |
| B T Jones – Group Legal Counsel & Company Secretary | | | | | | | |
| 2021 | 287,022 | 20,000 | - | 6,361 | 25,066 | - | 6 |
| 2020 | 293,905 | 20,000 | - | 13,880 | 25,085 | - | 6 |
| C R Baker - General Manager Rural | | | | | | | |
| 2021 | 337,741 | 52,500 | 43,457 | 5,183 | 24,982 | - | 11 |
| 2020 | 334,651 | 52,500 | 52,498 | (2,099) | 25,443 | - | 11 |
| Sub-Total 2021 | 1,740,829 | 221,500 | 51,520 | 28,774 | 93,373 | 61,958 | 13 |
| Sub-Total 2020 | 1,770,658 | 295,148 | 65,211 | 29,048 | 102,199 | 131,592 | 18 |
| Total 2021 | 1,974,303 | 221,500 | 51,520 | 28,774 | 115,552 | 61,958 | 12 |
| Total 2020 | 2,033,659 | 295,148 | 65,211 | 29,048 | 127,184 | 131,592 | 16 |

(a) Share-based option payments are the probable number to vest at the grant date value.

D. Other Transactions with Key Management Personnel

| Amounts recognised as revenues and expenses (exclusive GST): | 2021 \$ |
|--|------------|
| Revenues | |
| Cartage revenue received / receivable from and the sale of rural supplies to entities associated with J F Pressler (a) | 7,549,096 |
| Expenses | |
| Fees for corporate uniform consultancy provided by entities associated with M K Lindsay | 110,546 |
| Amounts receivable / payable to key management personnel and their related parties at the reporting date | |
| Current receivables – trade debtors | - |

(a) J F Pressler retired 6 November 2020

The directors believe transactions with key management personnel were on commercial terms and conditions (unless otherwise stated). Current receivables and payables are unsecured, to be settled in cash and are on the same terms and conditions as non-related parties as disclosed elsewhere in this report.

E. Share-Based Compensation

Options

Options over shares in Lindsay Australia Limited may be granted under the Long Term Incentive (Option) Plan (LTIP). The LTIP is structured as a reward for length of service and is variable depending upon cumulative annual performance.

The terms and conditions of each grant of options affecting performance in the current or future reporting periods are as follows:

| Grant Date | Options issued | Fair Value per option (cents) | Date vested and exercisable | Expiry date | Exercise price | Vested |
|--------------|----------------|-------------------------------|-----------------------------|--------------|----------------|---------|
| October 2017 | 400,000 | 36.5 | October 2020 | October 2024 | Nil | 400,000 |
| October 2018 | 400,000 | 31.5 | October 2022 | October 2025 | Nil | - |
| October 2019 | 400,000 | 30.7 | October 2022 | October 2026 | Nil | - |

The above grants of options are performance related to provide long-term incentives.

Detail of options over ordinary shares in the company provided as remuneration to each director and key management personnel of Lindsay Australia Limited and related entities at 30 June 2021 are set out below. When exercisable, each option is convertible into one ordinary share of Lindsay Australia Limited. Further information on the options is set out in Note 30 of the financial report.

| Name | Number of options granted | Value of options at grant date (a) | Number of options forfeited during the year | Number of options modified during the year (b) | Number of options vested during the year | Number of options exercised during the year |
|----------------------------|---------------------------|------------------------------------|---|--|--|---|
| M K Lindsay (October 2017) | 400,000 | 145,881 | - | - | 400,000 | - |
| M K Lindsay (October 2018) | 400,000 | 126,041 | - | 400,000 | - | - |
| M K Lindsay (October 2019) | 400,000 | 122,855 | - | - | - | - |

- (a) The value at the grant date is calculated in accordance with AASB 2 Share-based Payments of options granted during the year as part of remuneration. The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from the grant date to vesting date, and the amount is included in the remuneration tables above.
- (b) During the 2021 financial year, the board of directors declared to extend the vesting period for 400,000 options granted to MK Lindsay in the 2019 financial year a further 12 months to October 2022.

Options granted have an exercise price of zero and no market conditions. The number of options vested ultimately depends on the performance of the individual and the overall Company. Fair values at grant date are determined using the share price at the grant date less the dividend discounted where the vesting date is greater than one year. The number and movement for all options during the 2021 financial year are as follows.

| Name | Balance 30 June 2020 | | Granted during year | Vested and exercisable during year | Forfeited | % Forfeited | Balance 30 June 2021 | |
|-------------|----------------------|--------|---------------------|------------------------------------|-----------|-------------|----------------------|---------|
| | Unvested | Vested | | | | | Unvested | Vested |
| M K Lindsay | 1,200,000 | - | - | 400,000 | - | - | 800,000 | 400,000 |

F. Equity Holdings of Key Management Personnel

Share options provided as remuneration and shares issued on exercise of such options

No share options were issued in the 2021 financial year. During the 2020 financial year, share options were provided as remuneration as part of the Long Term Incentive (Option) Plan.

The table below details share options issued to key management personnel.

No shares in Lindsay Australia Limited have been issued in the 2021 or 2020 financial years up to the reporting date on the exercise of such options.

Refer Note 30 for additional information on share options.

| Details | Quantity | Exercise Price |
|---|----------|----------------|
| M K Lindsay: Unlisted share options over ordinary shares Vested – not yet exercised (issued October 2017) | 400,000 | \$nil |
| M K Lindsay: Unlisted share options over ordinary shares Not Vested (issued October 2018) | 400,000 | \$nil |
| M K Lindsay: Unlisted share options over ordinary shares Not vested (issued October 2019) | 400,000 | \$nil |

Share holdings

The number of ordinary shares in the Company held during the financial year and prior year by each director of Lindsay Australia Limited and other key management personnel of the Group, including their personally related parties, are set out below.

| | Balance at 30 June 2020 | Upon retirement | Net change other | Balance at 30 June 2021 |
|--|-------------------------|-----------------|------------------|-------------------------|
| Directors of Lindsay Australia Limited | | | | |
| J F Pressler | 2,670,387 | (2,670,387) | - | - |
| M K Lindsay | 11,843,886 | - | 47,629 | 11,891,515 |
| R A Anderson | 391,869 | - | - | 391,869 |
| A R Kelly | - | - | - | - |
| R L Green | - | - | - | - |
| Other key management personnel of the Group | | | | |
| B T Jones | - | - | - | - |
| J T Green | 31,632 | - | - | 31,632 |
| C R Baker | 65,889 | - | 3,293 | 69,182 |

All equity transactions with directors and other key management personnel have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

G. Loans to Key Management Personnel

There were no loans to key management personnel during the current or prior financial years.

H. Additional Information

The table below shows for the current financial year and previous four financial years the total remuneration cost of the key management personnel, earnings per ordinary share (EPS), dividends paid or declared, and the closing price of ordinary shares on ASX at year end.

| Financial Year | Total Remuneration \$ | EPS ¢ | Dividends ¢ | Share Price ¢ |
|----------------|--------------------------|----------|----------------|------------------|
| 2017 | 2,238,340 | 2.2 | 1.6 | 38.0 |
| 2018 | 2,673,788 | 2.7 | 1.8 | 38.0 |
| 2019 | 2,484,462 | 3.0 | 2.1 | 34.5 |
| 2020 | 2,681,842 | 1.8 | 1.5 | 35.0 |
| 2021 | 2,453,607 | 0.4 | 1.7 | 37.5 |

This report is made in accordance with a resolution of the directors.

Richard A Anderson



Chairman of Directors
Brisbane, Queensland
25 August 2021

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The Directors
Lindsay Australia Limited
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ACACIA RIDGE QLD 4110

Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2021, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001*; and
- (ii) no contraventions of APES110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of Lindsay Australia Limited and the entities it controlled during the year.



PITCHER PARTNERS



DAN COLWELL

Partner

Brisbane, Queensland
25 August 2021

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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ROBYN COOPER
FELICITY CRIMSTON

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ANNUAL FINANCIAL REPORT

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These financial statements cover the consolidated financial statements for the consolidated entity consisting of Lindsay Australia Limited and its subsidiaries. The financial statements are presented in Australian currency.

Lindsay Australia Limited is a company limited by shares, incorporated and domiciled in Australia. It's Registered Office and Principal Place of Business is:

Lindsay Australia Limited
152 Postle Street
ACACIA RIDGE QLD 4110

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations in the Directors' Report which is not part of this financial report.

The financial statements were authorised for issue by the directors on 25 August 2021. The directors have the power to amend and reissue the financial statements.

Lindsay Australia Limited

Consolidated Statement of Profit and Loss and Other Comprehensive Income

for the year ended 30 June 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|---|------|----------------|----------------|
| Revenue | 4 | 435,153 | 411,515 |
| Other revenue | 5 | 5,140 | 3,595 |
| Fair value gain arising on recognition of financial liabilities | 15 | - | 864 |
| Expenses | | | |
| Changes in inventories | | 2,624 | (641) |
| Purchase of inventories | | (116,235) | (105,895) |
| Employee benefits expense | 6 | (114,751) | (116,291) |
| Subcontractors | | (65,199) | (50,563) |
| Depreciation and amortisation | 6 | (36,288) | (31,258) |
| Vehicle operating charges | 6 | (61,058) | (59,551) |
| Finance costs | 6 | (9,905) | (9,056) |
| Rental and equipment hire costs | 6 | (1,221) | (2,155) |
| Professional fees | 6 | (1,509) | (1,834) |
| Impairment loss on trade receivables | 6 | (1,201) | (115) |
| Merger and acquisition costs | | (1,231) | (211) |
| Other expenses | | (32,516) | (30,721) |
| Profit before income tax | | 1,803 | 7,683 |
| Income tax expense | 7 | (549) | (2,361) |
| Profit for the year | 25 | 1,254 | 5,322 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 1,254 | 5,322 |
| | | Cents | Cents |
| Basic earnings per share | 27 | 0.4 | 1.8 |
| Diluted earnings per share | 27 | 0.4 | 1.8 |

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

Lindsay Australia Limited

Consolidated Statement of Financial Position

for the year ended 30 June 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|---|------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 9 | 27,594 | 17,895 |
| Trade and other receivables | 10 | 56,717 | 50,508 |
| Inventories | 11 | 15,196 | 12,053 |
| Prepayments | | 4,775 | 5,288 |
| Current tax assets | | 668 | 1,301 |
| Total current assets | | 104,950 | 87,045 |
| Non-current assets | | | |
| Financial assets at fair value through other comprehensive income | 12 | 25 | 25 |
| Property, plant and equipment | 13 | 64,928 | 64,407 |
| Right-of-use assets | 14 | 193,641 | 200,756 |
| Intangible assets | 17 | 8,963 | 9,305 |
| Total non-current assets | | 267,557 | 274,493 |
| Total assets | | 372,507 | 361,538 |
| Current liabilities | | | |
| Trade and other payables | 18 | 48,828 | 34,019 |
| Borrowings | 19 | 4,918 | 7,918 |
| Lease liabilities | 15 | 36,385 | 36,043 |
| Provisions | 21 | 11,047 | 10,159 |
| Other | 22 | 3,934 | 3,363 |
| Total current liabilities | | 105,112 | 91,502 |
| Non-current liabilities | | | |
| Borrowings | 19 | 15,273 | 17,190 |
| Lease liabilities | 15 | 146,876 | 149,484 |
| Deferred tax liabilities | 20 | 5,206 | 3,201 |
| Provisions | 21 | 1,958 | 1,868 |
| Other | 22 | 9,205 | 5,930 |
| Total non-current liabilities | | 178,518 | 177,673 |
| Total liabilities | | 283,630 | 269,175 |
| Net assets | | 88,877 | 92,363 |
| Equity | | | |
| Contributed equity | 23 | 73,709 | 73,421 |
| Reserves | 24 | 856 | 794 |
| Retained earnings | 25 | 14,312 | 18,148 |
| Total equity | | 88,877 | 92,363 |

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2021

| | Note | Contributed equity \$'000 | Share-based payments reserve \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|---|------|---------------------------------|--|--------------------------------|---------------------------|
| At 30 June 2019 | | 72,615 | 662 | 20,828 | 94,105 |
| At 1 July 2019 | | 72,615 | 662 | 20,828 | 94,105 |
| Adjustment to retained earnings with application of AASB 16 | | - | - | (1,749) | (1,749) |
| Adjusted balance at 1 July 2019 | | 72,615 | 662 | 19,079 | 92,356 |
| Profit for the year | | - | - | 5,322 | 5,322 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the year | | - | - | 5,322 | 5,322 |
| Dividends reinvested /(paid) during year | 8 | 806 | - | (6,253) | (5,447) |
| Employee share schemes – value of employee services | 24 | - | 132 | - | 132 |
| At 30 June 2020 | | 73,421 | 794 | 18,148 | 92,363 |
| Profit for the year | | - | - | 1,254 | 1,254 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the year | | - | - | 1,254 | 1,254 |
| Dividends reinvested /(paid) during year | 8 | 288 | - | (5,090) | (4,802) |
| Employee share schemes – value of employee services | 24 | - | 62 | - | 62 |
| At 30 June 2021 | | 73,709 | 856 | 14,312 | 88,877 |

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

Lindsay Australia Limited

Consolidated Statement of Cash Flows

for the year ended 30 June 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|--|------|----------------|----------------|
| Cash flows from operating activities | | | |
| Receipts in the course of operations | | 480,572 | 460,690 |
| Payments in the course of operations | | (423,063) | (411,322) |
| Interest received | | 245 | 312 |
| Income taxes paid | | (878) | (3,032) |
| Income taxes reimbursed | | 2,971 | 819 |
| Finance costs paid | | (8,118) | (9,195) |
| Net cash from operating activities | 26 | 51,729 | 38,272 |
| Cash flows from investing activities | | | |
| Proceeds from disposal of property, plant and equipment | | 978 | 2,458 |
| Payments for property, plant and equipment | | (2,702) | (13,948) |
| Payments for intangibles | | (150) | (225) |
| Net cash (used in) investing activities | | (1,874) | (11,715) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 26 | 6,208 | 31,600 |
| Repayment of borrowings | 26 | (7,000) | (26,281) |
| Repayment of property lease liabilities | | (7,423) | (6,189) |
| Repayment of other lease liabilities | | (307) | - |
| Repayment of equipment lease liabilities | 26 | (26,832) | (51,483) |
| Proceeds of equipment lease liabilities | 26 | - | 31,678 |
| Dividends paid | | (4,802) | (5,447) |
| Net cash (used in) financing activities | | (40,156) | (26,122) |
| Increase/(decrease) in cash and cash equivalents | | 9,699 | 435 |
| Cash and cash equivalents at beginning of financial year | | 17,895 | 17,460 |
| Cash and cash equivalents at end of financial year | 9 | 27,594 | 17,895 |

Notes to the Consolidated Financial Statements

Lindsay Australia Limited and controlled entities

Lindsay Australia Limited and its controlled entities (the Group), is an integrated transport, logistics and rural supply company that has a specific focus on servicing customers in the food processing, food services, fresh produce and horticulture sectors.

Lindsay Australia Limited is a for-profit entity limited by shares. Shares in Lindsay Australia Limited are publicly traded on the Australian Securities Exchange (Code: LAU). The financial statements relate to the consolidated entity consisting of Lindsay Australia Limited and its subsidiaries.

The full board of Lindsay Australia Limited authorised the issuance of the consolidated financial statements for the year ended 30 June 2021 on 25 August 2021.

1. Significant Accounting Policies

1.1 Basis of preparation of the financial statements

These general purpose consolidated financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authorised pronouncements of the Australian Accounting Standards Board.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements have been prepared under the historical cost basis, except for investments in equity instruments which have been measured at fair value through other comprehensive income.

The financial report is presented in Australian dollars and unless otherwise stated all values are rounded to the nearest (\$000), except where whole dollars are used, relying on rounding relief under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument (2016/191).

New accounting standards and interpretations

There are a number of new accounting standards, interpretations and amendments that have been issued but not yet effective. The new accounting standards, interpretations and amendments that are relevant to the activities of the Group and are not expected to have a material impact on the financial statements of the Group.

The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

The accounting policies applied in the consolidated financial statements are the same as those adopted in the Group's consolidated financial statements for the year ended 30 June 2020.

Compliance with international financial reporting standards

The consolidated financial statements of Lindsay Australia Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

1.2 Basis of consolidation of the financial statements

The consolidated financial statements contain the financial statements of Lindsay Australia Limited (the Company) and its controlled subsidiaries (the 'Group') as at 30 June 2021. Control occurs when the Company 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 its activities. Generally, there is a presumption that a majority of voting rights results in control. Supporting this assertion, the Company considers the facts and circumstances in assessing whether it has power over the entity including, the contractual arrangements with other vote holders, rights arising from other contractual arrangements, and the Company's voting rights and potential voting rights.

Subsidiaries are fully consolidated from the date on which control is obtained and deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations of the Group.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent Company and to the non-controlling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the Group members are eliminated in full on consolidation.

1.3 Summary of significant accounting policies

a. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the sum of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity,

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquisition is remeasured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

b. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

c. Revenue and other income

The Group earns revenue from providing goods and services to customers. Consistent with the requirements of AASB 15 *Contracts with Customers* and the Group's performance obligations, the Group recognises revenue with respect to the provision of goods at specific points in time (typically when goods are physically transferred to the customers) and recognises revenue with respect to the provision of services over the period in which the services are provided to the customers.

Contract liabilities are recognised when advance consideration is received from customers or where revenue is otherwise deferred and the related performance obligations have not yet been met.

The recognition of each of the Group's major revenue sources is detailed below:

Sale of goods

Revenue is recognised from the sale of goods on a point in time basis, generally when the goods are delivered to the customers.

Transport/logistic services

Revenue is recognised from the provision of transport and logistics services generally over a period of time. The Group has adopted the output method of measuring revenue as this approach best reflects the Group's performance obligations over a period of time.

Other revenue

Revenue from the provision of short-term warehousing and storage services provided to customers is generally recognised over a period of time as the services are provided.

d. Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered, or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

e. Leases

The Group operates several leased facilities. Facility rental agreements range in tenure from 1 to 15 years. Lease terms are negotiated on an individual basis and with varying terms and conditions. Until the end of the 2019 financial year, leases of property were classified as 'operating leases'. Expenses incurred under operating leases were previously charged to the profit and loss on a straight-line basis.

From 1 July 2019, leases are now recognised as a right-of-use asset with a corresponding lease liability. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the lease term on a straight-line basis or over the useful life where title to the asset transfers at the end of the lease. Assets and liabilities arising from a lease are initially measured on a present value basis.

Depreciation on right-of-use assets and interest on lease liabilities is recognised in the consolidated statement of profit and loss and other comprehensive income.

Payments associated with short term leases (generally less than 12 month terms) and leases of low value have continued to be recognised on a straight-line basis as an expense in the consolidated statement of profit and loss and other comprehensive income. Low value leases include office equipment and short-term leases includes equipment that is utilised by the Group to cover peak operating periods and are on short term rental agreements of less than 12 months in tenure.

The principal portion of the lease payments are recognised as a financing cash flow and the interest portion of the lease payments are recognised as an operating cash flow in the consolidated statement of cash flows.

The Group uses critical judgements in determining the lease term. Extension options are only included in the lease term where management considers that it is reasonably certain that the lease will be extended.

f. Impairment of financial assets

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. In measuring the expected credit loss, a provision matrix for trade receivables is used. The provision matrix is based on historical credit losses, adjusted for any material expected changes to future credit risk. Any change in expected credit losses between the previous reporting period and the current reporting period is recognised as an impairment gain or loss in the statement of profit and loss. Collectability of trade receivables is reviewed on an ongoing basis.

g. Cash and cash equivalents

For the statement of cash flows, cash and cash equivalents include 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.

h. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any allowance for expected credit losses.

i. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises the cost of purchase and, where applicable, cost of conversion after deducting trade discounts, rebates and other similar items. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to market the sale. Volume rebates are apportioned evenly across the relevant product purchased. Where the product remains in inventory the rebate reduces its carrying value.

j. Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

k. Investments and other financial assets

Financial assets are measured at amortised cost where the Group holds the asset in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

Financial assets are measured at fair value through other comprehensive income (FVOCI) where the Group holds the asset in order to collect contractual cash flows that arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

Financial assets at FVOCI, comprise principally marketable equity securities which do not have fixed maturities, fixed or determinable payments and management intends to hold them for the medium or long term. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the period end date.

Financial assets are irrevocably designated at FVOCI on initial adoption of AASB 9 or at initial recognition where equity instruments are not held for trading purposes.

The Group classifies and measures all other financial assets at fair value through profit and loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are included in current assets, except for those with maturities greater than 12 months after the period end date, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

l. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as equity security financial assets at fair value through other comprehensive income) is based on quoted market prices at the period end date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

m. Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of assets is calculated on a diminishing value (DV) or straight line (SL) method to allocate their cost, net of their residual values, over their estimated useful lives. The depreciation rates used for each class of depreciable asset for current and comparative years are:

| Classification | Rate | Depreciation Basis |
|----------------------------|-------------|---------------------------|
| Buildings | 2.5-5% | SL |
| Right-of-use assets | 6.5%-50% | SL |
| Leasehold improvements | 6.5-30% | SL/DV |
| Plant and equipment | 5-40% | SL/DV |
| Leased plant and equipment | 6.5-40% | SL/DV |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

n. Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which goodwill arose, identified according to operating segments.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

o. Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are usually unsecured and paid within 7 to 90 days of recognition.

p. Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits.

The liabilities for long service leave and annual leave which are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period of corporate bonds with terms and currencies that

match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The Group makes contributions to defined contribution superannuation funds. Contributions are recognised as an expense as they become payable.

Share-based compensation benefits can be provided to employees under the Lindsay Australia Limited Long Term Incentive (Option) Plan (LTIP).

The fair value of options granted under the LTIP is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss with a corresponding adjustment to equity.

q. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

r. Contributed equity

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.

s. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

t. Dividends

Provision is made for the amount of any dividend declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at reporting date.

u. GST

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

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

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

v. New accounting standards and interpretations

There are a number of new accounting standards, amendments and interpretations that have been issued but are not yet effective. The new accounting standards, interpretations and amendments that are relevant to the activities of the Group are not expected to have a material impact on the financial statements.

w. Parent entity financial information

The financial information for the parent entity, Lindsay Australia Limited, disclosed in Note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries are accounted for at cost in the financial statements of Lindsay Australia Limited.

Lindsay Australia Limited and its wholly-owned Australian controlled entities have implemented the tax consolidated legislation.

The head entity, Lindsay Australia Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Lindsay Australia Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the whole-owned entities fully compensate Lindsay Australia Limited for any current tax payable assumed and are compensated by Lindsay Australia Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Lindsay Australia Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

x. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a reduction of the expense to which it relates.

y. General

Lindsay Australia Limited is a public company limited by shares, incorporated and domiciled in Australia. The Registered Office and Principal Place of Business is:

Lindsay Australia Limited
152 Postle Street
ACACIA RIDGE QLD 4110

2. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and aging analysis for credit risk. Risk management is undertaken by senior management and the Board of Directors.

Monthly reports of financial assets and financial liabilities including undrawn facilities, analysis and details of significant and/or overdue debtors are provided to the Board of Directors for review.

The Group holds the following financial instruments:

| | 2021 \$'000 | 2020 \$'000 |
|---------------------------------|----------------|----------------|
| Financial assets | | |
| Cash and cash equivalents (a) | 27,594 | 17,895 |
| Trade and other receivables (a) | 56,717 | 50,508 |
| Equity securities (b) | 25 | 25 |
| | 84,336 | 68,428 |
| Financial liabilities | | |
| Trade and other payables (c) | 48,828 | 34,019 |
| Borrowings (c) (d) | 20,500 | 25,500 |
| Lease liabilities (e) | 183,795 | 186,309 |
| | 253,123 | 245,828 |

(a) Financial assets at amortised cost

(b) Fair value through other comprehensive income

(c) Other financial liabilities

(d) The carrying amount of borrowings disclosed excludes offsetting borrowing costs of \$309,000 (2020: \$392,000).

(e) The carrying amount of lease liabilities excludes offsetting of fair value gain of \$534,000 (2020: \$782,000).

a. Assets pledged as security

Refer to Note 19 for information on assets pledged as security.

b. Currency risk

The Group does not operate internationally; however, does have some revenue generated from internationally based customers denominated in Australian Dollars. Revenue from international customers in FY2021 accounted for 0.1% (2020: 0.2%) of Group revenue.

In FY2021 the Group purchased approximately \$6.2 million (4.8%) (2020: \$5.4 million (5.1%)) of its inventory from overseas sources in foreign currency. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, during the interval, usually not greater than 90 days between purchase and settlement. Selling prices can also be adjusted to cover price movements. The Group's exposure to foreign exchange movements at 30 June 2021 and 30 June 2020 is not significant.

c. Price risk

The Group is exposed to equity security price risk on unlisted equity securities financial assets. The price risk for the unlisted securities at 30 June 2021 and 30 June 2020 is not significant.

d. Interest rate risk

The Group's main interest rate risk arises from borrowings, cash and debtors. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2021 and 2020, the Group's borrowings at variable rate were denominated in Australian Dollars. The Group's policy is to fix interest rates for plant and equipment purchases at the time of purchase or leasing. The Group has no significant interest-bearing assets other than cash and debtors. The Group charges interest on a small number of debtor balances for seasonal extended payment terms or for debtors that extend beyond agreed payment terms.

The Group's cash flow interest rate risk primarily relates to variable rate financial instruments such as short term and long term variable rate bank loan borrowings. The proportion of variable rate borrowings to total borrowings of the Group at 30 June 2021 is 17.1% (2020: 20.5%). The Group monitors its interest rate exposure against movements in market interest rates and future interest rate expectations.

No hedging instruments are used.

As at the reporting date, the Group had the following financial instruments subject to variable interest rates outstanding:

Weighted Average Interest Rate

| | 2021 % | 2020 % | 2021 \$'000 | 2020 \$'000 |
|---------------------------|-----------|-----------|----------------|----------------|
| Cash and cash equivalents | 0.00% | 0.01% | 27,594 | 17,865 |
| Borrowings | | | | |
| Bank loans (i) | 3.14% | 3.18% | 20,500 | 25,500 |

(i) The carrying amount of borrowings disclosed excludes offsetting borrowing costs of \$309,000 (2020: \$392,000).

At 30 June 2021, if interest rates had changed by +/-1% from the year-end rates, with all other variables held constant, after-tax profit for the year would have been \$50,000 lower/higher (2020 – change of 1%: \$53,000 lower/higher), mainly as a result of higher/lower interest expense from borrowings and higher/lower interest income from cash and cash equivalents.

e. Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, and deposits with trading banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. For customers, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors such as credit reports. Individual risk limits are set based on credit worthiness and sales expectations. Management regularly monitors the compliance of credit limits by customers. The Group has significant concentrations of credit risk as detailed below. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Board of Directors reviews outstanding customer receivables in excess of \$50,000 monthly.

The maximum exposure to credit risk, excluding the value of any security the Group may hold, at balance for recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Group has adopted the simplified approach to measuring expected credit losses for trade receivables. In measuring the expected credit loss, a provision matrix is used. The provision matrix is based on historical credit losses, adjusted for any material changes to future credit risk.

At 30 June 2021 the largest ten debtors comprised approximately 26% (2020: 29%) of total trade debtors (the largest individual debtor comprised 6.5% (2020: 7.2%) of trade debtors). The majority of the trade debtors are involved in the rural industry in Queensland, New South Wales, Victoria, and South Australia - approximately 66% (2020: 69%).

At the reporting date cash was held with the Group's principal financiers, including Commonwealth Bank of Australia, Westpac Banking Corporation and the National Australia Bank.

f. Liquidity risk

Liquidity risk is managed by maintaining sufficient cash and the availability of funding, through an adequate amount of credit facilities, to meet obligations when due. The Group manages liquidity risk by continuously monitoring cash flows and the maturity profiles of financial assets and liabilities. Surplus funds are only invested in deposits with trading banks. The Group maintains un-drawn limits on equipment finance facilities.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the reporting date:

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Available facilities | | |
| Bank loan - working capital finance facility | 10,000 | 10,000 |
| Bank loan | 17,500 | 19,500 |
| Other loans | 80 | 80 |
| Equipment finance lease liabilities | 130,000 | 130,000 |
| Amounts utilised | | |
| Bank loan – working capital finance facility | (3,000) | (6,000) |
| Bank loans (a) | (17,500) | (19,500) |
| Equipment finance lease liabilities (b) | (99,515) | (98,749) |
| Unused facilities | 37,565 | 35,331 |

(a) The carrying amount of borrowings disclosed excludes offsetting of borrowing costs of \$309,000 (2020: \$392,000).

(b) The carrying amount of equipment finance lease liabilities disclosed excludes offsetting of a fair value gain of \$534,000 (2020: \$782,000).

Bank loan - working capital finance facility

The working capital finance facility is available until March 2023 unless the lender demands repayment in accordance with the facility agreement. The interest rate is variable and is based on prevailing market rates. The facility is utilised to fund annual premiums such as registrations and insurances and drawn upon and repaid as per the Groups funding requirements but not longer than 12 months from initial utilisation. The facility is subject to annual review.

Bank loans

Bank loans are generally 12 months to 5 years in tenure and repayable by quarterly instalments of principal and interest with a balloon payment at maturity. The interest rate is variable and is based on prevailing market rates. The facility is subject to annual review.

Other loans

Other loans relate to a corporate card facility held with a financial institution. The amounts are payable at the end of each month. The facility is subject to annual review.

Equipment finance lease facilities

The consolidated entity can draw on these lease facilities for the acquisition of plant and equipment (by way of equipment finance lease). Generally:

- The facilities are subject to periodic review;
- Individual equipment finance agreements generally range in tenure of between 1 and 5 years depending on the equipment type;
- Fixed monthly repayments of principal and interest are arranged over the term of each agreement at the date of each draw;
- Depending on the equipment finance by the agreement, balloon residuals are generally refinanced for a further term of between 1 and 3 years; and
- The liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

At 30 June 2021, \$4,634,000 (30 June 2020: \$5,166,000) was included as a current liability on the financial statement for balloon residuals for equipment finance agreements expiring within 12 months of balance date. As per the Group's equipment finance strategy, these balloon residuals are expected to be refinanced for a further term as they fall due.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Within 1 year \$'000 | Between 1 and 2 years \$'000 | Between 2 and 5 years \$'000 | Greater than 5 years \$'000 | Total contractual cash flows \$'000 | Carrying Amount liabilities \$'000 |
|--------------------------------------|----------------------------|---------------------------------------|---------------------------------------|--------------------------------------|--|---|
| At 30 June 2020 | | | | | | |
| Trade payables | 34,019 | - | - | - | 34,019 | 34,019 |
| Borrowings (a) | 8,661 | 2,556 | 15,513 | - | 26,730 | 25,500 |
| Equipment finance leases (b) | 32,001 | 24,419 | 49,187 | - | 105,607 | 98,749 |
| Lease liabilities - properties | 10,735 | 10,368 | 29,107 | 61,405 | 111,615 | 87,559 |
| Total | 85,416 | 37,343 | 93,807 | 61,405 | 277,971 | 245,827 |
| At 30 June 2021 | | | | | | |
| Trade payables | 48,828 | - | - | - | 48,828 | 48,828 |
| Borrowings (a) | 5,563 | 2,481 | 14,188 | - | 22,232 | 20,500 |
| Equipment finance leases (b) | 30,976 | 30,398 | 43,925 | - | 105,299 | 99,515 |
| Lease liabilities – properties/other | 11,450 | 11,334 | 20,456 | 61,914 | 105,154 | 84,280 |
| Total | 96,817 | 44,213 | 78,569 | 61,914 | 281,513 | 253,123 |

(a) The carrying amount of borrowings disclosed excludes offsetting of borrowing costs of \$309,000 (2020: \$392,000).

(b) The carrying amount of equipment finance lease liabilities excludes offsetting of a fair value gain of \$534,000 (2020: \$782,000).

g. Fair value estimation

The Group has no significant financial assets measured and recognised at fair value in the financial statements at year end.

In FY2020 the Group recognised a fair value gain of \$864,000 on the refinance of \$24,233,000 of equipment finance obligations. Refer to Note 15 for additional information. There were no other significant liabilities measured at fair value in the financial statements for the 2021 or 2020 financial years.

The carrying amounts of financial instruments represent reasonable approximations of their fair values, given their short-term nature.

3. Critical Accounting Estimates & Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(n). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 17 for details of these assumptions.

Allowance for expected losses

The Group makes judgements as to its ability to collect outstanding receivables and provides for the portion of receivables when collection becomes doubtful. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Collectability of trade and other receivables is reviewed on an ongoing basis. Trade and other receivables, which are known to be uncollectible, are written off. An allowance for expected credit losses is established. In measuring expected credit losses, a provision matrix for trade receivables is used. The provision matrix is based on historical credit losses, adjusted for any material expected changes to future credit risk. Refer note 10 for details of the allowance for expected credit losses.

Lease terms for right-of-use assets and liabilities

The Group uses critical judgements in determining the lease term for property leases with renewable extension options. The lease term is determined to be the non-cancellable term of a lease and includes the periods covered by an option to extend the lease term where management considers that it is reasonably certain that the lease extension option will be exercised.

Fuel tax credits

The Group uses critical input judgements when determining the Group's entitlements to fuel tax credits. These judgements are based on continual technology improvements which assist the fuel tax credit input data capture process, which includes key inputs such as kilometres travelled, fuel burn rates, idle rates and off-road kilometres and other key inputs which are continually reviewed.

Taxation

Deferred tax assets, including those arising from tax losses not recouped and temporary differences are recognised in the Consolidated Statement of Financial Position, only where it is considered more likely than not that they will be recovered. Recovery is subject to the generation of sufficient taxable profits in the future. Judgement is required to determine the amount of deferred tax assets that can be recognised based on the timing and amount of future profits. These judgements and assumptions are subject to risk and uncertainty. A change in circumstances will alter expectations which could impact the amount of deferred tax assets and deferred tax liabilities recognised in the Statement of Financial Position. If circumstances do change, some or all of the carrying amounts recognised for deferred tax assets and liabilities may require adjustment, impacting the Consolidated Statement of Profit and Loss and Comprehensive Income.

4. Revenues

In the following table, revenue from contracts with customers is disaggregated by customer type.

Horticulture customers

Customers are classified as horticulture if they are predominately exposed to the primary production of fresh fruit and vegetables. Horticulture customers include primary producers (growers), produce market agents and produce packing groups. Revenues from horticulture customers can fluctuate depending on season and can be impacted by weather related events.

Commercial customers

All other customers are classified as commercial customers. These customers do not have any direct involvement in the production of fresh fruit and vegetables. They are predominately manufacturers, food processors or distributors and third-party transport operators.

| 2021 | Transport \$'000 | Rural \$'000 | Corp \$'000 | Group \$'000 |
|---|---------------------|-----------------|----------------|-----------------|
| Revenues | | | | |
| Horticulture | 151,903 | 137,887 | - | 289,790 |
| Commercial | 145,363 | - | - | 145,363 |
| Revenue from contracts with customers | 297,266 | 137,887 | - | 435,153 |
| Other revenue (refer note 5 for breakdown of other revenue) | 3,383 | 427 | 1,330 | 5,140 |
| Total revenue | 300,649 | 138,314 | 1,330 | 440,293 |

| 2020 | Transport \$'000 | Rural \$'000 | Corp \$'000 | Group \$'000 |
|---|---------------------|-----------------|----------------|-----------------|
| Revenues | | | | |
| Horticulture | 146,090 | 128,660 | - | 274,750 |
| Commercial | 136,765 | - | - | 136,765 |
| Revenue from contracts with customers | 282,855 | 128,660 | - | 411,515 |
| Other revenue (refer note 5 for breakdown of other revenue) | 2,180 | 263 | 1,152 | 3,595 |
| Fair value gain | - | - | 864 | 864 |
| Total revenue | 285,035 | 128,923 | 2,016 | 415,974 |

5. Other Revenue

| 2021 | Transport \$'000 | Rural \$'000 | Corp \$'000 | Group \$'000 |
|------------------------------|---------------------|-----------------|----------------|-----------------|
| Insurance & other recoveries | 225 | 25 | 1,041 | 1,291 |
| Rents and sub-lease rentals | 115 | 15 | 4 | 134 |
| Interest revenue | - | - | 245 | 245 |
| Warehouse income | 1,528 | - | - | 1,528 |
| Sundry/other Income | 1,515 | 387 | 40 | 1,942 |
| Total other revenue/income | 3,383 | 427 | 1,330 | 5,140 |

| 2020 | Transport \$'000 | Rural \$'000 | Corp \$'000 | Group \$'000 |
|------------------------------|---------------------|-----------------|----------------|-----------------|
| Insurance & other recoveries | 226 | - | 770 | 996 |
| Rents and sub-lease rentals | 115 | 9 | 6 | 130 |
| Interest revenue | - | - | 312 | 312 |
| Warehouse income | 1,257 | 104 | - | 1,361 |
| Sundry/other Income | 582 | 150 | 64 | 796 |
| Total other revenue/income | 2,180 | 263 | 1,152 | 3,595 |

6. Expenses

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Profit before income tax includes the following specific expenses: | | |
| Cost of goods sold | 113,611 | 106,536 |
| Professional fees | | |
| Legal fees | 475 | 396 |
| Accounting firms | 314 | 298 |
| Consultancy fees | 720 | 1,140 |
| Total professional fees | 1,509 | 1,834 |
| Employee benefits expense | | |
| Salaries and wages | 106,932 | 108,779 |
| Defined contribution superannuation expense | 7,639 | 7,513 |
| Government wage subsidies received due to Covid-19 | (2,065) | (870) |
| Other wage expenses | 2,245 | 869 |
| Total employee benefits expense | 114,751 | 116,291 |
| Finance costs | | |
| Break fee related to refinancing of equipment lease liabilities (refer note 15) | - | 864 |
| Amortisation of fair value gain on recognition of lease liabilities (refer note 15) | 248 | 82 |
| Finance costs on financial obligations | 2,726 | 1,614 |
| Finance costs on equipment lease liabilities | 3,322 | 3,869 |
| Finance costs on other lease liabilities | 50 | - |
| Finance costs on property lease liabilities | 3,559 | 2,627 |
| Total finance costs | 9,905 | 9,056 |
| Depreciation | | |
| Freehold buildings | 407 | 412 |
| Plant and equipment | 6,709 | 5,082 |
| Leasehold improvements | 1,644 | 1,056 |
| Right of use asset | 26,936 | 24,153 |
| Amortisation | | |
| Customer list | 258 | 258 |
| Computer software | 334 | 297 |
| Total depreciation and amortisation | 36,288 | 31,258 |
| Vehicle operating expenses | | |
| Vehicle operating expenses | 53,980 | 59,551 |
| Fuel tax credits relating to prior periods (a) | 7,078 | - |
| Total vehicle operating expenses | 61,058 | 59,551 |
| Impairment losses – trade receivables | | |
| Movement in expected credit losses (refer note 10) | 1,188 | (33) |
| Trade receivables written off (recovered) during the year | 13 | 148 |
| Impairment loss on trade receivables | 1,201 | 115 |
| Impairment losses/(reversals) – inventory | 30 | 117 |
| Loss on disposal of property, plant and equipment | 964 | - |
| Rental and equipment hire costs | 1,221 | 2,155 |

a. Fuel tax credits relating to prior periods

As disclosed in Note 35 of the FY2020 Annual Financial Report and in Note 12 of the HY2021 Interim Financial Report, the Group had been subject to a fuel tax credit (FTC) audit by the Australian Taxation Office (ATO). In June 2021 the ATO completed its FTC audit and issued a notice of amended assessment relating to FTC's previously assessed. The notice relates to the review period of May 2017 to June 2019 which included claims for periods dating back to 2006. The amended notice of assessment is for an amount due of \$6.16m (excluding interest). In addition to the ATO assessment, the Group has also incurred costs relating to the same review period for FTC claims not submitted to the ATO totalling \$918,000.

7. Income Tax

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Income tax expense | | |
| Current tax | (31) | 1,460 |
| Deferred tax | 580 | 901 |
| | 549 | 2,361 |
| Deferred tax is attributable to: | | |
| (Increase) decrease in deferred tax assets (Note 16) | (4,731) | (1,609) |
| Increase (decrease) in deferred tax liabilities (Note 20) | 5,311 | 2,510 |
| | 580 | 901 |
| Numerical reconciliation of income tax expense to prima facie tax payable | | |
| Profit before income tax | 1,803 | 7,683 |
| Tax at the Australian tax rate of 30% (2020: 30%) | 541 | 2,305 |
| Tax effects of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Non-deductible expenses | 41 | 56 |
| Adjustment in relation to the prior year | (33) | - |
| Income tax expense | 549 | 2,361 |
| Tax losses | | |
| Unused tax losses for which deferred tax assets have not been recognised at 30% | 263 | 263 |

All unused and unrecognised tax losses were incurred by Australian entities and comprise capital losses.

8. Franking Credits / Dividends

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Franking credits | | |
| Franking credits available for subsequent financial years based on a tax rate of 30% (2020: 30%) | (100) | 3,539 |
| <p>The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:</p> <ol style="list-style-type: none"> Franking credits that will arise from the payment or provision for income tax; Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date. <p>The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will not have an impact on the franking account (2020 – a reduction of \$641,000).</p> | | |
| Dividends paid | | |
| Interim dividend for the year ended 30 June 2021 of 1.2 cents per share fully franked (at 30%) paid in full on 09 April 2021. (2020: 1.0 cent per share fully franked (at 30%) paid in full on 09 April 2020). | 3,595 | 2,988 |
| Interim dividends paid in cash or satisfied by the issue of shares under the dividend re-investment plan during the years ended 30 June 2021 and 2020 were as follows: | | |
| • Paid in cash | 3,390 | 2,832 |
| • Satisfied by issue of shares | 205 | 156 |
| | 3,595 | 2,988 |
| Final dividend for the year ended 30 June 2020 of 0.5 cents per share fully franked (at 30%) paid on 09 October 2020 (2020 – 1.1 cents per share fully franked (at 30%) paid in full on 30 September 2019). | 1,495 | 3,265 |
| Final dividend out of prior year's profits paid in cash or satisfied by the issue of shares under the dividend re-investment plan during the years ended 30 June 2021 and 2020 were as follows: | | |
| • Paid in cash | 1,412 | 2,615 |
| • Satisfied by issue of shares | 83 | 650 |
| | 1,495 | 3,265 |
| Dividends not recognised at year end | | |
| In addition to the above dividends, since year end the board of directors have recommended the payment of a final dividend of 0.5 cents per share unfranked (2020: 0.5 cents per share fully franked (at 30%) paid in full on 09 October 2020). | 1,501 | 1,496 |

9. Cash and Cash Equivalents

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Cash at bank and on hand | 27,594 | 17,895 |
| Reconciliation of cash and cash equivalents | | |
| Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows: | | |
| Cash and cash equivalents | 27,594 | 17,895 |
| | 27,594 | 17,895 |

The Group's exposure to interest rate risk is discussed in Note 2.

10. Trade and Other Receivables

| | 2021 \$'000 | 2020 \$'000 |
|--------------------------------------|----------------|----------------|
| Current | | |
| Trade receivables | 52,871 | 46,034 |
| Allowance for expected credit losses | (1,326) | (138) |
| | 51,545 | 45,896 |
| Fuel rebates receivable | 835 | 823 |
| Future GST recoverable | 314 | 631 |
| Other receivables | 4,023 | 3,158 |
| | 56,717 | 50,508 |

a. Impairment allowance for trade receivables

The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for trade receivables. The Group determines expected credit losses using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the trade receivables as well as future economic conditions relevant to the trade receivables.

The creation and release of the expected credit loss allowance for trade receivables has been included in the "Impairment loss on trade receivables" in the statement of profit and loss and other comprehensive income. Amounts charged to the loss allowance account are generally written off when there is no expectation of recovering those amounts.

The following table provides a reconciliation in the movement during the financial year of the loss allowance for trade receivables:

| | \$'000 |
|--|--------|
| Loss allowance at 30 June 2019 | 171 |
| Increase (decrease) in allowance for movements in expected credit losses | (33) |
| Trade receivables written off during the year against the ECL provision | - |
| Loss allowance at 30 June 2020 | 138 |
| Increase (decrease) in allowance for movements in expected credit losses | 1,188 |
| Trade receivables written off during the year against the ECL provision | - |
| Loss allowance at 30 June 2021 | 1,326 |

b. Credit risk profile for trade receivables

The following table provides information about the risk profile of trade receivables.

The impairment allowance at the end of the reporting period for trade receivables of the Group was \$1,459,000 inclusive of GST of \$133,000 (2020: \$152,000 inclusive of GST of \$14,000). The GST component of trade receivables is not considered impaired as this is refundable.

Details of the trade receivable aging and the impairment allowance is detailed in the table shown below:

| | 2021 | 2021 | 2020 | 2020 |
|--------------------------|-------------------|----------------------|-------------------|----------------------|
| | Trade Receivables | Impairment allowance | Trade Receivables | Impairment allowance |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Not yet due | 41,584 | (456) | 37,024 | (30) |
| Past due 1 to 30 days | 7,907 | (265) | 7,985 | (15) |
| Past due 31 to 60 days | 2,092 | (293) | 487 | (4) |
| Past due 61 days or more | 1,289 | (445) | 538 | (103) |
| | 52,871 | (1,459) | 46,034 | (152) |

c. Other receivables

Other trade receivables do not contain impaired assets and are not past due. Based on historical analysis and future economic considerations of these receivables, it is expected that these amounts will be received when due.

d. Foreign exchange and interest rate risk

There are no receivables denominated in foreign currencies. The Group charges interest on a small number of debtor balances for seasonal extended payment terms or for debtors that extend beyond agreed payment terms. Interest charged on these debtors ranges between 0.75% and 1.5% per month by agreement.

e. Fair value and credit risk

The carrying amounts of financial instruments represent reasonable approximations of their fair values, given their short-term nature.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

Refer Note 2 for more information on the risk management policy of the Group and on the credit quality of the entity's trade receivables.

11. Inventories

| | 2021 | 2020 |
|--|--------|--------|
| | \$'000 | \$'000 |
| Raw materials and stores – at cost (a) | 2,668 | 2,149 |
| Finished goods – at cost | 12,920 | 10,266 |
| | 15,588 | 12,415 |
| Provision for obsolescence | (392) | (362) |
| | 15,196 | 12,053 |

(a) Raw materials and stores are expensed and not charged to cost of sales.

12. Financial Assets at Fair Value Through Other Comprehensive Income

| | 2021 | 2020 |
|----------------------------|--------|--------|
| | \$'000 | \$'000 |
| Unlisted equity securities | 25 | 25 |

13. Property, Plant and Equipment

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Freehold Land and Buildings | | |
| Land – at cost | 7,034 | 7,034 |
| Buildings – at cost | 16,034 | 16,034 |
| Accumulated depreciation | (2,338) | (1,931) |
| | 20,730 | 21,137 |
| Leasehold Improvements | | |
| At cost | 25,188 | 24,184 |
| Accumulated depreciation | (6,016) | (4,372) |
| | 19,172 | 19,812 |
| Total property | 39,902 | 40,949 |
| Plant and Equipment | | |
| At cost | 116,316 | 95,921 |
| Accumulated depreciation | (91,290) | (73,755) |
| | 25,026 | 22,166 |
| Work in progress – capital | - | 1,292 |
| Total plant and equipment | 25,026 | 23,458 |
| Total property, plant and equipment | 64,928 | 64,407 |

Movements in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment are shown below.

| | Freehold Land \$'000 | Buildings \$'000 | Leasehold Improvements \$'000 | Plant & Equipment \$'000 | Plant & Equipment Under Finance Lease \$'000 | Work in Progress Capital \$'000 | Total \$'000 |
|--------------------------------------|-------------------------|---------------------|----------------------------------|-----------------------------|---|------------------------------------|-----------------|
| Carrying amount at 30 June 2019 | 7,009 | 14,515 | 8,909 | 19,980 | 116,286 | 3,365 | 170,064 |
| Application of AASB 16 | - | - | - | - | (116,286) | - | (116,286) |
| Carrying amount 1 July 2019 | 7,009 | 14,515 | 8,909 | 19,980 | - | 3,365 | 53,778 |
| Additions | 5 | - | 11,629 | 3,253 | - | 1,292 | 16,179 |
| Disposals | - | - | - | (1,316) | - | - | (1,316) |
| Transfers – work-in-progress capital | 20 | - | 330 | 637 | - | (3,365) | (2,378) |
| Transfers – right-of-use assets | - | - | - | 4,694 | - | - | 4,694 |
| Depreciation | - | (412) | (1,056) | (5,082) | - | - | (6,550) |
| Carrying amount at 30 June 2020 | 7,034 | 14,103 | 19,812 | 22,166 | - | 1,292 | 64,407 |
| Additions | - | - | 1,004 | 2,568 | - | - | 3,572 |
| Disposals | - | - | - | (994) | - | - | (994) |
| Transfers – work-in-progress capital | - | - | - | 137 | - | (1,292) | (1,155) |
| Transfers – right-of-use assets | - | - | - | 7,858 | - | - | 7,858 |
| Depreciation | - | (407) | (1,644) | (6,709) | - | - | (8,760) |
| Carrying amount at 30 June 2021 | 7,034 | 13,696 | 19,172 | 25,026 | - | - | 64,928 |

Assets pledged as security. Refer to Note 19 for information on assets pledged as security.

14. Right-of-use Assets

| | 2021 \$'000 | 2020 \$'000 |
|--------------------------------------|----------------|----------------|
| Right-of-use Property Leases | | |
| At Cost | 103,802 | 102,553 |
| Accumulated depreciation | (29,066) | (20,781) |
| Total right-of-use Property Leases | 74,736 | 81,772 |
| Right-of-use Other Leases | | |
| At Cost | 2,240 | - |
| Accumulated depreciation | (328) | - |
| Total right-of-use Other Leases | 1,912 | - |
| Right-of-use Equipment Leases | | |
| At Cost | 177,792 | 179,588 |
| Accumulated depreciation | (60,799) | (60,604) |
| Total right-of-use Equipment Lease | 116,993 | 118,984 |
| Total right-of-use assets | 193,641 | 200,756 |

Movements in carrying amounts

| | Right-of-use Properties \$'000 | Right-of-use Other \$'000 | Right-of-use Equipment \$'000 | Total Right-of- use Assets \$'000 |
|--------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|---|
| Carrying amount at 30 June 2019 | - | - | - | - |
| Application of AASB 16 Leases | 45,100 | - | 116,286 | 161,386 |
| Carrying amount at 1 July 2019 | 45,100 | - | 116,286 | 161,386 |
| Additions/modifications | 44,219 | - | 22,686 | 66,905 |
| Disposals | - | - | (1,037) | (1,037) |
| Transfers – work-in-progress capital | - | - | 2,349 | 2,349 |
| Transfers – plant and equipment | - | - | (4,694) | (4,694) |
| Depreciation | (7,547) | - | (16,606) | (24,153) |
| Carrying amount at 30 June 2020 | 81,772 | - | 118,984 | 200,756 |
| Additions/modifications | 2,211 | 2,240 | 23,390 | 27,841 |
| Disposals | - | - | (1,217) | (1,217) |
| Transfers – work-in-progress capital | - | - | 1,055 | 1,055 |
| Transfers – plant and equipment | - | - | (7,858) | (7,858) |
| Depreciation | (9,247) | (328) | (17,361) | (26,936) |
| Carrying amount 30 June 2021 | 74,736 | 1,912 | 116,993 | 193,641 |

15. Lease Liabilities

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Lease liabilities – Current | | |
| Property | 7,695 | 7,226 |
| Other | 431 | - |
| Equipment (i) | 28,259 | 28,817 |
| Total current lease liabilities | 36,385 | 36,043 |
| Lease liabilities – Non-current | | |
| Property | 74,652 | 80,333 |
| Other | 1,502 | - |
| Equipment (i) | 70,722 | 69,151 |
| Total non-current lease liabilities | 146,876 | 149,484 |
| Total lease liabilities | 183,261 | 185,527 |

(i) The carrying amount of equipment lease liabilities includes an offsetting fair value gain of \$534,000 (2020: \$782,000).

Movements in carrying amounts

| | Lease liabilities properties \$'000 | Lease liabilities other \$'000 | Lease liabilities equipment \$'000 | Total lease liabilities \$'000 |
|---------------------------------|---|--------------------------------------|--|--------------------------------------|
| Carrying amount at 30 June 2019 | - | - | - | - |
| Application of AASB 16 Leases | 49,528 | - | 95,861 | 145,389 |
| Carrying amount at 1 July 2019 | 49,528 | - | 95,861 | 145,389 |
| Additions (i) | 44,219 | - | 54,371 | 98,590 |
| Lease modification | (30) | - | - | (30) |
| Repayments (i) | (8,785) | - | (55,351) | (64,136) |
| Interest | 2,627 | - | 3,869 | 6,496 |
| Fair value gain – movement | - | - | (782) | (782) |
| Carrying amount at 30 June 2020 | 87,559 | - | 97,968 | 185,527 |
| Additions | 1,490 | 2,240 | 27,598 | 31,328 |
| Lease modification | 721 | - | - | 721 |
| Repayments | (10,982) | (357) | (30,155) | (41,494) |
| Interest | 3,559 | 50 | 3,322 | 6,931 |
| Fair value gain – movement | - | - | 248 | 248 |
| Carrying amount 30 June 2021 | 82,347 | 1,933 | 98,981 | 183,261 |

(i) Refer to note 26 cash flow information for breakdown of lease liabilities refinanced during the 2020 financial year.

Recognition and measurement – Leases

Refer Note 1.3(e) summary of significant accounting policies on the recognition and measurement of leases.

Assets pledged as security

Refer to Note 19 for information on assets pledged as security.

Fair value gain arising on recognition of financial liabilities - 2020

In March 2020 the Group renegotiated its financing arrangements which included the refinancing of \$24,233,000 of equipment lease liabilities. As part of the refinance of the equipment lease liabilities, the Group was able to secure below market fixed interest rates on a range of separate agreements between 12 months and 5 years tenure. Using the income valuation approach, the Group recognised a fair value gain of \$864,000 on the new financial obligations by comparing the present value of future cash flows of the liabilities with the financier's standard rates with the discounted rates under the new arrangement. The fair value gain will be amortised over the remaining term of the new lease liabilities using the effective interest method. The carrying value of the fair value gain at 30 June 2021 is \$534,000 (2020: \$782,000) and is offset against equipment lease liabilities in the statement of financial position. \$248,000 (2020: \$82,000) has been expensed to finance costs during the year.

16. Deferred Tax Assets

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| The balance comprises temporary differences attributable to: | | |
| Impaired receivables | 397 | 41 |
| Employee benefits | 3,903 | 3,610 |
| Payables | 341 | 373 |
| Other liabilities | 2,088 | 1,779 |
| Other | 421 | 97 |
| Carried forward losses | 6,111 | - |
| Total deferred tax assets | 13,261 | 5,900 |
| Set-off of deferred tax liabilities pursuant to set-off provisions (refer Note 20) | (13,261) | (5,900) |
| Net deferred tax assets | - | - |

| Movements | Employee Benefits \$'000 | Impaired Receivables \$'000 | Payables \$'000 | Other Liabilities \$'000 | Other \$'000 | Carried Forward Losses \$'000 | Total \$'000 |
|------------------------|--------------------------------|-----------------------------------|--------------------|--------------------------------|-----------------|-------------------------------------|-----------------|
| At 30 June 2019 | 3,318 | 51 | 386 | 1,029 | 85 | - | 4,869 |
| (Charged)/credited to: | | | | | | | |
| Profit or loss | 292 | (10) | (13) | 1,328 | 12 | - | 1,609 |
| Adoption of AASB 16 | - | - | - | (578) | - | - | (578) |
| At 30 June 2020 | 3,610 | 41 | 373 | 1,779 | 97 | - | 5,900 |
| (Charged)/credited to: | | | | | | | |
| Profit or loss | 293 | 356 | (32) | 309 | 305 | 3,500 | 4,731 |
| Overprovision | - | - | - | - | 19 | 2,611 | 2,630 |
| At 30 June 2021 | 3,903 | 397 | 341 | 2,088 | 421 | 6,111 | 13,261 |

17. Intangible Assets

| | 2021 \$'000 | 2020 \$'000 |
|--------------------------|----------------|----------------|
| Computer software | 5,351 | 5,100 |
| Accumulated amortisation | (4,224) | (3,889) |
| | 1,127 | 1,211 |
| Goodwill | 7,805 | 7,805 |
| Accumulated impairment | (244) | (244) |
| | 7,561 | 7,561 |
| Customer list | 1,802 | 1,802 |
| Accumulated amortisation | (1,527) | (1,269) |
| | 275 | 533 |
| Total intangible assets | 8,963 | 9,305 |

a. Movements in carrying amounts

Movements in the carrying amounts for each class of intangible asset are shown below.

| | Computer Software \$'000 | Goodwill \$'000 | Customer List \$'000 | Total \$'000 |
|--------------------------------------|--------------------------------|--------------------|----------------------------|-----------------|
| Carrying amount at 30 June 2019 | 1,254 | 7,561 | 791 | 9,606 |
| Additions | 225 | - | - | 225 |
| Transfers – work-in-progress capital | 29 | - | - | 29 |
| Amortisation | (297) | - | (258) | (555) |
| Carrying amount at 30 June 2020 | 1,211 | 7,561 | 533 | 9,305 |
| Additions | 150 | - | - | 150 |
| Transfers – work-in-progress capital | 100 | - | - | 100 |
| Amortisation | (334) | - | (258) | (592) |
| Carrying amount at 30 June 2021 | 1,127 | 7,561 | 275 | 8,963 |

b. Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the business segments. The carrying amount of goodwill is attributable to the Rural segment.

The Group tests whether goodwill should be impaired on an annual basis or more frequently if events or changes in circumstances indicate impairment. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

c. Key assumptions used for value-in-use calculations of the Rural CGU

| | 2021 % | 2020 % |
|------------------------|-----------|-----------|
| Average product margin | 16.2 | 15.9 |
| Terminal growth rate | 2.0 | 2.0 |
| Free cash growth rate | 8.5 | 10.6 |
| Pre-tax discount rate | 9.0 | 9.2 |

| Assumption | Approach used to determine values |
|-----------------------|---|
| Average gross margin | Based on past performance and management's expectations for the future. |
| Terminal growth rate | The growth rate used to extrapolate cash flows beyond the five-year forecasted period based on management's expectations of long-term growth. |
| Free cash growth rate | The average cash flow growth rate over the five-year forecast period is based on management's expectations for the future. |
| Pre-tax discount rate | Reflect specific risks relating to the relevant asset or cash generating unit and the economic and regulatory environment in which they operate based off management's expectations for the future. |

d. Impact of possible changes in key assumptions

A sensitivity analysis was performed on key assumptions, which included increasing the pre-tax discount rate from 9.0% to 11.0% (2020: 9.2% to 11.2%) and reducing average product margin from 16.2% to 15.2% (2020: 15.9% to 14.9%). Both scenarios did not result in impairment (2020: no impairment).

e. Assets pledged as security

Refer to Note 19 for information on current assets pledged as security.

f. Amortisation methods and useful lives

See note 1(f) for the accounting policies relevant to impairment of financial assets and note 1(n) for the Group's policy regarding intangible assets.

18. Trade and Other Payables

| | 2021 \$'000 | 2020 \$'000 |
|--------------------------|----------------|----------------|
| Trade and other payables | 48,828 | 34,019 |

19. Borrowings

| | 2021 \$'000 | 2020 \$'000 |
|-------------------------------------|----------------|----------------|
| Current | | |
| Secured | | |
| Bank loans | 5,000 | 8,000 |
| Bank loans – borrowing costs offset | (82) | (82) |
| Total secured current borrowings | 4,918 | 7,918 |
| Total current borrowings | 4,918 | 7,918 |
| Non-current | | |
| Secured | | |
| Bank loans | 15,500 | 17,500 |
| Bank loans – borrowing costs offset | (227) | (310) |
| Total non-current borrowings | 15,273 | 17,190 |
| Total borrowings | 20,191 | 25,108 |

a. Bank loans

Bank loan – working capital facility has a \$10,000,000 limit of which \$3,000,000 was drawn at 30 June 2021 (2020: \$6,000,000) and is utilised to fund short term working capital requirements of the Group.

Bank loan – corporate facility has a \$17,500,000 limit of which \$17,500,000 was drawn at 30 June 2021 (2020: \$19,500,000) and is utilised to fund freehold properties and leasehold fitouts for key facilities. The facility is repaid at \$500,000 each quarter with a balloon repayment of \$10,000,000 in March 2025 (if not refinanced prior).

The bank loan facilities are secured by guarantees by all companies in the consolidated entity supported by mortgage charges over all the consolidated entity's property and other assets.

b. Other Loans - secured

Other loans relate to a corporate card facility held with a financial institution. The amounts are payable at the end of each month. The facility is subject to annual review.

c. Assets pledged as security

All the assets of the consolidated entity are pledged as security for the facilities as noted above.

d. Fair value

Information about the Group's fair value of borrowings is provided in Note 2.

e. Risk exposure

Information about the Group's exposure to risks arising from borrowings is provided in Note 2.

20. Deferred Tax Liabilities

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| The balance comprises temporary differences attributable to: | | |
| Prepayments | 1,228 | 1,356 |
| Inventories | 382 | 611 |
| Depreciation and amortisation | 16,562 | 6,887 |
| Other receivables | 295 | 247 |
| Total deferred tax liabilities | 18,467 | 9,101 |
| Set-off of deferred tax assets pursuant to set-off provisions (refer Note 16) | (13,261) | (5,900) |
| Net deferred tax liabilities | 5,206 | 3,201 |

| Movements | Prepayments \$'000 | Inventories \$'000 | Depreciation & Amortisation \$'000 | Other Receivables \$'000 | Total \$'000 |
|------------------------|-----------------------|-----------------------|--|--------------------------------|-----------------|
| At 30 June 2019 | 1,143 | 710 | 5,093 | 1,087 | 8,033 |
| Charged /(credited): | | | | | |
| Profit or loss | 213 | (99) | 3,236 | (840) | 2,510 |
| Implementation AASB 16 | - | - | (1,328) | - | (1,328) |
| Overprovision | - | - | (114) | - | (114) |
| At 30 June 2020 | 1,356 | 611 | 6,887 | 247 | 9,101 |
| Charged /(credited): | | | | | |
| Profit or loss | (128) | 113 | 5,278 | 48 | 5,311 |
| Overprovision (i) | - | (342) | 4,397 | - | 4,055 |
| At 30 June 2021 | 1,228 | 382 | 16,562 | 295 | 18,467 |

- (i) After the end of the 2020 financial year the Group reviewed its eligibility to Government tax incentives for accelerated depreciation for assets acquired during the financial year. On review, the Group was able to claim additional depreciation for assets acquired during the period and included the additional depreciation in the Groups 2020 tax return lodgement.

21. Provisions

| | 2021 \$'000 | 2020 \$'000 |
|-------------------|----------------|----------------|
| Current | | |
| Employee benefits | 11,047 | 10,159 |
| Non-current | | |
| Employee benefits | 1,958 | 1,868 |

22. Other Liabilities

| | 2021 \$'000 | 2020 \$'000 |
|----------------------|----------------|----------------|
| Current | | |
| Contract liabilities | 3,934 | 3,356 |
| Other | - | 7 |
| | 3,934 | 3,363 |
| Non-current | | |
| Other | 9,205 | 5,930 |

Contract liabilities relates to monies received in advance of delivery of goods or services (previously classified as deferred revenue) and performance obligations that have not yet been met.

The changes in contract liabilities reflect both:

- (a) The release of deferred revenues to the profit and loss through the performance of delivery of the goods or service; and
- (b) New monies received where the delivery of the goods or service has not yet been completed and performance obligations have not yet been met.

Revenue recognised in the financial year from contract liabilities at the beginning of the period being satisfied was \$3,356,000 (2020: \$3,284,000).

Revenue not recognised in the financial year as performance obligations not yet satisfied and classified as contract liabilities is \$3,934,000 (2020: \$3,356,000).

23. Contributed Equity

| | 2021 \$'000 | 2020 \$'000 |
|----------------------------|----------------|----------------|
| Fully paid ordinary shares | 73,709 | 73,421 |

The movement in fully paid ordinary shares for 2021 and 2020 is reconciled as follows:

| | Note | No of Shares | Issue Price | \$'000 |
|--|------|--------------|-------------|--------|
| Balance at 30 June 2019 | | 296,856,465 | | 72,615 |
| Issue of shares pursuant to the Dividend Reinvestment Plan | (a) | 1,912,218 | 34 cents | 650 |
| Issue of shares pursuant to the Dividend Reinvestment Plan | (a) | 521,350 | 30 cents | 156 |
| Balance at 30 June 2020 | | 299,290,033 | | 73,421 |
| Issue of shares pursuant to the Dividend Reinvestment Plan | (a) | 252,476 | 33 cents | 83 |
| Issue of shares pursuant to the Dividend Reinvestment Plan | (a) | 586,979 | 35 cents | 205 |
| Balance at 30 June 2021 | | 300,129,488 | | 73,709 |

a. Dividend reinvestment plan

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a discount as determined by the directors but no more than 5% to the market price.

Issues pursuant to the Dividend Reinvestment Plan are:

| 2020 Dividends | Number of Shares | Issue Price |
|-------------------|------------------|-------------|
| 30 September 2019 | 1,912,218 | 34 cents |
| 09 April 2020 | 521,350 | 30 cents |
| 2021 Dividends | | |
| 09 October 2020 | 252,476 | 33 cents |
| 09 April 2021 | 586,979 | 35 cents |

b. Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a cost effective cost of capital.

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

Lindsay Australia Limited has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting periods.

24. Reserves

Movements in the Share-based payments reserve are shown below.

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Share-based payment reserve | | |
| Opening balance at 1 July | 794 | 662 |
| Employee share schemes – value of employee services | 62 | 132 |
| Closing balance at 30 June | 856 | 794 |

a. Nature and purposes of reserve

The share-based payments reserve is used to recognise the fair value of options issued to employees.

25. Retained Earnings

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Retained earnings at the beginning of the year | 18,148 | 20,828 |
| Adjustment to retained earnings with application of AASB16 | - | (1,749) |
| Profit for the year | 1,254 | 5,322 |
| Dividends paid or provided | (5,090) | (6,253) |
| Retained earnings at the end of the year | 14,312 | 18,148 |

26. Cash Flow Information

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Reconciliation of Cash Flows from Operating Activities with Profit for the Year | | |
| Profit for the year | 1,254 | 5,322 |
| Adjustment for non-cash items in profit | | |
| - Depreciation/amortisation | 36,288 | 31,258 |
| - Net (gain)/loss on disposal of property, plant and equipment | 964 | 10 |
| - Non-cash employee benefits expense-share-based payments | 62 | 132 |
| - Movement in capitalised borrowing costs | 82 | (276) |
| - Movement in fair value gain (refer note 15) | 248 | (782) |
| Net changes in assets and liabilities | | |
| - (Increase)/decrease in current taxes | 633 | (638) |
| - (Increase)/decrease in trade and other receivables | (5,939) | 4,336 |
| - (Increase)/decrease in prepayments and other assets | 513 | (691) |
| - (Increase)/decrease in inventories | (3,143) | 1,097 |
| - (Decrease)/increase in trade and other payables | 16,355 | (3,476) |
| - (Decrease)/increase in other liabilities | 1,427 | 221 |
| - (Decrease)/increase in provisions | 978 | 972 |
| - (Decrease)/increase in net deferred tax liabilities | 2,007 | 787 |
| Cash flows from operating activities | 51,729 | 38,272 |
| Non-Cash Financing and Investing Activities | | |
| Dividends satisfied by issue of shares | 288 | 806 |

Refinance of borrowings

FY2020: In March 2020 the Group changed its major corporate debt financing arrangements to a syndicated corporate debt facility. The total available limit on the new facility at 30 June 2020 is \$19,500,000. At 30 June 2020, \$19,500,000 was drawn on the facility. The facility is repayable in quarterly repayments of \$500,000 which commenced in June 2020 with a balloon payment in March 2025. Included in repayment of borrowings on the statement of cash flows for FY2020 is \$14,499,000 that related to the refinance of the previous facility.

Refinance of equipment lease liabilities

FY2020: Included in repayments of equipment lease liabilities on statement of cash flows is \$24,233,000 of equipment lease residuals that were refinanced under new facilities.

27. Earnings per Share

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Basic earnings per share | 0.4 | 1.8 |
| Diluted earnings per share | 0.4 | 1.8 |
| Earnings used in calculating basic and diluted earnings per share – net profit | 1,254 | 5,322 |

| | Number of Shares | Number of Shares |
|---|---------------------|---------------------|
| Weighted average number of ordinary shares used in calculating basic and diluted earnings per share (i) | 299,604,515 | 298,409,063 |

(i) The dilutive effect of options is not significant.

28. Auditor's Remuneration

| | 2021 \$ | 2020 \$ |
|---|------------|------------|
| During the year the auditor of the parent entity earned the following remuneration: | | |
| Audit or review of financial reports | 181,570 | 181,100 |
| Taxation and other services | 12,150 | 28,920 |
| Total remuneration | 193,720 | 210,020 |

29. Related Party Disclosures

a. Key management personnel compensation (including non-executive directors)

| | 2021 \$ | 2020 \$ |
|------------------------------|------------|------------|
| Short-term employee benefits | 2,247,323 | 2,394,018 |
| Long-term employee benefits | 28,774 | 29,048 |
| Post-employment benefits | 115,552 | 127,184 |
| Share-based payments expense | 61,958 | 131,592 |
| | 2,453,607 | 2,681,842 |

Detailed remuneration disclosures are provided in the remuneration report contained in the directors' report.

b. Other transactions and balances with key management personnel

| | 2021 \$ | 2020 \$ |
|--|------------|------------|
| Amounts recognised as revenues and expenses (GST exclusive): | | |
| Revenues | | |
| Cartage revenue received / receivable | 2,990,420 | 8,343,730 |
| Sale of rural supplies | 4,558,676 | 12,235,861 |
| | 7,549,096 | 20,579,591 |
| Expenses | | |
| Fees for corporate uniform consultancy | 110,546 | 18,867 |
| Amounts receivable / payable to key management personnel and their related parties at the reporting date | | |
| Current receivables – trade debtors | - | 1,071,183 |

The directors believe transactions with entities related to key management personnel were on commercial terms and conditions (unless otherwise stated). Current receivables and payables are unsecured, to be settled in cash and are on the same terms and conditions as non-related parties as disclosed elsewhere in this report.

c. Loans to key management personnel

There were no loans to key management personnel during the current or prior reporting period.

30. Share-based Payments

Lindsay Australia Limited has a Long Term Incentive (Option) Plan (LTIP) as described in the Remuneration Report. The LTIP has been accounted for in accordance with the fair value recognition provisions of AASB 2 "Share-based Payment".

Expense arising from share-based payment transactions

During the 2021 financial year \$61,958 (2020: \$131,592) was recognised as employee benefit expense arising from equity settled share-based payment transactions. There was no additional expense recognised for the modification of a share-based payment plan (2020: \$nil).

| | 2021 \$ | 2020 \$ |
|--|------------|------------|
| Expense arising from equity settled share-based payment transactions | 61,958 | 131,591 |
| Total expense arising from share-based payment transactions | 61,958 | 131,591 |

There were no share options converted to shares during the year.

Employee share option plans

Long Term Incentive (Option) Plan (LTIP)

At the 2016 Annual General Meeting, Shareholders approved a LTIP. The plan has the following characteristics:

| | |
|---------------------------|---|
| Eligibility | The LTIP will be open to eligible employees (including directors, contractors and consultants) of the Company who the Board determines in its absolute discretion to issue options. |
| Grant of options | No amount is payable by eligible employees for the issue of options under the LTIP. The offer must be in writing and specify, amongst other things, the number of options being issued, the exercise period, any conditions to be satisfied before the options may be exercised and the exercise price of the options. The options may also be subject to specific terms established by the Board. |
| Exercise | The options may be exercised, subject to any exercise conditions, by the participant giving a signed notice to the Company and paying the exercise price in full. The Company will apply for official quotation of any Shares issued on exercise of any options. |
| Lapse | The options shall lapse in accordance with specific offer terms or events contained in the LTIP rules, including termination of employment or resignation, redundancy, death or disablement (subject to the Board's direction to extend the terms of exercise in restricted cases). |
| Right of participants | Once shares are allotted upon exercise of the options the participant will hold the shares free of restrictions (unless the Board determines otherwise). The shares will rank for dividends declared on or after the date of issue but will carry no right to receive any dividend before the date of issue. Should the Company undergo any reorganisation of capital, the number of options or shares will be adjusted in accordance with the Listing Rules as applicable to options at the time of the reorganisation. In the event of a change of control, and subject to the Listing Rules and any applicable laws, the Board may determine that: (a) a participant's unvested options will vest notwithstanding some or all of the vesting conditions have not been satisfied; (b) that an eligible employee may transfer or otherwise dispose of their options; or (c) that a disposal restriction will be waived in respect of the options. A holder of options is not entitled to participate in dividends, a new issue of shares or other securities made by the Company to shareholders merely because he or she holds options. |
| Assignment | The options are not transferable or assignable without the prior written approval of the Board. |
| Administration | The LTIP will be administered by the Board which has an absolute discretion to determine appropriate procedures for its administration and, subject to the Listing Rules and applicable laws, all decisions of the Board as to the interpretation, effect or application of the plan rules and all calculations and determinations made by the Board under the plan rules are final, conclusive and binding in the absence of manifest error. |
| Termination and amendment | The LTIP may be terminated or suspended at any time by the Board, or if an order is made or an effective resolution is passed for the winding up of the Company other than for the purpose of amalgamation or reconstruction. The LTIP may be amended at any time by the Board provided that any amendment does not materially alter the rights of any participant in respect of the issue of options under the plan prior to the date of the amendments unless: |

- (a) the amendment is introduced primarily for the purposes of complying with or conforming to present or future applicable legislation;
- (b) to correct any manifest error or mistake; or
- (c) to enable the plan or Company to comply with any applicable laws or any required policy.

Options granted under LTIP

In the 2021 financial year no options for shares were granted pursuant to the LTIP. In the 2020 financial year, a grant of 400,000 options for shares exercisable at \$nil were granted to the CEO M K Lindsay pursuant to the LTIP. This issue was approved by shareholders at the Annual General Meeting held in October 2019.

No other options have been granted pursuant to the LTIP in the financial year.

Change in share-based payment reserve

During the financial year the share-based payment reserve increased by \$61,958 (2020: \$131,592) arising from equity settled share-based payment transactions of \$61,958 (2020: \$131,592).

Fair value of options granted under LTIP – 2021 financial year

No options for shares were granted pursuant to the LTIP in the 2021 financial year.

Fair value of options granted under LTIP – 2020 financial year

The assessed fair value at grant date of options granted during the year ended 30 June 2020 was \$0.3071. The options have \$nil exercise price, a three-year vesting period where they do not participate in dividends, and two performance criteria (year one NPAT and year three EPS). There are no direct market criteria incorporated in valuing the options. Under these criteria both the Black Scholes and a discounted cash model produce a similar result and are permitted methodologies under ASIC Regulatory Guide 76. The Board believes this valuation model to be appropriate to the circumstances and has not used any other valuation or other models in proposing the terms of the options. These valuation methods are based on a number of assumptions, set out below, with an adjustment to the expected life of the options to take account of limitations on transferability. These valuations impute a total value of \$122,855 after tax for the proposed options over the three-year vesting period.

The models used the following assumptions and inputs shown below:

- risk free rate based on the Australian Government 10-year bond rate as at the grant date;
- a share price being the most recent traded price on ASX at grant date before the valuation was completed;
- the option exercise price on 30 June 2026 of \$nil;
- volatility of 30% is based on the standard deviation of the monthly Company's share price movement over the last 4 years; and
- no discount has been applied to reflect the fact the options will be unlisted and non-transferrable.

| Model inputs | FY2020 |
|----------------|---------|
| Risk free rate | 1.20% |
| Share price | \$0.365 |
| Exercise price | \$nil |
| Volatility | 30% |

Employee Share Options Granted

The following table summarises options that have been granted under the LTIP and the previous employee share option plan.

The weighted average exercise price (WAEP) and movements in the options during the year are detailed below. No options expired during the periods covered by the below table.

| | 2021 | | 2020 | |
|--------------------------------|-----------|------|-----------|------|
| | Number | WAEP | Number | WAEP |
| Balance at beginning of year | 1,200,000 | - | 800,000 | - |
| Granted during the year | - | - | 400,000 | - |
| Forfeited during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| Balance at the end of the year | 1,200,000 | - | 1,200,000 | - |
| Exercisable at end of year | 400,000 | - | - | - |

Summary of options outstanding

The share options outstanding at the end of the year had an exercise price of nil (2020: nil) and a weighted average remaining contractual life of 4.3 years (2020: 5.8 years).

A summary of the status of the Groups equity settled share option plans at 30 June 2021 is presented below. When exercisable, each option is convertible into one ordinary share of Lindsay Australia Limited at a zero-exercise price.

| Tranche | Fair Value Per Option (cents) | Grant Date | Expiry Date | Number Issued | Number Forfeited | Number Modified (a) | Number Vested | Number Exercised | Balance |
|-------------|-------------------------------|--------------|--------------|---------------|------------------|---------------------|---------------|------------------|-----------|
| LTIP – FY18 | 36.5 | October 2017 | October 2024 | 400,000 | - | - | 400,000 | - | 400,000 |
| LTIP – FY19 | 31.5 | October 2018 | October 2025 | 400,000 | - | 400,000 | - | - | 400,000 |
| LTIP – FY20 | 30.7 | October 2019 | October 2026 | 400,000 | - | - | - | - | 400,000 |
| | | | | 1,200,000 | - | 400,000 | 400,000 | - | 1,200,000 |

Determining option value at grant date

All issued and outstanding options contain no market conditions to vest. All options are non-participating zero priced options. These options have an exercise price of zero and do not participate in dividends until exercised. The fair value at the grant date for the issues was determined by taking the share price at grant date less the present value of dividends discounted at the risk free rate where the vest date is greater than one year from grant date.

(a) Modification of share-based payment arrangements

In the 2021 financial year, the board of directors declared to extend the vesting period for 400,000 options granted to MK Lindsay in the 2019 financial year a further 12 months to October 2022.

No modifications to share based payments occurred in the 2020 financial year.

31. Subsidiaries

The Group consists of the ultimate parent entity Lindsay Australia Limited and its wholly owned subsidiaries. Set out below are the names of the subsidiaries which are included in the consolidated financial statements shown in this report. All entities were incorporated in Australia.

| Name | Class Shares/Units | Equity Holding % 2021 | Equity Holding % 2020 |
|--|-----------------------|-----------------------------|-----------------------------|
| Lindsay Brothers Holdings Pty Ltd ^{(a), (c)} | Ordinary | 100 | 100 |
| Lindsay Transport Pty Ltd ^{(a), (c)} | Ordinary | 100 | 100 |
| Lindsay Brothers Management Pty Ltd ^{(a), (c)} | Ordinary | 100 | 100 |
| Lindsay Brothers Fuel Services Pty Ltd ^{(a), (c)} | Ordinary | 100 | 100 |
| Lindsay Brothers Hire Pty Ltd ^{(a), (c)} | Ordinary | 100 | 100 |
| Lindsay Brothers Plant & Equipment Pty Ltd ^{(a), (c)} | Ordinary | 100 | 100 |
| P & H Produce Pty Ltd ^(c) | Ordinary | 100 | 100 |
| Lindsay Rural Pty Ltd ^(c) | Ordinary | 100 | 100 |
| Skinner Rural Pty Ltd ^{(b), (c)} | Ordinary | 100 | 100 |
| Croptec Fertilizer and Seeds Pty Ltd ^{(b), (c)} | Ordinary | 100 | 100 |
| Lindsay Fresh Logistics Pty Ltd ^(c) | Ordinary | 100 | 100 |

(a) Lindsay Brothers Holdings Pty Ltd (LBH) is the parent entity of Lindsay Transport Pty Ltd, Lindsay Brothers Management Pty Ltd, Lindsay Brothers Fuel Services Pty Ltd, Lindsay Brothers Hire Pty Ltd, and Lindsay Brothers Plant and Equipment Pty Ltd. Accordingly, the parent entity's interest in these entities (other than LBH) is indirect.

(b) These companies are subsidiaries of Lindsay Rural Pty Ltd.

(c) These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC Corporations (wholly-owned companies) Instrument 2016/785. For further information refer to Note 33.

32. Segment Information

Description of segments

The Group has identified the following reporting segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision-maker) in assessing performance and determining the allocation of resources:

- Transport – Cartage of general and refrigerated products and ancillary sales, warehouse and distribution and;
- Rural – Sale and distribution of a range of agricultural supply products.

The segments are determined by the type of product or service provided to customers and the operating characteristics of each segment. The Group operated in these business segments for the whole of the 2021 and 2020 financial years. Group revenues are derived predominately from customers within Australia.

Basis of accounting for purposes of reporting segments

Accounting policies adopted

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

The Group does not allocate assets or liabilities to each segment because management does not include this information in its measurement of the performance of the operating segments.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. All such transactions are eliminated on consolidation for the Group's financial statements. Some corporate charges are allocated to reporting segments based on the segments' overall proportion of usage within the Group.

Unallocated items

The following items of revenue and expense are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest received;
- Finance costs (except for interest costs relating to property right-of-use lease liabilities);
- Corporate costs including impairment of receivables; and
- Income tax expense.

Major customers

No customer of the Group accounts for more than 10% of external revenue (2020: none). The largest individual customer accounts for 4.74% of external revenues (2020: 4.96%).

Segment information

| | Transport \$'000 | Rural \$'000 | Corporate \$'000 | Total \$'000 |
|---|---------------------|-----------------|---------------------|-----------------|
| 2021 | | | | |
| Revenue | | | | |
| Revenue for services (i) | 302,851 | - | - | 302,851 |
| Revenue for sale of goods (ii) | - | 139,111 | - | 139,111 |
| Other revenue (refer note 5 for breakdown of other revenue) | 3,383 | 427 | 1,330 | 5,140 |
| Total segment revenue/income | 306,234 | 139,538 | 1,330 | 447,102 |
| Inter-segment revenue elimination | (5,585) | (1,224) | - | (6,809) |
| Total segment revenue/income | 300,649 | 138,314 | 1,330 | 440,293 |
| EBITDA | 52,316 | 9,607 | (13,927) | 47,996 |
| Total depreciation and amortisation | 29,840 | 1,165 | 5,283 | 36,288 |
| EBIT | 22,476 | 8,442 | (19,210) | 11,708 |
| Total finance costs | 2,567 | 103 | 7,235 | 9,905 |
| Segment net profit before tax | 19,909 | 8,339 | (26,445) | 1,803 |

(i) Revenue from provision of services is recognised over time

(ii) Revenue from sale of goods is recognised at a point in time

| | Transport \$'000 | Rural \$'000 | Corporate \$'000 | Total \$'000 |
|---|---------------------|-----------------|---------------------|-----------------|
| 2020 | | | | |
| Revenue | | | | |
| Revenue for services (i) | 288,672 | - | - | 288,672 |
| Revenue for sale of goods (ii) | 424 | 129,991 | - | 130,415 |
| Other revenue (refer note 5 for breakdown of other revenue) | 2,180 | 263 | 1,152 | 3,595 |
| Fair value gain on equipment refinance | - | - | 864 | 864 |
| Total segment revenue/income | 291,276 | 130,254 | 2,016 | 423,546 |
| Inter-segment revenue elimination | (6,241) | (1,331) | - | (7,572) |
| Total segment revenue/income | 285,035 | 128,923 | 2,016 | 415,974 |
| EBITDA (net of fair value gain) | 53,022 | 7,757 | (13,646) | 47,133 |
| Total depreciation and amortisation | 25,488 | 1,177 | 4,593 | 31,258 |
| EBIT | 27,534 | 6,580 | (18,239) | 15,875 |
| Finance costs | 1,505 | 98 | 7,453 | 9,056 |
| Fair value gain | - | - | (864) | (864) |
| Total finance costs | 1,505 | 98 | 6,589 | 8,192 |
| Segment net profit before tax | 26,029 | 6,482 | (24,828) | 7,683 |

(i) Revenue from provision of services is recognised over time

(ii) Revenue from sale of goods is recognised at a point in time

33. Deed of Cross Guarantee

The following companies are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (wholly-owned companies) Instrument 2016/785. The companies include: Lindsay Australia Limited, Lindsay Brothers Holdings Pty Ltd, Lindsay Transport Pty Ltd, Lindsay Brothers Management Pty Ltd, Lindsay Brothers Fuel Services Pty Ltd, Lindsay Brothers Hire Pty Ltd, Lindsay Brothers Plant and Equipment Pty Ltd, P & H Produce Pty Ltd, Lindsay Rural Pty Ltd, Skinner Rural Pty Ltd, Croptec Fertiliser and Seeds Pty Ltd and Lindsay Fresh Logistics Pty Ltd.

The above companies represent a 'closed Group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Lindsay Australia Limited, they also represent the 'extended closed Group'.

34. Capital Commitments

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Capital Commitments | | |
| Commitments for capital expenditure (property, plant, equipment and intangibles) contracted for but not recognised in the financial statements are as follows. | 6,651 | 5,833 |

35. Contingent Liabilities

Guarantees

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Guarantees to secure lease obligations | 7,726 | 7,726 |
| Guarantees to cover workers compensation policies | - | 1,578 |
| Total Guarantees | 7,726 | 9,304 |

Cross guarantees have been given as described in Note 33.

Court Proceedings – National Heavy Vehicle Regulator (NHVR)

On 13 November 2020 Lindsay Australia Limited announced that the National Heavy Vehicle Regulator (NHVR) commenced proceedings in the Local Court of NSW for alleged breaches by subsidiaries of the Company of the National Heavy Vehicle Law. The offences are alleged to have occurred between 30 September 2018 and 14 November 2018 at Boambee NSW, and relate to an accident, and consequential fatality of a Company employee at Loganlea QLD on 14 November 2018.

The proceedings have been set down for trial for 22 November 2021 to 10 December 2021 in the Downing Courts in Sydney.

Other

From time to time the consolidated entity is subject to claims and litigation during the normal course of business. The directors have given consideration to such matters and are of the opinion that there are no further material contingent liabilities as at the reporting date that are likely to arise.

36. Parent Company Information

Information relating to Lindsay Australia Limited is as follows:

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Summary financial information | | |
| Statement of financial position | | |
| Current assets | 1,580 | 2,106 |
| Total assets | 442,858 | 452,505 |
| Current liabilities | 322,113 | 323,179 |
| Total liabilities | 365,098 | 377,221 |
| Issued capital | 73,710 | 73,422 |
| Retained profits | 3,195 | 1,069 |
| Share-based payments reserve | 855 | 793 |
| Total shareholders' equity | 77,760 | 75,284 |
| Profit of the parent entity | 7,216 | 7,040 |
| Total comprehensive income of the parent entity | 7,216 | 7,040 |
| Contingent liabilities of the parent entity | - | - |
| Contractual commitments | - | - |

Guarantees entered into by parent entity

Lindsay Australia Limited has guaranteed the Groups external debt in respect of working capital loans, equipment finance leases and bank loans of subsidiaries amounting to \$86,077,889 (2020: \$81,555,886) which are secured by registered mortgage charges over property and other assets. The parent entity has also given unsecured guarantees in respect of financial leases of subsidiaries amounting to \$13,437,006 (2020: \$17,192,953).

In addition, there are cross guarantees given by Lindsay Australia Limited as described in Note 33. No deficiencies of assets exist in any of these companies. No liability has been recognised in relation to these financial guarantees in accordance with the policy set out in Note 1(w) as the present value of the difference in net cash flows is not significant.

37. Events after the reporting period

Requisition notice

On the 2nd August 2021 the Company received a notice under Section 249D of the Corporations Act 2001 (Cth), and a members statement under Section 249P of the Corporations Act 2001 (Cth) from Ankla Pty Ltd ACN 074 315 432, requesting that the Company call a general meeting of the Company. Details regarding the notice was announced by the Company on the 3rd August 2021.

Subsequently on the 23rd August 2021, the Company received correspondence from Ankla Pty Ltd ACN 074 315 432 withdrawing the request to call a general meeting of the Company. Details regarding the correspondence was announced by the Company on the 23rd August 2021.

Dividend recommended after year end

Since the end of the financial year, the directors have recommended payment of a final ordinary dividend of \$1,500,647 (0.5 cents per share unfranked) for the year ended 30 June 2021.

Director Retirement

Since the end of the 2021 financial year, the Company has announced that Richard Anderson, Non-executive Director and Chairman of the Board will retire as director effective from the 31st August 2021.

Other

Other than the events disclosed above, to the directors' knowledge, no matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Directors' Declaration

In the directors' opinion:

- a. The attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - i. Complying with Accounting Standards, the Corporations Regulations 2001; and other mandatory professional reporting requirements, and
 - ii. Giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- b. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- c. At the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 33.

Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

Richard A Anderson



Chairman of Directors
Brisbane, Queensland

25 August 2021



Level 38, 345 Queen Street
Brisbane, QLD 4000

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Brisbane, QLD 4001

p. +61 7 3222 8444

Independent Auditor's Report To the Members of Lindsay Australia Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lindsay Australia Limited, ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 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 and 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report 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.

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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| | | | | | | | | | |
|----------------|-----------------|-----------------|----------------|----------------|--------------|---------------|------------------|---------------|---------------|
| NIGEL FISCHER | PETER CAMENZULI | KYLE LAMPRECHT | BRETT HEADRICK | COLE VILKINSON | JEREMY JONES | JAMES FIELD | ROBYN COOPER | CHERYL MASON | MURRAY GRAHAM |
| MARK NICHOLSON | JASON EVANS | NORMAN THURECHT | WARRICK FACE | SIMON CHUN | TOM SPLATT | DANIEL COWELL | FELICITY CRISTON | KIERAN WALLIS | ANDREW ROBIN |

| Key audit matter | How our audit addressed the matter |
|---|--|
| Impairment of goodwill Refer to Note 17: Intangible Assets | |
| <p>At 30 June 2021 the Group's balance sheet includes goodwill amounting to \$7.561 million relating to historical business acquisitions.</p> <p>In accordance with AASB136 <i>Impairment of Assets</i>, an annual impairment test is performed which requires management to exercise judgement in determining the key assumptions to calculate the recoverable amount using a value-in-use model. Key assumptions in the model include discount rates, average gross margin, free cash growth rate and terminal growth rate.</p> <p>The key assumptions and a sensitivity analysis are included in Note 17.</p> <p>It is due to the use of management judgement in determining the key assumptions that this is a key area of audit focus.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Understanding and evaluating the design and implementation of management's processes and controls relevant to the impairment of goodwill; • Checking management's calculations for accuracy; • Critically assessing the reasonableness of key assumptions, considering supporting documentation and historic performance, where available; • Performing sensitivity analysis on key assumptions used in management's calculations to assess the level of headroom available; and • Reviewing the adequacy of the Group's disclosures on goodwill impairment to ensure compliance with Australian Accounting Standards. |

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, 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.

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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional 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 13 to 21 of the directors' report for the year ended 30 June 2021. In our opinion, the Remuneration Report of Lindsay Australia Limited, for the year ended 30 June 2021, 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.

Pitcher Partners

PITCHER PARTNERS



DAN COLWELL
Partner

Brisbane, Queensland
25 August 2021

Corporate Governance Statement

Introduction

The Board of Directors of Lindsay Australia Limited is responsible for the corporate governance of the consolidated entity. The board guides and monitors the business and affairs of Lindsay Australia Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Lindsay Australia Limited's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations 4th Edition. Lindsay Australia Limited's Corporate Governance practices recognise the Company's market capitalisation and the complexity of its operations. For further information on corporate governance policies adopted by Lindsay Australia Limited, refer to our website: www.lindsayaustralia.com.au

The following governance related documents can be found on the Lindsay Australia Limited website at <https://lindsayaustralia.com.au/corporate-governance>

- a) Corporate Governance Charter, inclusive of the Board Charter and Committee Charters;
- b) Code of Conduct;
- c) Securities Trading Policy;
- d) Continuous Disclosure Policy;
- e) Shareholder Communications and Meetings Policy;
- f) Risk Management Policy;
- g) Diversity Policy;
- h) Whistleblower Protection Policy; and
- i) Anti-Bribery and Corruption Policy.

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Principle 1

Lay solid foundations for management and oversight.

Recommendation 1.1

A listed entity should have and disclose a board charter setting out:

- a) *the respective roles and responsibilities of its board and management; and*
- b) *those matters expressly reserved to the board and those delegated to management.*

During the financial year the Company was governed in accordance with its Corporate Governance Charter adopted by the board. The Corporate Governance Charter is published on the Company's website.

The Corporate Governance Board Charter reserves powers for the board. Functions not reserved to the Board are delegated to senior management and the Chief Executive Officer (CEO). The CEO is accountable to the board of directors.

Recommendation 1.2

A listed entity should:

- a) *undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and*
- b) *provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

The Company undertakes appropriate checks and evaluation before appointing or re-appointing a director or senior executive including putting forward a candidate for election as a director. The Corporate Governance Charter outlines the process for appointment and retirement of members of the board including the provision of relevant information to security holders.

Recommendation 1.3

A listed entity should have a written agreement with directors and senior executive setting out the terms of their appointment.

The Company has entered into agreements with directors and senior executives, these documents together with the Corporate Governance Charter outline roles, responsibilities and expectations.

Recommendation 1.4

The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary has access to all Board members and the primary functions are to assist and advise the Board on governance matters and compliance with internal processes and policies. The role of the Company Secretary is outlined in the Board Charter which support the recommendations. The Company Secretary's appointment and engagement terms reflect the requirements of the recommendations.

Recommendation 1.5

A listed entity should:

- a) *have and disclose a diversity policy;*
- b) *through its board or a committee set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and*
- c) *disclose in relation to each reporting period:*
 - 1. *the measurable objectives set for that period to achieve gender diversity;*
 - 2. *the entity's progress towards achieving those objectives; and*
 - 3. *either:*
 - A. *the respective proportions of men and women on the board, in the senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or*
 - B. *if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Act.*

The Diversity Policy is published on the Company's website. The board has established the following objectives in relation to gender diversity. The intention is to achieve the objectives over time as positions become available. The board notes that some positions within the Company have time and physical demands that may make these jobs traditionally unattractive to women. There are no women on the board at this time. The board maintains full transparency of board processes, reviews and appointments and encourages gender diversity.

| | Objective | 2021 | 2020 |
|---|-----------|------|------|
| Percentage of women in Group's workforce | 15% | 10% | 10% |
| Percentage of women in management positions | 20% | 15% | 14% |

The Company's Workplace Gender Equality Act public report for 2020-2021 is available on the Company's website.

Recommendation 1.6

A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

The Company has adopted processes concerning the evaluation and development of the board, board committees and individual directors including the CEO. Processes include an internal board assessment. The Corporate Governance Statement outlines the skills criteria for Directors of the Company.

During the 2021 financial year, an internal board performance assessment was performed and reviewed against the assessment criteria, the assessment criteria itself was also reviewed. The review did not result in any material governance related changes.

Recommendation 1.7

A listed entity should:

- a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and
- b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

The Company's Corporate Governance Charter details the procedures for performance reviews and evaluation. Senior executives are subject to formal/informal evaluations against individual performance and business measures either on an ongoing or annual basis. The CEO is responsible for these reviews.

Principle 2

Structure the board to be effective and add value.

Recommendation 2.1

The board of a listed entity should:

- a) have a nomination committee which;
 1. has at least three members, a majority of whom are independent directors; and
 2. is chaired by an independent director,
 and disclose;
 3. the charter of the committee;
 4. the members of the committee; and
 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Company does not have a nomination committee. The board believes that due to the Company's relatively small size a nomination committee is not necessary as the board can undertake all functions normally delegated to a nomination committee. The Corporate Governance Charter contains procedures for the appointment of directors and procedures to be followed for a nomination committee,

which are discharged by the board. The Board Charter also outlines the requirements for the composition of the board which includes an independent director as chairman who also presides over nomination type matters. Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.

The Company's objective is an appropriate mix of skills, experience and expertise and attributes relevant to the board in discharging its responsibilities.

| Skills/Expertise | Experience | Attributes |
|------------------------------|------------------------|---------------|
| Strategy | Transport Industry | Integrity |
| Financial | Agriculture Industry | Communication |
| Governance | Import Export Industry | Commitment |
| Risk Management and Safety | Property | Innovation |
| Policy, Legal and Compliance | | Influence |
| Government and Stakeholders | | |
| Culture and Values | | |
| Executive Management | | |
| Information Technology | | |
| Taxation | | |
| Cyber knowledge | | |

Recommendation 2.3

A listed entity should disclose:

- the names of the directors considered by the board to be independent directors;*
- if a director has an interest, position or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and*
- the length of service of each director.*

| Director | Status | Appointment | Resignation | Length of Service | Interest/Association |
|--------------|------------------------------------|-------------|-------------|-----------------------------|-------------------------|
| | | Date | Date | | |
| J F Pressler | Non-Executive Independent Director | 08/01/1997 | 06/11/2020 | 23 years and 10 months | Retired |
| R A Anderson | Non-Executive Independent Director | 16/12/2002 | | 18 years (as at 16/12/2020) | |
| M K Lindsay | Executive Non Independent Director | 26/11/1996 | | 24 years (as at 26/11/2020) | Chief Executive Officer |
| A R Kelly | Non-executive Independent Director | 03/05/2019 | | 2 years (as at 03/05/2021) | |
| R L Green | Non-Executive Independent Director | 26/08/2019 | | 1 year (as at 26/08/2020) | |

Recommendation 2.4

The majority of the board of a listed entity should be independent directors.

The Company has complied with this recommendation, with three of the four current directors considered to be independent as outlined above in recommendation 2.3.

The board considers the current composition of a board an appropriate blend of skills and experience relevant to the Company's business. The board will assess independence when any new appointments are made.

Recommendation 2.5

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Mr J F Pressler, an independent director, was the Chair until his retirement. Mr R A Anderson, an independent director is the current Chair. Mr M K Lindsay is the CEO and is not the Chair.

Recommendation 2.6

A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.

The board assumes responsibility for new board member induction, education and development. The Corporate Governance Charter requires new directors to be provided with relevant information, induction and opportunities for training, and the opportunity to take independent advice at the expense of the Company.

Principle 3

Instil a culture of acting lawfully, ethically and responsibly.

Recommendation 3.1

A listed entity should articulate and disclose its values.

The corporate values are disclosed on the Company's website at <https://lindsayaustralia.com.au>; they are

- Safety Always;
- People Focused;
- Value Family;
- Community Supportive;
- Customer and Supplier Orientated; and
- Industry Innovators.

Recommendation 3.2

A listed entity should:

- a) have and disclose a code of conduct for its directors, senior executives and employees; and*
- b) ensure that the board or a committee of the board is informed of any material breaches of that code.*

The Code of Conduct and Corporate Governance Charter outline a broad range of conduct related matters which apply to directors, senior executives, officers, employees and contractors of the Company.

Recommendation 3.3

A listed entity should:

- a) have and disclose a whistleblower policy; and*
- b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.*

The Whistleblower Policy demonstrates the commitment of the Company to appropriate standards of behaviour and good corporate governance. The policy outlines the processes for making reports regarding certain conduct. The Company has engaged an independent third party service provide to receive any such reports adding further integrity to the process. Any material reports are raised at the board level.

Recommendation 3.4

A listed entity should:

- a) have and disclose an anti-bribery and corruption policy; and*
- b) ensure that the board or a committee of the board is informed of any material breaches of that policy.*

The Anti-Bribery and Corruption Policy demonstrates and supports a high level of accountability and integrity in the manner in which the Company conducts its business affairs. The policy provides a key framework for the conduct of business. Any material reports are raised at the board level.

Principle 4

Safeguard the integrity of corporate reports.

Recommendation 4.1

The board of a listed entity should:

- a) have an audit committee which:
 1. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
 2. is chaired by an independent director, who is not the chair of the board, and disclose;
 3. the charter of the committee;
 4. the relevant qualifications and experience of the members of the committee; and
 5. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The board has established an audit and risk committee, which operates under a charter approved by the board. The charter is contained in the Company's Corporate Governance Charter.

The Chairman of the committee is Mr A R Kelly, an independent director. The members of the committee and their details, the number of meetings and attendances are contained in the Directors' Report to the Annual Report disclosed on the Company's website. All members of the audit and risk committee are non-executive directors. There is a majority of independent directors on the committee.

The board has delegated the responsibility for the establishment and maintenance of a framework of internal controls and ethical standards for the management of the consolidated entity to the audit and risk committee.

It is the board's responsibility to ensure that an effective internal control framework and risk identification process exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a period, receive from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

In respect of the relevant financial reporting period the Company's Chief Executive Officer and Chief Financial Officer provide the board with a declaration in accordance with S.295A of the Corporations Act which is consistent with Recommendation 4.2.

Recommendation 4.3

A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

The Company currently discloses the annual Directors Report as part of the Annual Report, the annual and half yearly financial statements. These reports are subject to the auditor review and sign-off in accordance with the Corporations Act. The Company has not released any other periodic report. The Company has sufficient expertise and resources, both human and systems to verify and validate the accuracy of information released to the market.

A representative of the Company's external auditor attends the Annual General Meeting and is available to answer questions from security holders in accordance with the Corporations Act.

Principle 5

Make timely and balanced disclosure.

Recommendation 5.1

A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.

The Company has adopted a Continuous Disclosure Policy and has complied with the continuous disclosure requirements of Chapter 3 of the Australian Securities Exchange Listing Rules. The Corporate Governance Charter contains additional requirements. Relevant market disclosures are reviewed at board meetings. These processes enable shareholders and stakeholders to receive information issued by the Company in a timely and appropriate manner.

Recommendation 5.2

A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

All material Company announcements are transparent and approved by the board of directors, including confirmation of release to the market.

Recommendation 5.3

A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

All material Company announcements including material investor related presentations are transparent and approved by the board of directors, including confirmation of release to the market prior to any presentation.

Principle 6

Respect the rights of security holders.

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

The Company provides information about itself and its governance via its website, this information is available to investors and stakeholders. The Company commits to updating its website with relevant information regarding operations and activities and the Company uses other social media platforms to further provide information. The website provides details of the key business divisions, copies of recent annual and half-year reports and other relevant publications and investor information. The specific codes and policies contained on the Company website are outlined at the beginning of this Corporate Governance Statement.

Recommendation 6.2

A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

The Shareholder Communications and Meetings Policy supports the boards processes for investor relations. Information is communicated to investors via:

- Periodic reports;
- ASX announcements;
- Annual General Meetings; and
- The Company website.

The board encourages attendance at the Annual General Meeting and is also available to shareholders at the general meetings. General meetings are set well in advance of their scheduled date to facilitate maximum attendance by shareholders. Investors may communicate directly with the Company in person or electronically via the Company website.

Recommendation 6.3

A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

The Shareholder Communications and Meetings Policy supports the boards processes for investor relations. The board encourages attendance at meetings to ensure accountability to shareholders and to address all matters relevant to shareholders including Company performance and strategy.

The Company's notice of meetings are clear, concise and effective. All general meetings of the Company allow shareholder participation and the opportunity to ask questions directly of the board prior to a poll or vote.

Recommendation 6.4

A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

Resolutions conducted at Annual General meetings of the Company are conducted by a poll, enabling the Company to evidence the decisions and determinations of shareholders accurately and effectively.

Recommendation 6.5

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company's share registry is maintained electronically through Computershare Limited, a link is provided on the Company's website. Contact information for Computershare Limited is also provided in the Company's Annual Report. Security holders can also contact the Company electronically via the Company's website.

Principle 7

Recognise and manage risk.

Recommendation 7.1

The board of a listed entity should:

- a) have a committee or committees to oversee risk, each of which:
 1. has at least three members, a majority of whom are independent directors; and
 2. is chaired by an independent director,and disclose
 3. the charter of the committee;
 4. the members of the committee; and
 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The board has established an audit and risk committee. The Charter is contained in the Company's Corporate Governance Charter. The chairman of the committee is Mr A R Kelly, an independent director. The members of the committee, meetings and attendances are contained in the Directors' Report to the Annual Report disclosed on the Company's website. All members of the audit and risk committee are non-executive Directors. There is a majority of independent directors on the committee.

The board has delegated the responsibility for the establishment and maintenance of a framework of internal controls and ethical standards for the management of the consolidated entity to the audit and risk committee.

It is the board's responsibility to ensure that an effective internal control framework and risk identification process exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The board considers risks at each board meeting. The Board assesses risk and risk issues at each board meeting described further under recommendation 7.2.

The Risk Management Policy supports the boards initiatives to recognise and manage risk.

Recommendation 7.2

The board or a committee of the board should:

- a) *review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and*
- b) *disclose, in relation to each reporting period, whether such a review has taken place.*

The board is responsible for the Company's risk management framework. Risks are monitored on a regular basis and prevention or mitigation measures adopted as appropriate. Policies and procedures have been established for, asset maintenance, workplace health and safety and inventory control. A business risks checklist is reviewed at each meeting of the board. Details of financial risks are provided in the Notes to the Financial Statements in the Annual Report. The Risk Management Policy supports the boards initiatives to recognise and manage risk.

The board has established an environmental and occupational health and safety committee, details on meetings, membership and attendance are contained in the Directors Report to the Annual report located on the Company's website. It is the board's responsibility to ensure that the Company observes all regulatory compliance and provide a safe workplace by identifying and managing risks in the workplace. The board has delegated the responsibility for these functions to the environmental and occupational health and safety committee.

Recommendation 7.3

A listed entity should disclose:

- a) *if it has an internal audit function, how the function is structured and what role it performs; or*
- b) *if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.*

The Company does not have an internal audit function. The board considers that due to the relatively small size of the Company such a function would not be cost effective. Details of financial risks are provided in Notes to the Financial Statements. The board may engage an independent third party to undertake the equivalent activities of internal audit at any time if it requires.

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to environment or social risks and, if it does, how it manages or intends to manage those risks.

The Company actively considers and monitors business and other risks but does not consider it has material exposure to these risks. Where possible the Company looks to adopt products or processes that have a positive environmental or social sustainability impact.

The board has established an environmental and occupational health and safety committee, details on meetings, membership and attendance are contained in the Directors Report to the Annual Report located on the Company's website. It is the board's responsibility to ensure that the Company observes all regulatory compliance, is proactive in achieving environmental outcomes consistent with sustainable development, and to provide a safe workplace by identifying and managing risks in the workplace. The board has delegated the responsibility for these functions to the environmental and occupational health and safety committee.

Principle 8

Remunerate fairly and responsibility.

Recommendation 8.1

The board of a listed entity should:

- a) *have a remuneration committee which:*
 - 1. *has at least three members, a majority of whom are independent directors; and*
 - 2. *is chaired by an independent director,*

and disclose

- 3. *the charter of the committee;*
- 4. *the members of the committee; and*
- 5. *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the embers at those meetings; or*

- b) *if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

The Company has established a Remuneration Committee. The Remuneration Committee has a formal Charter contained in the Corporate Governance Charter on the Company's website. The members of the committee, meetings and attendances are disclosed in the Directors Report to the Annual Report disclosed on the Company's website. The members of the committee include all the independent directors of the board. The Chairman of the committee, Mr R L Green, is an independent director.

It is the Company's objective to provide maximum security holder benefit from the retention of a high-quality board and executive team, by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the remuneration committee links the nature and amount of executive Directors' and Officers' remuneration to the Company's financial and operational performance. The key expected outcomes of the remuneration structure are:

1. Retention and motivation of key executives;
2. Attraction of quality management to the Company; and
3. Performance incentives which allow executives to share the rewards of the success of Lindsay Australia Limited.

For details on the amount of remuneration and all monetary and non-monetary components for each of the key management personnel during the year and for all directors, refer to the Remuneration Report contained in the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the board, having regard to the overall performance of Lindsay Australia Limited and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors. The board is responsible for determining and reviewing compensation arrangements for the directors themselves and the Chief Executive Officer and the key management personnel.

The remuneration policy is disclosed in the Remuneration Report contained in the Directors' Report. There were no material changes to that policy during the year. Due to the relatively small size of the Company the only direct link between remuneration and performance of the Company for the Chief Executive Officer and Senior Executive staff is by the potential issue of options or performance rights over shares. Unquoted options issued to the Chief Executive Officer are detailed in the Remuneration Report contained in the Director's Report, there were no other employee options or performance rights on issue at 30 June 2021 held by key management personnel. At any review the performance of the Company and the contribution by particular executives form part of the process. Details of the remuneration of the directors and the key management personnel of the Group is disclosed in the Remuneration Report contained in the Director's Report.

Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Executives will be remunerated by way of salary and statutory superannuation. Senior Executives may participate in a performance based incentive structure. The Company complies with the guidelines of the Council, specifically Non-executive Directors do not receive options or bonus payments nor retirement benefits other than statutory superannuation. Refer also to the Remuneration Report contained in the Directors' Report.

Recommendation 8.3

A listed entity which has an equity based remuneration scheme should:

- a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and
- b) disclose that policy or a summary of it.

The Company has a limited equity based incentive scheme applying to a small number of senior executives only. Trading in Company securities is regulated by the Securities Trading Policy disclosed on the Company's website. Trading activities relating to any short-term or speculative gain is prohibited.

Shareholder Information

Information relating to security holders as at 30 June 2021.

Distribution of Shareholders

| Range | Number of Shareholders | Number of Shares |
|------------------|------------------------|------------------|
| 1- 1,000 | 124 | 21,450 |
| 1,001 – 5,000 | 369 | 1,031,662 |
| 5,001 – 10,000 | 240 | 1,913,795 |
| 10,001 – 100,000 | 879 | 34,505,893 |
| 100,001 and over | 256 | 262,656,688 |
| Total | 1,868 | 300,129,488 |

Number of holdings less than a marketable parcel of shares – 147 (48,835 shares)

Top Twenty Shareholders

| Name | Number of Shares | % of Issued Shares |
|---|------------------|--------------------|
| WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED | 55,526,491 | 18.50 |
| ANKLA PTY LTD | 41,105,333 | 13.70 |
| BKI INVESTMENT COMPANY LIMITED | 16,783,130 | 5.59 |
| MILTON CORPORATION LIMITED | 13,341,599 | 4.45 |
| MR THOMAS KELSALL LINDSAY + MR THOMAS GLEN LINDSAY <LINDSAY BROTHERS S/F A/C> | 11,364,402 | 3.79 |
| MULAWA HOLDINGS PTY LTD | 8,953,037 | 2.98 |
| LINDSAY SUPER CO PTY LTD <LINDSAY FAMILY S/F A/C> | 6,668,374 | 2.22 |
| SKYLEVI PTY LTD <SUPERFUN SUPER FUND A/C> | 5,156,623 | 1.72 |
| ARCHERFIELD AIRPORT CORPORATION PTY LTD | 5,000,000 | 1.67 |
| NATIONAL NOMINEES LIMITED | 3,702,935 | 1.23 |
| MR FRED SALOME | 3,500,000 | 1.17 |
| K & D LINDSAY PTY LTD <D LINDSAY FAMILY A/C> | 3,222,148 | 1.07 |
| RM & DM PELL PTY LTD <PELL FAMILY SUPER FUND A/C> | 2,944,592 | 0.98 |
| SUNSTAR AUSTRALIA PTY LTD | 2,727,632 | 0.91 |
| HEADING EAST PTY LTD <HEADING EAST 2012 S/F A/C> | 2,549,506 | 0.85 |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 2,425,838 | 0.81 |
| MS GRETA MARJORIE LINDSAY <THE GRETA LINDSAY NO 2 A/C> | 2,328,551 | 0.78 |
| CAROLINE HOUSE SUPERANNUATION FUND PTY LTD <THE CAROLINE HOUSE S/F A/C> | 2,150,000 | 0.72 |
| YESOR PTY LTD <ORR SUPERANNUATION FUND A/C> | 2,060,000 | 0.69 |
| KIRKFARE PTY LTD | 2,034,322 | 0.68 |
| Totals: Top 20 holders | 193,544,513 | 64.48 |

Substantial Shareholders

The names of substantial shareholders who have notified the company in accordance with section 671B of the Corporations Act 2001 are:

| Name | Number of Shares | % of Issued Shares |
|---|------------------|--------------------|
| WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED | 55,526,491 | 18.50 |
| MIZIKOVSKY GROUP | 49,509,410 | 16.50 |
| BKI INVESTMENT COMPANY LIMITED | 16,783,130 | 5.59 |

Voting Rights of Ordinary Shares

The holders of ordinary shares in the Group are entitled at any general meeting, either in person or by proxy, on a show of hands, to one vote, and on a poll to one vote for each fully paid share.

On-market Buy Back of Shares

There is no current on-market buyback of shares.

Other Equity Instruments

| Details | Quantity | Exercise Price |
|---|----------|----------------|
| M K Lindsay: Unlisted share options over ordinary shares Vested – not yet exercised (issued October 2017) | 400,000 | \$nil |
| M K Lindsay: Unlisted share options over ordinary shares Not Vested (issued October 2018) | 400,000 | \$nil |
| M K Lindsay: Unlisted share options over ordinary shares Not vested (issued October 2019) | 400,000 | \$nil |

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