



# Annual Report

## 30 June 2021

TEK-Ocean Group Limited

ABN 31 637 599 181





**TEK-OCEAN**

## Contents

|  | <i>Page</i> |
|--|-------------|
| Letter from the Chair  | 2           |
| Corporate directory  | 3           |
| Directors' report  | 5           |
| Auditor's independence declaration                                     | 26          |
| Statement of profit or loss and other comprehensive income             | 28          |
| Statement of financial position  | 29          |
| Statement of changes in equity   | 30          |
| Statement of cash flows  | 31          |
| Notes to the financial statements                                      | 32          |
| Directors' declaration   | 62          |
| Independent auditor's report to the members of TEK-Ocean Group Limited | 63          |
| Additional ASX Information   | 66          |

## Chairman's Letter

Dear fellow shareholders,

On behalf of the Board, it is my pleasure to share with you this Annual Report, our first following the TEK-Ocean Group Limited's ("TEK-Ocean" or "the Company") successful Initial Public Offering and subsequent admission to the Official List of the ASX on 2 September 2021. A milestone achievement for our Company and I would like to thank each and every shareholder for their continued support of our Company.

Your Company is a leading provider of integrated service solutions for the energy industry, currently weighted towards the offshore energy sector, where TEK-Ocean deploys leading industry expertise and equipment to provide customers with a range of integrated services from project feasibility, design, manufacturing, construction, equipment supply, logistics, delivery, field life support and into the growing decommissioning and rehabilitation phase.

During the year ended 30 June 2021, TEK-Ocean continued to offer value add products and its unique often "turn-key" integrated services to its customers.

The year has not been without well-known challenges. The COVID-19 pandemic endured and had a material impact on activity and investment in the offshore energy project arena. Regardless, your Company continued to rise to these challenges as evidenced by successfully completing the Sea-Horse/Tarwhine (SHATWA) decommissioning project in The Bass Strait during the first half of the financial year, ahead of schedule and within budget. This was the Gippsland Basins second major decommissioning subsea project following TEK-Ocean's successful completion of the Blackback decommissioning project in 2019.

The Company also started a long term logistical and shore-based operations engagement in support of a client's offshore expansion campaign and we look forward to offering our experience and expertise in this logistics space to other Australasian clients contemplating future offshore activity.

On that note, building reliable, trustworthy and complementary partnerships is a necessary approach to servicing our clients' requirements, particularly when projects become very large. In August 2021 TEK-Ocean won the 2021 Collaboration Award at the Annual Australia Subsea Business Awards ceremony in Perth relating to the proposed Star of the South Offshore wind Farm Project.

This transition to supporting offshore renewable energy is consistent with our strategic direction to not only grow and support our traditional customer base, particularly as assets enter the decommissioning and rehabilitation phase, but also further extend ourselves into the rapidly growing offshore renewable energy market. To address these growing market opportunities your Company successfully raised in the order of \$6.6 million in its recent IPO and ASX listing. The funds raised under the Offer will enable the Company to continue to execute on its existing business plans, whilst also engage in new capital investment to better address the predicted substantial growth in the offshore decommissioning and rehabilitation market.

On behalf of the Board, I would like to thank all shareholders for their support of the Company, as well as the Directors and team at TEK-Ocean who continue to strive to deliver superior value add solutions for our clients both current and future.

Yours sincerely



Brendan Brown  
Non-Executive Chairman



## Corporate Directory

|                                  |  |
|----------------------------------|--|
| Directors                        | Brendan Brown (Non-Executive Director and Chairman)<br>Alexander Biro (Non-Executive Director)<br>Steve Robbie (Non-Executive Director)<br>Keith Thomson (Non-Executive Director)<br>Robert Thornton (Non-Executive Director)<br>Bruce Wood (Non-Executive Director, resigned 6 November 2020) |
| Company secretary                | Mathew Watkins   |
| Notice of Annual General Meeting | The Company will hold its Annual General Meeting on Thursday, 18 November 2021   |
| Registered office                | 6-8 Edison Road,<br>Dandenong South VIC 3175<br>Phone + 61 3 8787 0800<br>Fax + 61 3 9768 2883   |
| Principal place of business      | 6-8 Edison Road,<br>Dandenong South VIC 3175   |
| Auditor                          | PKF Melbourne Audit & Assurance Pty Ltd<br>Level 12, 440 Collins Street,<br>Melbourne, VIC 3000  |
| Legal advisors                   | Gadens<br>Level 25 Bourke Place 600 Bourke Street<br>Melbourne VIC 3000  |
| Website                          | <a href="https://www.tek-ocean.com.au/">https://www.tek-ocean.com.au/</a>  |
| Share registry                   | Automic Group<br>Level 5, 126 Phillip Street,<br>Sydney NSW 2000<br>Ph: 1300 288 664   |
| Bankers                          | Commonwealth Bank of Australia<br>727 Collins Street<br>Docklands, VIC 3008  |
| Stock exchange listing           | TEK-Ocean Group Limited shares are listed on the Australian Securities Exchange (ASX Code: T3K)  |
| Corporate Governance Statement   | Corporate governance statements are available on the Group's website. Please refer to <a href="https://tek-ocean.com.au/about-tek-ocean/corporate-governance/">https://tek-ocean.com.au/about-tek-ocean/corporate-governance/</a>  |

The logo for TEK-OCEAN, featuring a stylized white wave icon above the company name in a bold, white, sans-serif font.

**TEK-OCEAN**

**Directors Report**

**30 June 2021**



The Directors present their report, together with the financial statements, of the Group (referred to hereafter as the 'consolidated entity') consisting of TEK-Ocean Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

### **Directors**

The following persons were directors of TEK-Ocean Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Brendan Brown (Non-Executive Director and Chairman, appointed 13 November 2020)
- Alexander Biro (Non-Executive Director)
- Steve Robbie (Non-Executive Director, appointed 11 December 2020)
- Keith Thomson (Non-Executive Director)
- Robert Thornton (Non-Executive Director)
- Bruce Wood (Non-Executive Director, resigned 6 November 2020).

### **Principal activities**

The Company's principal activities focus on providing specialised, integrated services solutions for the energy industry, currently weighted towards the offshore oil and gas market, where the Company deploys leading industry expertise and equipment to provide customers with a range of services from project feasibility, design, manufacturing, equipment supply, delivery and through field life support. These include Maritime, Logistics and shore base, Consultancy, Engineering, Project Management and Specialist Oilfield Services.

Across its customers' project life cycle, TEK-Ocean provides engineering, subsea, marine, logistics, consultancy and specialist oilfield services for both offshore and onshore projects as shown in the figure below.



The business was initially founded in 2007 and is headquartered in Melbourne, Victoria, with offices in regional Victoria and Western Australia. The Company currently employs a workforce of over 40 full-time and part-time personnel, and may engage additional casuals, fixed term employees and independent contractors to service its prevailing projects.

No significant change in the nature of these activities occurred during the period to 30 June 2021.

### **Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

### **Review of operations**

The loss for the Group after providing for income tax amounted to \$20,348 for the period ending 30 June 2021. This is an improvement of \$3,903,472 from the 30 June 2020 loss of \$3,923,820. Results for both years were affected by non-cash items such as the vessel impairment (in financial year 2020) and write back (in financial year 2021) and share based payment expenses (in 2021 and 2020). Total revenue for the year ended 30 June 2021 was consistent with the prior year but direct variable costs increased as the company engaged in lower margin activity while the TEK-Ocean Spirit was off charter

for parts of the year particularly as it was being prepared for a major dry dock in Singapore in the months from July-October 2021.

The year saw the Company maintain its existing client base across its service sectors and be successful in winning a significant logistics and shore base operations contract with an established exploration and production company. This contract was in its pre-operation stages in November/December 2020 with operations commencing in January 2021.

A previously delayed large offshore subsea decommissioning project recommenced in the first half of the year and was successfully completed in December 2020 whilst fully adhering to COVID-19 restrictions.

During the second half of the year the vessel, the TEK-Ocean Spirit, was contracted to perform a number of voyages including those in support of remotely-operated-vehicle (ROV) and hyperbaric-rescue-vessel (HRV) operations. The latter stages of the year saw the vessel being prepared for its five-yearly survey and capability enhancement dry dock currently taking place in Singapore during July – October 2021.



*The TEK-Ocean Spirit has been upgraded to allow it to transport and operate Remotely Operated Vehicles (ROV) along with a third-party owned 45Te Hyperbaric Rescue Vessel (HRV) A-Frame lifting mechanism, both of which allow the TEK-Ocean Spirit to undertake broader subsea support operations. Further modifications are underway in dry dock in Singapore.*

The effects of the COVID-19 pandemic continue and have had an impact on discretionary expenditure budgets and scheduling in the global offshore energy industry. While the Group's operations were able



to continue with adherence to social distancing and other safety measures its activity levels were impacted by some client projects being delayed.

During the first half of the financial year the Group continued to take advantage of several COVID-19 support related initiatives. During the second half of the financial year these support initiatives ceased including:

- Principal and interest repayments previously deferred in agreement with its lenders recommenced;
- Government subsidies such as JobKeeper and the cashflow boost in addition to minor rent relief on certain rental premises ceased.

### **Results**

The loss for the consolidated entity after providing for income tax amounted to \$20,348 (30 June 2020: loss of \$3,923,820). Revenue for the period is marginally lower than the previous reporting period due to a number of factors including but not limited to:

- Lower Marine business unit revenue reflecting the vessel, the TEK-Ocean Spirit, being off charter for parts of the financial year and preparations during the last quarter for its dry dock being performed in Singapore in July – October 2021;
- This was offset by the completion of a substantial Bass Strait subsea project and increased logistics and shore base operations; and
- Receipt of government COVID-19 subsidies amounting to \$695,000 during the first half of the financial year ended 30 June 2021.

Direct operating costs increased from the previous reporting period mainly driven by:

- Additional direct labour and operating expenses resulting from the Company engaging in lower margin revenue streams while the vessel remained off charter. While revenue remained largely consistent with prior year, lower margin contracts involving higher direct costs were secured; thus gross margin was lower in pursuit of fulfilling the Company's client commitments; and
- Direct internal labour costs recognised and reported as direct cost which would have been reported as employee benefit expense in prior reporting periods. This arises following the implementation of Pronto, an enterprise resource planning (ERP) system with increased functionality and capability compared to the previous accounting system.

Overhead expenses increased during the year as the Company progressed its application to the ASX to be admitted to the Official List for the quotation by ASX of its shares; being admitted on 2 September 2021. Additional head count and some non-recurring costs related to positioning the Company to list its shares were incurred. In addition, labour and third-party costs to support increased business development and tendering for major projects was incurred.

The loss for the year includes the following non-recurring benefits and expenses:

- A \$0.4 million non-cash charge resulting from the impairment of a right-of-use asset;
- A \$0.2 million non-cash share-based payment expense on the issuance of options during the year;
- A \$1.0 million non-cash write back benefit to the carrying value of the TEK-Ocean Spirit following analysis of its carrying value in light of the current and future forecast economic and operating environment; and
- Initial Public Offering and other costs associated with the Company's application for listing on the ASX recognised in the financial year.

Various aspects of the Group's wider operations can be geographically weather dependent and might be regarded as seasonal in nature with potential for higher revenues typically in the second half of a financial year. Other revenue streams are more evenly distributed throughout the year.

### **Significant changes in the state of affairs**

There were no significant changes in the principal activities nor state of affairs of the business during the financial year ending 30 June 2021.

### **Matters subsequent to the end of the financial year**

On 23 July 2021 the Company lodged a Prospectus with the Australian Securities and Investment Commission and subsequently applied to ASX Limited for admission of the Company to the Official List and for the quotation of its securities to the ASX. The Company was admitted to the Official List and commenced trading on 2 September 2021 having raised \$6.6 million (pre-costs of the Offer).

From 1 July 2021 to the date of this report there have been ongoing COVID-19 impacts experienced across Australia including state and international border restriction. Despite this the consolidated entity has been able to continue to operate under appropriate protocols and safety measures without any significant disruption.

The Directors recognise the current economic climate and that the industry has an increased focus in decommissioning and rehabilitation of customer infrastructures and other services in the offshore oil and gas sector. The consolidated entity is taking appropriate steps to ensure the entity's future is well placed to service valuable markets of these projected activities and continues to review a number of new opportunities that have arisen and has already procured work from these opportunities.

Since year end a number of other noteworthy events have occurred including:

- The Company issued a total of 72,000 shares on 30 August 2021 for nil consideration under the Employee Gift Offer to eligible employees of the Company;
- The primary use of funds from the successful capital raising will be directed towards investment in TEK-Ocean Spirit vessel and other capital investments such as subsea related infrastructure and tooling, to position the Company to better compete in the rapidly growing Australasian decommissioning market. To facilitate this the TEK-Ocean Spirit departed Australia waters for Singapore in July 2021 to carry out the proposed upgrade works, as at the date of this report the vessel is in dry dock in Singapore;
- Execution of a revised Letter of Offer from Commonwealth Bank of Australia to amend the Company's existing Finance facilities. Refer to Note 33 for additional disclosure.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

### **Likely developments and expected results of operations**

A key generator of revenue is the TEK-Ocean Spirit. At present, the vessel is in Singapore to conduct its five-yearly dry docking and undertaking upgrade works for purposes of enhancing its capability to operate in the growing Australasian decommissioning market. As a result, the vessel will be out of service for a substantial portion of the first half of the financial year ending 30 June 2022, this will materially impact revenue generation from this key asset over this period of time.

Following completion of the IPO in September 2021, the Company's focus will be to further target operators in the offshore oil and gas industry as well as operators with projects ending their field life cycles. The Company also intends to increase its business development efforts with clients operating in the offshore renewable energy market. These expansion strategies are discussed below:

- With a growing portfolio of offshore energy projects reaching the post-plateau and declining production phases of the development lifecycle the Company will focus on undertaking decommissioning and rehabilitation projects in the Australasian region. Given the lifecycle stage



of these assets, energy operators are looking at cost-effective ways to safely decommission these projects and rehabilitate the surrounding environment;

- The Company is carrying out technical enhancements on its vessel that will allow it to expand its service offering within its existing client base and within the traditional oil and gas markets. These expanded service offerings will support energy companies as they work towards maintaining production output, by means of new development wells and in-fill drilling and work-over programmes;
- The Company will also position and pursue opportunities in the emerging offshore renewable energy market in Australia. The offshore renewable energy market requires substantially similar support services as offshore oil and gas operators, and as such the Company is well placed to pursue this market. The Company is currently contracted to provide support services relating to early-stage feasibility studies for Australia's first offshore wind farm located in South Gippsland, Victoria.

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

### **Environmental regulation**

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

### **Information on Directors**

|   |   |
|---|---|
| Name:                                       | <b>Brendan Brown</b>  |
| Title:                                      | Non-Executive Director and Chairman (appointed 13 November 2020)  |
| Experience and expertise:                   | <p>- Brendan has over 30 years' experience in the oil and gas and finance industries. He commenced his career as an engineer with BHP Petroleum, where he was involved in various field development projects and operations including the Jabiru, Challis, Skua and Griffin oil field developments.</p> <p>- He has also been an analyst and corporate adviser with ANZ Investment Bank. Prior to establishing IPB Petroleum in 2009, Mr Brown was General Manager Finance and Business Development at Nexus Energy where he was responsible for managing the consolidated entity's corporate activities and financing functions and the negotiation and maintenance of its key commercial arrangements.</p> <p>- Mr Brown is also a Life Member of The Society of Petroleum Engineers.</p> |
| Other current directorships (last 3 years): | Director of IPB Petroleum Ltd (ASX: IPB)  |
| Former directorships (last 3 years):        | Nil   |
| Special responsibilities:                   | Chair of the Audit and Risk Committee   |
| Interest in shares:                         | 62,496  |
| Interest in options:                        | 250,000 Unlisted options exercisable at \$0.80 per option and expiring on 22 April 2025.  |

|                           |   |
|---------------------------|---|
| Name:                     | <b>Alexander Biro</b>   |
| Title:                    | Non-Executive Director  |
| Experience and expertise: | <p>- Between 1984-1987 Mr Biro gained a broad range of experience from equipment design, engineering, manufacturing to installations of surface systems, wellheads,</p> |

|   |   |
|---|---|
|   | <p>trees and control systems, land and jack up rig Operations mostly in the Bass Strait.</p> <p>- In 1988 he commenced his career in subsea developments mainly working in the Timor Sea and NWS. In 1993 he commenced consulting to Oil and Gas companies internationally by taking on challenges in Australia, West Africa, UK North Sea, South East Asia with an extensive client base BHPB, WMC, Santos, Esso, Woodside, ExxonMobil, Nexus, KNOC.</p> <p>- For the past 15 years Mr Biro's main focus has been project management of deep water subsea infrastructure and underwater construction. These include, ExxonMobil (Angola), Tullow (Ghana), Husky (China), Anadarko (AMA1 Mozambique LNG).</p> |
| Other current directorships (last 3 years): | Nil   |
| Former directorships (last 3 years):        | Nil   |
| Special responsibilities:                   | Nil   |
| Interest in shares:                         | 1,818,000   |
| Interest in options:                        | <p>- 250,000 Unlisted options exercisable at \$0.80 per option and expiring on 22 April 2025;</p> <p>- 495,000 Unlisted Options exercisable at \$0.53 expiring on 31 December 2023.</p>   |

|   |   |
|---|---|
| Name:                                       | <b>Keith Thomson</b>  |
| Title:                                      | Non-Executive Director  |
| Experience and expertise:                   | <p>- Having commenced his offshore career as a well test trainee in the North Sea, Mr. Thomson has gone on to attain a diverse skill set in Well Services / Completions &amp; Subsea operations in the upstream petroleum sector.</p> <p>- Mr. Thomson has been involved in the successful delivery of numerous marquee developments and projects across the North Sea and West Africa including BP's Clyde / Harding &amp; McClure Oil developments, ExxonMobil's Nevis / Ness / Buckland / Skene &amp; Erha / Bosi Subsea Oil &amp; Gas developments.</p> <p>- In 2005 Mr. Thomson moved to Australia to provide support to Anzon's Basker Manta Oil development. Following on from this, Mr. Thomson went on to provide consulting subsea &amp; completions expertise to BHP's Stybarrow / Pyrenees &amp; Macedon Oil &amp; Gas developments, ExxonMobil's Kipper Tuna development, Santos's Fletcher-Finucane Oil development and Inpex's Ichthys Gas development in the various locations around Australia.</p> <p>- Mr Thomson is a founding Director of TEK-Ocean as well as having served 2 years in TEK-Ocean management as company executive.</p> |
| Other current directorships (last 3 years): | Nil   |
| Former directorships (last 3 years):        | Nil   |
| Special responsibilities:                   | Nil   |
| Interest in shares:                         | 1,818,000   |



|                      |  |
|----------------------|--|
| Interest in options: | - 250,000 Unlisted options exercisable at \$0.80 per option and expiring on 22 April 2025;<br>- 495,000 Unlisted Options exercisable at \$0.53 expiring on 31 December 2023. |
|----------------------|--|

---

|   |   |
|---|---|
| Name:                                       | <b>Robert Thornton</b>  |
| Title:                                      | Non-Executive Director  |
| Experience and expertise:                   | - Mr. Thornton, Mech.Eng., B.Sc. has served as Principal Consultant of Upstream Petroleum Pty Ltd. Mr. Thornton Co-Founded Mogal Marine Pty Ltd. in 1991.<br>- Mr. Thornton has 28 years of experience in project management of subsea field developments and in the design, construction installation and operations of floating production systems, surface and subsea facilities. Robert has served as General Manager of Operations at BHP Petroleum and was responsible for Field production operations, floating production development and surface facilities and systems. |
| Other current directorships (last 3 years): | Nil   |
| Former directorships (last 3 years):        | Nil   |
| Special responsibilities:                   | Member of the Audit and Risk Committee  |
| Interest in shares:                         | 4,000   |
| Interest in options:                        | 250,000 Unlisted options exercisable at \$0.80 per option and expiring on 22 April 2025.  |

---

|   |  |
|---|--|
| Name:                                       | <b>Steve Robbie</b>  |
| Title:                                      | Non-Executive Director (Appointed 11 December 2020)  |
| Experience and expertise:                   | - With 28 years in the Oil & Gas Industry, Mr Robbie has a diverse set of skills attained through Subsea, Platform and Land Well operations.<br>- Commencing his career in the North Sea (UK), he has also worked extensively on Australian projects on the North West Shelf (WA) and in Timor Leste; with projects in West Africa, GOM (USA) and India among numerous others. As a Subsea Consultant, he has successfully worked for Woodside, BHPB, ENI, ConocoPhillips, Chevron and Inpex.<br>- Broadening his exposure within the industry, he also has extensive knowledge in the Business and Quality Management Systems critical to successful functioning of a company.<br>- Mr Robbie is a founding shareholder of TEK-Ocean and has previously sat as a Director at times through the Company history. |
| Other current directorships (last 3 years): | Nil  |
| Former directorships (last 3 years):        | Nil  |
| Special responsibilities:                   | Member of the Audit and Risk Committee   |
| Interest in shares:                         | 1,818,000  |
| Interest in options:                        | - 250,000 Unlisted options exercisable at \$0.80 per option and expiring on 22 April 2025;<br>- 495,000 Unlisted Options exercisable at \$0.53 expiring on 31 December 2023.   |

Other current directorships quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Former directorships (in the last 3 years) quoted above are directorships held in the last 3 years for ASX listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

### Company secretaries

|                           |  |
|---------------------------|--|
| Name:                     | <b>Ms Melanie Leydin</b>   |
| Title:                    | Joint Company Secretary (resigned on 4 May 2021)   |
| Experience and expertise: | <ul style="list-style-type: none"><li>- Ms Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies across a host of industries including but not limited to the resources, technology, bioscience, biotechnology and health sectors.</li><li>- Ms Leydin has over 25 years' experience in the accounting profession and over 15 years as a Company Secretary. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of companies and shareholder relations.</li></ul> |
| Name:                     | <b>Mr Mathew Watkins</b>   |
| Title:                    | Company Secretary (assumed the role of sole Company Secretary on 4 May 2021 of which previously he was Joint Company Secretary)  |
| Experience and expertise: | <ul style="list-style-type: none"><li>- Mr Watkins holds a Bachelor of Business (Accounting) with a minor in Advanced Finance at Swinburne University of Technology and is a member of the Institute of Chartered Accountants of Australia and New Zealand.</li><li>- Mathew specialises in Company Secretarial and Accounting Services for ASX listed and unlisted public companies in the mining, biotech and industrial sectors. He is currently Company Secretary on a number of ASX-listed companies.</li><li>- He specialises ASX statutory reporting, ASX compliance, Corporate Governance and Board and secretarial support.</li></ul>   |

### Meetings of Directors

The number of meetings attended by the consolidated entity's Board of Directors ('the Board') during the year ended 30 June 2021 were:

|                 | Full Board |        |
|-----------------|------------|--------|
|                 | Attended   | Held * |
| Brendan Brown   | 9          | 9      |
| Alexander Biro  | 14         | 14     |
| Steve Robbie    | 7          | 8      |
| Keith Thomson   | 14         | 14     |
| Robert Thornton | 13         | 14     |
| Bruce Wood      | 5          | 5      |

\* Held: represents the number of meetings held during the time the Director held office.

The Board did not have separate Committees during the year and the Board fulfilled the role of Nomination & Remuneration and the Audit & Risk Committees. However, upon listing the Company has established an Audit & Risk Committee noting the Board will continue to fulfil the role of the Nomination & Remuneration.

### Remuneration report (audited)

The Directors of TEK-Ocean Group Limited present the Remuneration Report ('the Report') for the Group for the year ended 30 June 2021. This report forms part of the Directors' Report and has been audited in accordance with Section 300A of the Corporations Act 2001.

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration;
- Details of remuneration;
- Service agreements;
- Share-based compensation;
- Additional disclosures relating to key management personnel.

### ***Principles used to determine the nature and amount of remuneration***

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders. The Directors ensure that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency.

The Board is responsible for determining and reviewing remuneration arrangements for its Directors and executives. The performance of the consolidated entity depends on the quality of its Directors and executives. The remuneration philosophy is to have a market aligned reward model which will contribute to the organisation's ability to attract, retain and reward employees for the right performance outcomes in line with organisational values and behaviours.



In accordance with best practice corporate governance, the structure of Director remuneration is separate.

*Non-Executive Directors' remuneration*

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

Each of the Non-Executive Directors has entered into an appointment letter with the Company, confirming the terms of their appointment, their roles and responsibilities and the Company's expectations of them as Directors.

For additional duties in assisting management beyond the normal time commitments of Non-Executive Directors, Non-Executive Directors are paid at a rate that is agreed between the Consolidated Entity and the Director, with the amounts approved by the Chair.

Under the Constitution, the Board decides the total amount paid to each Director as remuneration for his or her services as a Director of the Company. However, under the Constitution (and the ASX Listing Rules), the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. This amount has been fixed by the Company at \$300,000 per annum.

The remuneration of Non-Executive Directors does not include a commission on, or a percentage of, profits or operating revenue.

*Executive remuneration*

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- Total fixed remuneration which includes base pay, fixed allowances and superannuation;
- Short-term performance incentives;
- Share-based payments;
- Other benefits such as long service leave.

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

Fixed remuneration, consisting of base salary, fixed allowances and superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and overall performance of the consolidated entity and comparable remuneration market data.

Executives receive their fixed remuneration in the form of cash.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved, subject to the Boards ultimate discretion to grant such incentives.

The Company has established an employee share incentive plan (LTI Plan) to assist in the motivation, retention and reward of executives. The LTI Plan is designed to align the interests of executives more

closely with the interests of shareholders by providing an opportunity for eligible executives to receive an equity interest in the Company through the grant of options.

Under the LTI Plan, Directors, executives and other key employees identified by the Board can be offered participation in the form of securities. The vesting of those options may be subject to the satisfaction of any service-based conditions and/or performance hurdles attached to the awards, as may be determined by the Board from time to time.

On 22 April 2021 the Company granted 2,000,000 options under the LTI Plan (LTI Options). Of such LTI Options, 250,000 LTI options have been granted to each Director and a further 750,000 LTI options have been granted to three executives and senior employees of the Company.

### **Consolidated entity performance and link to remuneration**

Variable remuneration in the form of a STI plan for certain employees in the form of cash bonus will be based on Company performance, individual contribution and is made at the discretion of the Board.

The Board is of the opinion that the continued improved results can be attributed in part to the adoption of performance-based compensation philosophy and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

### **Use of remuneration consultants**

During the financial year ended 30 June 2021, the consolidated entity engaged Korn Ferry International, leading remuneration consultants, to review its existing remuneration practices as well as provide remuneration information to support the creation of a remuneration strategy. This strategy established a market position for Total Fixed Remuneration and Total Remuneration, inclusive of incentives for the organisation.

The Board received recommendations on the establishment of a Total Fixed Remuneration and Total Remuneration strategy which includes both the STI and LTI Plans. This has resulted in the creation of a number of initiatives being implemented in the financial year and these initiatives will continued to be refined in response to market and legislative developments.

Korn Ferry International was paid \$8,000 for these services and will be retained to provide ongoing remuneration market data and information.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel. The Board is satisfied that appropriate protocols were followed and any recommendations made have been free from undue influence.

### **Details of remuneration**

#### *Amounts of remuneration*

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables. All reported amounts only reflect remuneration earned during each person's respective tenure as key management personnel. Appointment and resignation dates of key management personnel are duly disclosed in the notes that follow.

The key management personnel of the consolidated entity during all or part of the year ending 30 June 2021 consisted of the following Non-Executive Directors of TEK-Ocean Group Limited:

- Brendan Brown (appointed 13 November 2020)
- Alexander Biro
- Steven Robbie (appointed 11 December 2020)
- Keith Thomson
- Robert Thornton

- Bruce Wood (resigned 6 November 2020).

And the following other management personnel:

- Jordan Glanville - General Manager - Operations
- Rod Hyslop – Chief Financial Officer (appointed 22 March 2021).

Changes since the end of the reporting period:

There have been no resignations or appointments of Directors or executives since the reporting date.

| 2021                            | Short-term benefits   |               |                 | Post-employment benefits | Long-term benefits    | Share-based payments     |                           | Total \$       |
|---------------------------------|-----------------------|---------------|-----------------|--------------------------|-----------------------|--------------------------|---------------------------|----------------|
|                                 | Cash salary & fees \$ | Cash bonus \$ | Non-Monetary \$ | Super-annuation \$       | Long service leave \$ | Equity-settled shares \$ | Equity-settled options \$ |                |
| Non-Executive Directors:        |                       |               |                 |                          |                       |                          |                           |                |
| Brendan Brown <sup>1</sup>      | -                     | -             | -               | -                        | -                     | -                        | 22,900                    | 22,900         |
| Alexander Biro <sup>2</sup>     | 20,000                | -             | -               | -                        | -                     | -                        | 37,750*                   | 57,750         |
| Steven Robbie                   | 11,667                | -             | -               | -                        | -                     | -                        | 37,750*                   | 49,417         |
| Keith Thomson <sup>3</sup>      | 20,000                | -             | -               | -                        | -                     | -                        | 37,750*                   | 57,750         |
| Robert Thornton                 | 20,000                | -             | -               | -                        | -                     | -                        | 22,900                    | 42,900         |
| Bruce Wood                      | 10,000                | -             | -               | -                        | -                     | -                        | -                         | 10,000         |
| Total Non-executive Directors   | 81,667                | -             | -               | -                        | -                     | -                        | 159,050                   | 240,717        |
| Other Key Management Personnel: |                       |               |                 |                          |                       |                          |                           |                |
| Jordan Glanville                | 209,045               | 15,000        | 13,756          | 19,602                   | 1,479                 | -                        | 22,900                    | 281,782        |
| Rod Hyslop                      | 73,471                | -             | 4,903           | 6,980                    | 1,050                 | -                        | -                         | 86,404         |
| Total Other KMP                 | 282,516               | 15,000        | 18,659          | 26,582                   | 2,529                 | -                        | 22,900                    | 368,186        |
| <b>Total</b>                    | <b>364,183</b>        | <b>15,000</b> | <b>18,659</b>   | <b>26,582</b>            | <b>2,529</b>          | <b>-</b>                 | <b>181,950</b>            | <b>608,903</b> |

1. The Company entered into a consultancy agreement with Cape Leveque Securities Pty Ltd (CLS), being a related entity of Brendan Brown, who is a Non-Executive Director of the Company. CLS agreed to assist and advise the Group on investigating capital structuring options, including pursuing a listing on the ASX executed in 2018. The Board has approved these transactions as being on arm's length basis. During the year the value of the services provided by CLS amounted to \$111,908. These amounts are excluded from the Remuneration Report as they do not meet the recognition and reporting criteria of AASB 119 'Employee Benefits'. The amounts are included in Note 28 Related Party Transactions.
2. The Company has entered into a consultancy agreement with Djinta Djinta Pty Ltd (Djinta) to provide business development services and other engagements as agreed with the Board. Alexander Biro, a Non-Executive Director of the Company, is a director and shareholder of Emerlite Pty Ltd, which is in turn a controlling shareholder of Djinta. The Board has approved these transactions as being on arm's length basis. During the year the value of the services provided by Djinta amounted to \$25,331 plus \$110,692 in lease payments for property used by the Company. These amounts are excluded from the Remuneration Report as they do not meet the recognition and reporting criteria of AASB 119 'Employee Benefits'. The amounts are included in Note 28 Related Party Transactions.
3. The Company has entered into a consultancy agreement with KestWell Pty Ltd (Kestwell), to provide business development services and certain services in relation to specific projects as and when required as set out in a separate statement of work. Keith Thomson, a Non-Executive Director of the Company, is a director and shareholder of KestWell. The Board has approved these transactions as being on arm's length basis. During the year the value of the services provided by Kestwell amounted to \$308,755. These amounts are excluded from the Remuneration Report as they do not meet the recognition and reporting criteria of AASB 119 'Employee Benefits'. The amounts are included in Note 28 Related Party Transactions.

\* During the year the Directors agreed to extend by one year the expiry date of Directors' Options previously granted on 31 December 2019 which were initially set to expire on 31 December 2022. The granting of option maturity date extensions did not require the satisfaction of a performance condition. The extensions were valued using a Black Scholes model at \$0.03 per option and amounted to a value of \$14,850 per option holder and are further discussed in the Share-based compensation section of this Remuneration Report.

| 2020                                   | Short-term benefits   |               |                 | Post-employment benefits | Long-term benefits    | Share-based payments     |                           | Total \$       |
|--|-----------------------|---------------|-----------------|--------------------------|-----------------------|--------------------------|---------------------------|----------------|
|  | Cash salary & fees \$ | Cash bonus \$ | Non-Monetary \$ | Super-annuation \$       | Long service leave \$ | Equity-settled shares \$ | Equity-settled options \$ |                |
| <b>Non-Executive Directors:</b>        |                       |               |                 |                          |                       |                          |                           |                |
| Alexander Biro <sup>1</sup>            | 14,500                | -             | -               | -                        | -                     | -                        | 57,338                    | 71,838         |
| Keith Thomson <sup>2</sup>             | 14,500                | -             | -               | -                        | -                     | -                        | 57,338                    | 71,838         |
| Robert Thornton                        | 10,000                | -             | -               | -                        | -                     | -                        | -                         | 10,000         |
| Bruce Wood                             | 15,000                | -             | -               | -                        | -                     | -                        | -                         | 15,000         |
|  | 54,000                | -             | -               | -                        | -                     | -                        | 114,676                   | 168,676        |
| <b>Other Key Management Personnel:</b> |                       |               |                 |                          |                       |                          |                           |                |
| Jordan Glanville                       | 190,000               | 24,750        | 12,057          | 15,675                   | 2,592                 | -                        | -                         | 245,074        |
| Total Other KMP                        | 190,000               | 24,750        | 12,057          | 15,675                   | 2,592                 | -                        | -                         | 245,074        |
| <b>Total</b>                           | <b>244,000</b>        | <b>24,750</b> | <b>12,057</b>   | <b>15,675</b>            | <b>2,592</b>          | -                        | <b>114,676</b>            | <b>413,750</b> |

- The Company has entered into a consultancy agreement with Djinta Djinta Pty Ltd (Djinta) to provide business development services and other engagements as agreed with the Board. Alexander Biro, a Non-Executive Director of the Company, is a director and shareholder of Emerlite Pty Ltd, which is in turn a controlling shareholder of Djinta. The Board has approved these transactions as being on arm's length basis. During the year the value of the services provided by Djinta amounted to \$1,980 plus \$106,035 in lease payments for property used by the Company. These amounts are excluded from the Remuneration Report as they do not meet the recognition and reporting criteria of AASB 119 'Employee Benefits'. The amounts are included in Note 28 Related Party Transactions.
  - The Company has entered into a consultancy agreement with KestWell Pty Ltd (Kestwell), to provide business development services and certain services in relation to specific projects as and when required as set out in a separate statement of work. Keith Thomson, a Non-Executive Director of the Company, is a director and shareholder of KestWell. The Board has approved these transactions as being on arm's length basis. During the year the value of the services provided by Kestwell amounted to \$127,975. These amounts are excluded from the Remuneration Report as they do not meet the recognition and reporting criteria of AASB 119 'Employee Benefits'. The amounts are included in Note 28 Related Party Transactions.
- \* During the year ended 30 June 2020 Guarantor and Director Options were granted to persons who agreed to act as guarantors in relation to the Company's then outstanding banking facilities. The granting of the option did not require the satisfaction of a performance condition. The options were valued using a Black Scholes model at \$0.1158 per option. Additional detail is available in the Share-based compensation section of the Remuneration Report.

|  | Fixed remuneration |      | At risk - STI |      | At risk - LTI |      |
|--|--------------------|------|---------------|------|---------------|------|
|  | 2021               | 2020 | 2021          | 2020 | 2021          | 2020 |
| <b>Non-Executive Directors:</b>        |                    |      |               |      |               |      |
| Brendan Brown                          | -                  | -    | -             | -    | 100%          | -    |
| Alexander Biro                         | 35%                | 20%  | -             | -    | 65%           | 80%  |
| Steven Robbie                          | 24%                | -    | -             | -    | 76%           | -    |
| Keith Thomson                          | 35%                | 20%  | -             | -    | 65%           | 80%  |
| Robert Thornton                        | 47%                | 100% | -             | -    | 53%           | -    |
| Bruce Wood                             | 100%               | 100% | -             | -    | -             | -    |
| <b>Other Key Management Personnel:</b> |                    |      |               |      |               |      |
| Jordan Glanville                       | 87%                | 90%  | 5%            | 10%  | 8%            | -    |
| Rod Hyslop                             | 100%               | -    | -             | -    | -             | -    |

Cash bonuses are made solely at the discretion of the Board. The amount of the bonus is determined having regard to the satisfaction of performance measures of both the Company and the individual.



The proportion of the cash bonus paid/payable or forfeited is as follows:

|  | Cash bonus paid/payable |      | Cash bonus forfeited |      |
|--|-------------------------|------|----------------------|------|
|  | 2021                    | 2020 | 2021                 | 2020 |
| <b>Other Key Management Personnel:</b> |                         |      |                      |      |
| Jordan Glanville                       | 29%                     | 52%  | 71%                  | 48%  |
| Rod Hyslop                             | -                       | -    | -                    | -    |

### **Consultancy agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

**Name:** **Brendan Brown**  
**Title:** Consultant  
**Term of agreement:** No fixed duration  
**Details:**

- TEK-Ocean Energy Services Pty Ltd entered into a consultancy agreement (CLS Agreement) in 2018 with Cape Leveque Securities Pty Ltd (CLS), being a related entity of Brendan Brown, who subsequently was invited to become a Non-Executive Director of the Company. Pursuant to the CLS Agreement, CLS agreed to assist and advise the Group on investigating capital structuring options, including pursuing a listing on the ASX. The services included providing advice on company structure, financial structure, analysing valuation estimates, assisting with the preparing of relevant transaction documents and independently assisting the Group with negotiations and advice in relation to listing on the ASX.
- Under the CLS Agreement, CLS is entitled to receive the following fees:
  - fees calculated as \$1,200 (plus GST) per day worked by CLS or proportion thereof, in providing services to the Group; and
  - a success fee of \$175,000 (plus GST) upon a Group member listing on the ASX (or such comparable or substitute transaction occurring) (Success Fee).
- If the CLS Agreement is terminated and a listing or comparable transaction occurs in relation to the Group within 12 months of termination, CLS will be entitled to receive the Success Fee.
- The CLS Agreement may be terminated by either party for convenience by providing 14 days' notice in writing to the other party. The parties to the CLS Agreement have mutually agreed to terminate the CLS Agreement upon completion of the IPO, following which no further fees will be payable by the Group to CLS under the CLS Agreement.

**Name:** **Keith Thomson**  
**Title:** Consultant  
**Term of agreement:** No fixed duration  
**Details:**

- The Company has entered into a consultancy agreement with KestWell Pty Ltd (Kestwell), to provide:
  - (A) business development services, including but not limited seeking new business opportunities, reviewing existing opportunities and other engagements as agreed with the Board (Internal Services); and

(B) certain services in relation to specific projects as and when required as set out in a separate statement of work (External Services), KestWell Agreement).

Keith Thomson, a Director, is a director and shareholder of KestWell. On this basis, Kestwell is a related party of the Company.

- Under the KestWell Agreement, Kestwell is required to procure that Keith Thomson, as its key person, perform the:

(C) Internal Services in consideration for receiving an hourly fee of \$120 noting that this fee will be reviewed annually by the Board; and

(D) External Services for the fee as set out in a separate statement of work.

- Work is performed under the KestWell Agreement on an ad hoc basis as required from time to time.

- The KestWell Agreement, in respect of any Internal Services only, may be terminated by either party for convenience by providing 4 weeks' notice to the other party. The Company may also terminate the KestWell Agreement in respect of any External Services by providing 4 weeks' notice.

Name:  
 Title:  
 Term of agreement:  
 Details:

**Alexander Biro**

Consultant

No fixed duration

- The Company has entered into a consultancy agreement with Djinta Djinta Pty Ltd (Djinta) to provide business development services, including seeking new business opportunities, reviewing existing opportunities and other engagements as agreed with the Board (Djinta Agreement).

- Alexander Biro, a Director, is a director and shareholder of Emerlite Pty Ltd, which is in turn a controlling shareholder of Djinta. On this basis, Djinta is a related party of the Company.

- Under the Djinta Agreement, Djinta is required to procure that Alexander Biro, as its key person, perform the relevant services in consideration for receiving an hourly fee of \$120 noting that this fee will be reviewed annually by the Board.

- Work is performed under the Djinta Agreement on an ad hoc basis as required from time to time.

- The Djinta Agreement may be terminated by either party for convenience by providing 4 weeks' notice to the other party.

Name:  
 Title:  
 Term of agreement:  
 Details:

**Robert Thornton**

Consultant

No fixed duration

- The Company has entered into a consultancy agreement with Robert Thornton to provide business development services, including seeking new business opportunities, reviewing existing opportunities and other engagements as agreed with the Board (Robert Thornton Agreement).

Robert Thornton is a Director of the Company and on this basis Robert Thornton is a related party of the Company.

- Under the Robert Thornton Agreement, Robert Thornton is required to perform the relevant services in consideration for

receiving an hourly fee of \$120 noting that this fee will be reviewed annually by the Board.

- Work is performed under the Robert Thornton Agreement on an ad hoc basis as required from time to time.
- The Robert Thornton Agreement may be terminated by either party for convenience by providing 4 weeks' notice to the other party.

### **Employment Contracts**

Remuneration and other terms of employment for key executives are formalised in an employment contract agreement. Details of the contracts are as follows:

|                |   |
|----------------|---|
| Name:          | <b>Jordan Glanville</b>   |
| Title:         | General Manager – Operations-   |
| Term:          | Permanent employment contract, no fixed term  |
| Details:       | Base salary and allowances of \$203,860 plus superannuation to be reviewed annually by the Board. Mr Glanville is also entitled to short term incentives up to 25% (2020: 25%) of his base salary and is eligible to participate in the long term incentive plan. |
| Notice period: | 3 months  |

---

|                |  |
|----------------|--|
| Name:          | <b>Rod Hyslop</b>  |
| Title:         | Chief Financial Officer  |
| Term:          | Permanent employment contract, no fixed term; Mr Hyslop commenced 1 March 2021.  |
| Details:       | Base salary and allowances of \$220,000 plus superannuation to be reviewed annually by the Board. Mr Hyslop is also entitled to participate in the short term incentive plan and the long term incentive plan. |
| Notice period: | 3 months   |

### **Share-based compensation**

#### *Issue of shares*

No shares were issued to Directors or other key management personnel as part of compensation during the year ended 30 June 2021.

#### *LTI Options*

The Company issued 2,000,000 LTI Options over ordinary shares to the current Directors and certain key executives during the financial year for their services. Options issued during the financial year have been valued using the Black Scholes method and the Consolidated Entity recognised share-based payment expenses of \$183,200 (2020: Nil) in relation to these LTI Options.

The number, terms and conditions of LTI Options over ordinary shares granted to and vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:



|  | Number of<br>LTI options<br>granted | Grant date    | Vesting date<br>&<br>exercisable<br>date* | Expiry date   | Exercise<br>price | Fair value<br>per<br>option at<br>grant date |
|--|-------------------------------------|---------------|---|---------------|-------------------|--|
| <b>Non-Executive Directors:</b>        |                                     |               |   |               |                   |  |
| Brendan Brown                          | 250,000                             | 21 April 2021 | Immediate                                 | 22 April 2025 | \$0.80            | \$0.0916                                     |
| Alexander Biro                         | 250,000                             | 21 April 2021 | Immediate                                 | 22 April 2025 | \$0.80            | \$0.0916                                     |
| Steven Robbie                          | 250,000                             | 21 April 2021 | Immediate                                 | 22 April 2025 | \$0.80            | \$0.0916                                     |
| Keith Thomson                          | 250,000                             | 21 April 2021 | Immediate                                 | 22 April 2025 | \$0.80            | \$0.0916                                     |
| Robert Thornton                        | 250,000                             | 21 April 2021 | Immediate                                 | 22 April 2025 | \$0.80            | \$0.0916                                     |
| <b>Other Key Management Personnel:</b> |                                     |               |   |               |                   |  |
| Jordan Glanville                       | 250,000                             | 21 April 2021 | Immediate                                 | 22 April 2025 | \$0.80            | \$0.0916                                     |

\* With the exception of the condition on exercise relating to the expiry of the ASX imposed 24 month mandatory escrow period on the Non-Executive Directors' holdings of LTI Options with effect from Official Quotation of Shares, the Directors' LTI Options have no vesting conditions. Other Key Management Personnel LTI Options are not subject to the escrow period and have no vesting or exercise conditions.

Values of LTI Options over ordinary shares granted, exercised and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

|  | Value of LTI<br>options<br>granted during<br>the year<br>\$ | Value of LTI<br>options exercised<br>during the year<br>\$ | Value of LTI<br>options lapsed<br>during the<br>year<br>\$ | Remuneration on<br>consisting of LTI<br>options for the year<br>\$ |
|--|---|--|--|--|
| <b>Non-Executive Directors:</b>        |   |  |  |  |
| Brendan Brown                          | 22,900  | -  | -  | 100%   |
| Alexander Biro                         | 22,900  | -  | -  | 40%  |
| Steven Robbie                          | 22,900  | -  | -  | 46%  |
| Keith Thomson                          | 22,900  | -  | -  | 40%  |
| Robert Thornton                        | 22,900  | -  | -  | 53%  |
| <b>Other Key Management Personnel:</b> |   |  |  |  |
| Jordan Glanville                       | 22,900  | -  | -  | 8%   |

LTI Options granted carry no dividend or voting rights.

All LTI Options were granted over unissued fully paid ordinary shares in the Company. LTI Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

#### Director Options

The value of Director Options over ordinary shares granted on 31 December 2019 to certain Directors, in connection with such persons agreeing to act as guarantors in relation to the Company's then outstanding banking facilities have been recognised in the financial results of the Company during the prior financial year ending 30 June 2020. On 11 June 2021 the Company agreed to extend by one year the expiry date of 1,485,000 existing Director Options to 31 December 2023. The Director Options have an exercise price of \$0.53 and in accordance with AASB 2 Share-based payments the incremental fair value of these Director Options as a result of the expiry date extension using the Black Scholes option pricing method is \$0.03 per option. The Company recognised a share based payment expense of \$44,450 in relation to these Director Options' maturity date being extended under the following terms:

|                                 | Number of<br>Director<br>options<br>extended | Extension date | Vesting<br>date &<br>exercisable<br>date* | Revised expiry<br>date | Exercise<br>price | Fair value per<br>Director<br>option<br>extension at<br>extension<br>date |
|---------------------------------|--|----------------|---|------------------------|-------------------|---|
| <b>Non-Executive Directors:</b> |  |                |   |                        |                   |   |
| Alexander<br>Biro               | 495,000                                      | 11 June 2021   | Immediate                                 | 31 December<br>2023    | \$0.53            | \$0.030   |
| Steven Robbie                   | 495,000                                      | 11 June 2021   | Immediate                                 | 31 December<br>2023    | \$0.53            | \$0.030   |
| Keith<br>Thomson                | 495,000                                      | 11 June 2021   | Immediate                                 | 31 December<br>2023    | \$0.53            | \$0.030   |

\* With the exception of the condition on exercise relating to the expiry of the ASX imposed 24 month mandatory escrow period to the Non-Executive Directors' holdings of Director Options with effect from Official Quotation of Shares, the Directors' Options have no vesting conditions.

Incremental increase in values of Director Options resulting from the expiry date extension as part of compensation during the year ended 30 June 2021 are set out below:

|                                 | Value of Director Options extensions<br>during the year<br>\$ | Remuneration consisting of<br>Director Options for the year<br>\$ |
|---------------------------------|---|---|
| <b>Non-Executive Directors:</b> |   |   |
| Alexander Biro                  | 14,850  | 26%   |
| Steven Robbie                   | 14,850  | 30%   |
| Keith Thomson                   | 14,850  | 26%   |

The granting of the extension to the maturity date of these Director Options was not dependent on the satisfaction of a performance element and are reported separately to the granting of the LTI Options.

Director Options carry no dividend or voting rights.

All Director Options have been granted over unissued fully paid ordinary shares in the Company. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

During the period no options over ordinary shares were cancelled.

#### *Performance rights*

There were no performance rights over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2021.

There were no performance rights over ordinary shares granted to or vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2021.

#### ***Additional disclosures relating to key management personnel***

##### *Shareholding*

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

|                                 | Balance at the start of the year | Received as part of remuneration | Additions | Disposals / other | Balance at the end of the year |
|---------------------------------|----------------------------------|----------------------------------|-----------|-------------------|--------------------------------|
| <b>Non-Executive Directors:</b> |                                  |                                  |           |                   |                                |
| Brendan Brown                   | 62,496                           | -                                | -         | -                 | 62,496                         |
| Alexander Biro                  | 1,818,000                        | -                                | -         | -                 | 1,818,000                      |
| Steven Robbie                   | 1,818,000                        | -                                | -         | -                 | 1,818,000                      |
| Keith Thomson                   | 1,818,000                        | -                                | -         | -                 | 1,818,000                      |
| Robert Thornton <sup>1</sup>    | -                                | -                                | -         | -                 | -                              |
| Bruce Wood <sup>2</sup>         | 187,500                          | -                                | -         | (187,500)         | -                              |
|                                 | <b>5,703,996</b>                 | <b>-</b>                         | <b>-</b>  | <b>(187,500)</b>  | <b>5,516,496</b>               |

1. Shares acquired under the Initial Public Offer per the Prospectus dated 16 July 2021.
2. Mr Wood resigned as a Director of the Company on 6 November 2020, consequently his shares noted above were held at the date of resignation.

#### Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

|  | Balance at the start of the year | Granted          | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|--|----------------------------------|------------------|-----------|---------------------------|--------------------------------|
| <b>Options over ordinary shares</b>    |                                  |                  |           |                           |                                |
| <b>Non-Executive Directors:</b>        |                                  |                  |           |                           |                                |
| Brendan Brown                          | -                                | 250,000          | -         | -                         | 250,000                        |
| Alexander Biro                         | 495,000                          | 250,000          | -         | -                         | 745,000                        |
| Steven Robbie                          | 495,000                          | 250,000          | -         | -                         | 745,000                        |
| Keith Thomson                          | 495,000                          | 250,000          | -         | -                         | 745,000                        |
| Robert Thornton*                       | -                                | 250,000          | -         | -                         | 250,000                        |
|  | <b>1,485,000</b>                 | <b>1,250,000</b> | <b>-</b>  | <b>-</b>                  | <b>2,735,000</b>               |
| <b>Other Key Management Personnel:</b> |                                  |                  |           |                           |                                |
| Jordan Glanville                       | -                                | 250,000          | -         | -                         | 250,000                        |
|  | <b>1,485,000</b>                 | <b>1,500,000</b> | <b>-</b>  | <b>-</b>                  | <b>2,985,000</b>               |

#### Other transactions with key management personnel and their related parties

Except as disclosed above there have been no additional transactions with key management personnel and their related parties.

***This concludes the remuneration report, which has been audited.***

#### Shares under option

As at the date of this report the Company has 5,960,000 unissued ordinary shares under option, which are held as follows:

- 3,960,000 Options which were granted on 31 December 2019 to certain existing shareholders, including Directors, in connection with such persons agreeing to act as guarantors in relation to the Company's then outstanding banking facilities. Of such options:
  - 2,475,000 options are held by persons unrelated to the Company (Guarantor Options); and
  - 1,485,000 options are held by Directors or their associated entities (Director Options); and
- 2,000,000 options which were granted under the Company's LTI Plan on 22 April 2021 to the Company's Directors and senior executives (LTI Options).

Unissued ordinary shares of TEK-Ocean Group Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|------------|-------------|----------------|---------------------|
| 31/12/2019 | 31/12/2022  | \$0.525        | 2,475,000           |
| 31/12/2019 | 31/12/2023  | \$0.525        | 1,485,000           |
| 22/04/2021 | 22/04/2025  | \$0.800        | 2,000,000           |

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

#### **Shares issued on the exercise of options**

There were no ordinary shares of TEK-Ocean Group Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

#### **Shares under performance rights**

There were no unissued ordinary shares of TEK-Ocean Group Limited under performance rights outstanding at the date of this report.

#### **Indemnity and insurance of officers**

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

During the financial year, the consolidated entity paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

#### **Indemnity and insurance of auditor**

The consolidated entity has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the consolidated entity or any related entity against a liability incurred by the auditor.

During the financial year, the consolidated entity has not paid a premium in respect of a contract to insure the auditor of the consolidated entity or any related entity.

#### **Proceedings on behalf of the Company**

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

#### **Non-audit services**

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

Details of the amount paid or payable to the auditor (PKF Melbourne Audit & Assurance Pty Ltd) for audit and non-audit services provided during the year are set out in the notes to the financial statements.



The Board of Directors has considered the position and 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 for the following reasons:

- All non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Boards, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

**Officers of the Company who are former partners of PKF Melbourne Audit & Assurance Pty Ltd**

There are no officers of the Company who are former partners of PKF Melbourne Audit & Assurance Pty Ltd.

**Auditor's independence declaration**

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

**Auditor**

PKF Melbourne Audit & Assurance Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



---

Brendan Brown  
Non-Executive Chairman  
30 September 2021



**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF TEK-OCEAN GROUP LIMITED**

In relation to our audit of the financial report of TEK-Ocean Group Limited for the year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (b) no contraventions of any applicable code of professional conduct.



PKF  
Melbourne, 30 September 2021



Steven Bradby  
Partner





Financial Report

30 June 2021

  
**TEK-OCEAN**



**TEK-Ocean Group Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2021**



|   |             | <b>Consolidated</b> |                    |
|---|-------------|---------------------|--------------------|
|   | <i>Note</i> | <b>2021</b>         | <b>2020</b>        |
|   |             | <b>\$</b>           | <b>Restated \$</b> |
| <b>Revenue</b>  | 4           | 22,200,668          | 22,719,704         |
| Cost of sales   | 5           | (11,403,233)        | (7,443,542)        |
| Other income  | 4           | 1,973,970           | 515,463            |
| <b>Expenses</b>   |             |                     |                    |
| Occupancy expense   |             | (258,567)           | (395,463)          |
| Administrative expenses   |             | (1,397,123)         | (1,221,386)        |
| Depreciation expense  | 6           | (1,887,752)         | (1,943,093)        |
| Other expense   |             | (491,037)           | (616,687)          |
| Finance costs   |             | (517,192)           | (618,860)          |
| Employee benefits expense   |             | (8,311,887)         | (8,741,188)        |
| Share based payments expense  | 32          | (227,750)           | (458,700)          |
| Vessel impairment expense   | 12          | -                   | (6,508,245)        |
| <b>Loss before income tax</b>   |             | (319,903)           | (4,711,997)        |
| Income tax benefit/(expense)  | 7           | 299,555             | 788,177            |
| <b>Loss after income tax benefit/(expense) for the year attributable to the owners of TEK-Ocean Group Limited</b> |             | (20,348)            | (3,923,820)        |
| Other comprehensive income for the year, net of tax   |             | -                   | -                  |
| <b>Total comprehensive loss for the year attributable to the owners of TEK-Ocean Group Limited</b>                |             | (20,348)            | (3,923,820)        |
| Basic earnings per share  | 34          | (0.00)              | (0.17)             |
| Diluted earnings per share  | 34          | (0.00)              | (0.17)             |



**TEK-Ocean Group Limited**  
**Statement of financial position**  
**As at 30 June 2021**



|                                |             | <b>Consolidated</b> |                    |
|--------------------------------|-------------|---------------------|--------------------|
|                                | <i>Note</i> | <b>2021</b>         | <b>2020</b>        |
|                                |             | <b>\$</b>           | <b>Restated \$</b> |
| <b>Assets</b>                  |             |                     |                    |
| <b>Current assets</b>          |             |                     |                    |
| Cash and cash equivalents      | 8           | 21,999              | 1,040,466          |
| Trade and other receivables    | 9           | 4,397,172           | 3,678,704          |
| Inventory                      |             | 149,168             | -                  |
| Other assets                   | 10          | 1,140,686           | 525,370            |
| Total current assets           |             | 5,709,025           | 5,244,540          |
| <b>Non-current assets</b>      |             |                     |                    |
| Right of use assets            | 11          | 1,041,078           | 1,653,735          |
| Property, plant and equipment  | 12          | 8,125,169           | 7,799,461          |
| Intangible assets              | 13          | 223,177             | 61,435             |
| Deferred tax asset             | 21          | 1,373,237           | 1,073,405          |
| Total non-current assets       |             | 10,762,661          | 10,588,036         |
| <b>Total assets</b>            |             | 16,471,686          | 15,832,576         |
| <b>Liabilities</b>             |             |                     |                    |
| <b>Current liabilities</b>     |             |                     |                    |
| Trade and other payables       | 14          | 2,497,625           | 2,053,881          |
| Borrowings                     | 15          | 2,292,134           | 1,317,142          |
| Lease liabilities              | 16          | 1,186,598           | 766,259            |
| Current tax liabilities        | 17          | -                   | 470,835            |
| Employee benefits              | 18          | 607,801             | 457,588            |
| Total current liabilities      | 14          | 6,584,158           | 5,065,705          |
| <b>Non-current liabilities</b> |             |                     |                    |
| Borrowings                     | 19          | 5,125,400           | 6,156,135          |
| Lease liabilities              | 20          | 644,708             | 965,510            |
| Deferred tax liabilities       | 21          | 275,999             | -                  |
| Employee benefits              | 22          | 21,315              | 32,522             |
| Total non-current liabilities  |             | 6,067,422           | 7,154,167          |
| <b>Total liabilities</b>       |             | 12,651,580          | 12,219,872         |
| <b>Net assets</b>              |             | 3,820,106           | 3,612,704          |
| <b>Equity</b>                  |             |                     |                    |
| Issued capital                 | 24          | 3,210,228           | 3,210,228          |
| Reserves                       | 25          | 686,450             | 458,700            |
| Accumulated losses             |             | (76,572)            | (56,224)           |
| <b>Total equity</b>            |             | 3,820,106           | 3,612,704          |

**TEK-Ocean Group Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2021**



| <b>Consolidated</b>   | <b>Issued capital</b> | <b>Share based payments reserve</b> | <b>Accumulated losses restated</b> | <b>Total equity restated</b> |
|---|-----------------------|-------------------------------------|------------------------------------|------------------------------|
|   | <b>\$</b>             | <b>\$</b>                           | <b>\$</b>                          | <b>\$</b>                    |
| Balance at 1 July 2019                                      | 1,458,000             | -                                   | 3,867,596                          | 5,325,596                    |
| Loss after income tax benefit for the year                  | -                     | -                                   | (3,923,820)                        | (3,923,820)                  |
| Other comprehensive income for the year, net of tax         | -                     | -                                   | -                                  | -                            |
| Total comprehensive income for the year                     | -                     | -                                   | (3,923,820)                        | (3,923,820)                  |
| Transactions with owners in their capacity as owners:       |                       |                                     |                                    |                              |
| Contributions of equity, net of transaction costs (note 24) | 1,752,228             | -                                   | -                                  | 1,752,228                    |
| Share-based payments (note 32)                              | -                     | 458,700                             | -                                  | 458,700                      |
| Balance at 30 June 2020                                     | 3,210,228             | 458,700                             | (56,224)                           | 3,612,704                    |

| <b>Consolidated</b>                                   | <b>Issued capital</b> | <b>Share based payments reserve</b> | <b>Accumulated losses restated</b> | <b>Total equity restated</b> |
|---|-----------------------|-------------------------------------|------------------------------------|------------------------------|
|   | <b>\$</b>             | <b>\$</b>                           | <b>\$</b>                          | <b>\$</b>                    |
| Balance at 1 July 2020                                | 3,210,228             | 458,700                             | (56,224)                           | 3,612,704                    |
| Loss after income tax benefit for the year            | -                     | -                                   | (20,348)                           | (20,348)                     |
| Other comprehensive income for the year, net of tax   | -                     | -                                   | -                                  | -                            |
| Total comprehensive income for the year               | -                     | -                                   | (20,348)                           | (20,348)                     |
| Transactions with owners in their capacity as owners: |                       |                                     |                                    |                              |
| Share-based payments (note 32)                        | -                     | 227,750                             | -                                  | 227,750                      |
| Balance at 30 June 2021                               | 3,210,228             | 686,450                             | (76,572)                           | 3,820,106                    |

**TEK-Ocean Group Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2021**



|  | <i>Note</i> | <b>Consolidated</b> |                    |
|--|-------------|---------------------|--------------------|
|  |             | <b>2021</b>         | <b>2020</b>        |
|  |             | <b>\$</b>           | <b>Restated \$</b> |
| <b>Cash flows from operating activities</b>                      |             |                     |                    |
| Receipts from customers and other income                         |             | 21,878,070          | 23,233,105         |
| Payments to suppliers and employees                              |             | (21,404,708)        | (19,824,192)       |
| Government grants received                                       |             | 695,000             | 376,627            |
| Interest and other income received                               |             | 168,597             | 2,928              |
| Income tax paid  |             | (432,157)           | (1,190,362)        |
| Net cash from operating activities                               | 31          | 904,807             | 2,598,106          |
| <b>Cash flows from investing activities</b>                      |             |                     |                    |
| Payments for intangibles   | 13          | (161,742)           | (61,435)           |
| Purchase of property, plant and equipment                        | 12          | (532,527)           | (780,402)          |
| Proceeds from disposal of property, plant and equipment          |             | -                   | 35,870             |
| Net cash used in investing activities                            |             | (694,269)           | (805,967)          |
| <b>Cash flows from financing activities</b>                      |             |                     |                    |
| Net proceeds from issue of shares                                | 23          | -                   | 1,752,228          |
| Repayment of borrowings  |             | (55,743)            | (1,308,678)        |
| Repayment of lease liabilities                                   |             | (656,070)           | (793,127)          |
| Financing expenses   |             | (517,192)           | (618,860)          |
| Net cash used in financing activities                            |             | (1,229,005)         | (968,437)          |
| Net increase in cash and cash equivalents                        |             | (1,018,467)         | 823,702            |
| Cash and cash equivalents at the beginning of the financial year |             | 1,040,466           | 216,764            |
| Cash and cash equivalents at the end of the financial year       | 8           | 21,999              | 1,040,466          |

## **Note 1. General information and summary of significant accounting policies**

TEK-Ocean Group Limited (the "Company") is a Company limited by shares, incorporated and domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2021 comprise the Company and its subsidiaries (together refer to as the "consolidated entity").

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

### **Basis of preparation**

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### **Going concern**

These financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Group returned a net loss after tax for the year ended 30 June 2021 of \$20,348 (30 June 2020: loss after tax \$3,923,820) and operations were funded by net operating cash inflows of \$904,807 (30 June 2020: net cash inflows of \$2,598,106). The Group's net current liability position as at 30 June 2021 is \$875,133 (30 June 2020: \$178,835). The Group's net asset position as at 30 June 2021 is \$3,820,106 (30 June 2020 net asset position: \$3,612,704).

The Group has prepared cash flow forecasts for the following twelve months which indicate positive cash balances will be maintained throughout the forecast period. Key inputs and assumptions in these forecasts include:

- the Group's IPO capital raise of \$6.6 million (pre cost of the Offer) which has since occurred following the Company's listing on the ASX on 2 September 2021;
- the ability to continue to build the Group's operations and secure further opportunities as a result of its ongoing business development activities;
- the ongoing strong relationship with its bankers and its ability to meet future existing covenants under the terms and conditions of its loans. Subsequent to year end the Company negotiated a revised repayment schedule and additional overdraft capacity as an example of this strong relationship; and
- key clients will maintain anticipated schedules and their current operations.

Accordingly, the Directors have considered the position of the Group and are satisfied that the going concern basis is appropriate for the preparation of the financial statements.

### **Historical cost convention**

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.



### **Critical accounting estimates**

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity'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.

### **Note 2. Significant accounting policies**

#### **New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. There are no expected impacts of pending standards not yet mandatory.

#### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

#### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of TEK-Ocean Group Limited as at 30 June 2021 and the results of all subsidiaries for the year then ended. TEK-Ocean Group Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

#### **Revenue recognition**

The consolidated entity recognises revenue as follows:

##### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract

with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of any variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

#### *Sale of goods*

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

#### *Rendering of services*

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### *Other revenue*

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

### **Income tax**

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

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

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

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

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

unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

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

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

#### **Current and non-current classification**

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

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

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

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

#### **Cash and cash equivalents**

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.

#### **Trade and other receivables**

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

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

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

#### **Contract assets**

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

#### **Vessel**

The vessel is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

|        |         |
|--------|---------|
| Vessel | 6 years |
|--------|---------|

**Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

|                     |           |
|---------------------|-----------|
| Plant and equipment | 3-7 years |
|---------------------|-----------|

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

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

**Right-of-use assets**

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

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost.

Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment.

Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the



expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### *Software*

The Company implemented a new ERP system called PRONTO during the year. The ERP system will be amortised over a 5-year period.

#### **Impairment of non-financial assets**

Other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### **Trade and other payables**

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

#### **Contract liabilities**

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

#### **Borrowings**

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

#### **Lease liabilities**

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

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and

termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

#### **Finance costs**

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

#### **Employee benefits**

##### *Short-term employee benefits*

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

##### *Other long-term employee benefits*

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

##### *Share-based payments*

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

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

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

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

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

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

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

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

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

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

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

#### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

#### **Issued capital**

Ordinary shares are classified as equity.

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

#### **Business combinations**

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

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

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

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

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

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

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

### **Earnings per share**

#### *Basic earnings per share*

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

#### *Diluted earnings per share*

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

### **Goods and Services Tax ('GST') and other similar taxes**

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

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

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

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

### **Restatement of comparative periods**

On 1 July 2019, the Group elected to form an Australian income tax consolidated group. As required by the Australian Tax Office the group performed an Allocable Cost Amount and Tax Cost Setting

exercise to determine the tax value of the assets brought into the tax consolidated group by the joining entities at 1 July 2019. The process resulted in a capital gains event and therefore triggered additional tax liabilities on 1 July 2019 given the reduction in depreciation available to the Group. Accordingly, the Group has restated the comparatives as below:

**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2020**

|  | <b>30 June<br/>2020<br/>Reported</b> | <b>Restatement</b> | <b>Restated</b>    |
|--|--------------------------------------|--------------------|--------------------|
|  | <b>\$</b>                            | <b>\$</b>          | <b>\$</b>          |
| Income Tax benefit/(expense)   | 1,216,946                            | (428,769)          | 788,177            |
| <b>Total comprehensive income for the year attributable to the owners of TEK-Ocean Group Limited</b> | <b>(3,495,051)</b>                   | <b>(428,769)</b>   | <b>(3,923,820)</b> |

**TEK-Ocean Group Limited Statement of financial position**  
**As at 30 June 2020**

|                         | <b>30 June<br/>2020<br/>Reported</b> | <b>Restatement</b> | <b>Restated</b>  |
|-------------------------|--------------------------------------|--------------------|------------------|
|                         | <b>\$</b>                            | <b>\$</b>          | <b>\$</b>        |
| Deferred tax asset      | 1,341,189                            | (267,784)          | 1,073,405        |
| Current tax liabilities | 309,850                              | 160,985            | 470,835          |
| <b>Net Assets</b>       | <b>4,041,473</b>                     | <b>(428,769)</b>   | <b>3,612,704</b> |

**Operating segments**

AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the consolidated entity that are regularly reviewed by the chief operating decision maker(s) in order to allocate resources to the segment and to assess its performance. During the current financial year the Board considered the consolidated entity as one operating segment being a provider of technical solutions to the offshore energy industry.

*Assets and liabilities by geographical area*

All assets and liabilities and operations are based in Australia.

**Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) are discussed below.

*Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not



currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

*Share-based payment transactions*

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

*Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

**Note 4. Revenue and Other Income**

|  | <b>Consolidated</b> |                   |
|--|---------------------|-------------------|
|  | <b>2021</b>         | <b>2020</b>       |
|  | <b>\$</b>           | <b>\$</b>         |
| <b>Revenue from contracts with customers</b> |                     |                   |
| Sale of goods                                | 1,834,488           | 3,744,311         |
| Rendering of services                        | 20,366,180          | 18,975,393        |
| <b>Total Revenue</b>                         | <b>22,200,668</b>   | <b>22,719,704</b> |

*Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

|                                       | <b>Consolidated</b> |                   |
|---------------------------------------|---------------------|-------------------|
|                                       | <b>2021</b>         | <b>2020</b>       |
|                                       | <b>\$</b>           | <b>\$</b>         |
| <i>Major service lines</i>            |                     |                   |
| Marine                                | 3,009,150           | 7,932,503         |
| Logistics                             | 9,421,080           | 5,333,114         |
| Consultancy                           | 2,243,995           | 2,865,016         |
| Canning Vale workshop services        | 734,078             | 266,071           |
| Engineering                           | 4,957,877           | 2,578,689         |
| <i>Total services rendered</i>        | <b>20,366,180</b>   | <b>18,975,393</b> |
| Canning Vale workshop – sale of goods | 1,834,488           | 3,744,311         |
| <b>Total Revenue</b>                  | <b>22,200,668</b>   | <b>22,719,704</b> |

|   | <b>Consolidated</b> |                |
|---|---------------------|----------------|
|   | <b>2021</b>         | <b>2020</b>    |
|   | <b>\$</b>           | <b>\$</b>      |
| <b>Other income</b>                               |                     |                |
| Government subsidies                              | 695,000             | 376,627        |
| Interest and other income                         | 168,597             | 138,836        |
| Write back of prior period vessel impairment      | 1,000,000           | -              |
| Gain on disposal of property, plant and equipment | 110,373             | -              |
| <b>Total other income</b>                         | <b>1,973,970</b>    | <b>515,463</b> |

*COVID-19-related government subsidies*

COVID-19-related government subsidies represent the job keeper and cash flow boost payments received from the Federal Government in response to the ongoing novel coronavirus (COVID-19) pandemic. Government subsidies are recognised in the financial statements at expected values or actual cash received when there is a reasonable assurance that the consolidated entity will comply with the requirements and that the subsidies will be received. The subsidies were discontinued during the year.

*Vessel impairment write back*

At 30 June 2021 the Company performed an analysis of the carrying value of the vessel, TEK-Ocean Spirit. As a result of this assessment a write back of \$1.00 million against a previously recorded impairment charge of \$6.51 million was recorded on the carrying value of the vessel. Refer to note 12 for further details.

**Note 5. Cost of sales**

|                                    | <b>Consolidated</b> |                  |
|------------------------------------|---------------------|------------------|
|                                    | <b>2021</b>         | <b>2020</b>      |
|                                    | <b>\$</b>           | <b>\$</b>        |
| Direct project costs               | 10,558,058          | 7,443,542        |
| Direct project labour <sup>1</sup> | 845,175             | -                |
|                                    | <b>11,403,233</b>   | <b>7,443,542</b> |

- During the year ended 30 June 2021 the Company implemented a new enterprise resource system (Pronto ERP) to replace its previous accounting package. The system provides for enhanced project accounting capability and the ability to capture and report direct project labour applied to cost of sales at standard rates. The previous accounting package did not have the functionality to record direct project labour costs in a manner that would facilitate reporting as cost of sales. The introduction of enhanced data collection and reporting is a new development taking effect from implementation of the Pronto ERP system in March 2021. It does not require retrospective application or restatement of amounts of elements of financial statements reported in prior periods.

**Note 6. Depreciation expense**

|   | <b>Consolidated</b> |                  |
|---|---------------------|------------------|
|   | <b>2021</b>         | <b>2020</b>      |
|   | <b>\$</b>           | <b>\$</b>        |
| Plant and equipment and vessel depreciation expense | 1,317,192           | 1,071,934        |
| Right of use asset depreciation expense             | 570,560             | 871,160          |
|   | <b>1,887,752</b>    | <b>1,943,094</b> |

**Note 7. Income tax (benefit)/expense**

|   | <b>Consolidated</b> |                    |
|---|---------------------|--------------------|
|   | <b>2021</b>         | <b>2020</b>        |
|   | <b>\$</b>           | <b>Restated \$</b> |
| <i>Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate</i> |                     |                    |
| (Loss)/Profit before income tax   | (319,903)           | (4,711,997)        |
| Tax at the statutory tax rate of 26% (30 June 2020: 27.5%)                                    | (83,175)            | (1,295,799)        |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income:          |                     |                    |
| Non-assessable non-exempt income  | (13,000)            | (13,750)           |
| Share issue costs   | 59,215              | 126,143            |
| Non-deductible expenses / (non-assessable income)   | 14,218              | (35,516)           |
| Prior period tax restatement  | -                   | 428,769            |
| Loss carried back not previously recognised as a deferred tax asset                           | (206,448)           | -                  |
| Other adjustments   | (70,365)            | 1,976              |
| Income tax (benefit)/expense  | (299,555)           | (788,177)          |

**Note 8. Current assets - cash and cash equivalents**

|              | <b>Consolidated</b> |             |
|--------------|---------------------|-------------|
|              | <b>2021</b>         | <b>2020</b> |
|              | <b>\$</b>           | <b>\$</b>   |
| Cash at bank | 21,999              | 1,040,466   |

**Note 9. Current assets - trade and other receivables**

|                             | <b>Consolidated</b> |             |
|-----------------------------|---------------------|-------------|
|                             | <b>2021</b>         | <b>2020</b> |
|                             | <b>\$</b>           | <b>\$</b>   |
| Trade receivables           | 2,603,639           | 2,772,644   |
| Expected credit losses      | -                   | (81,428)    |
| Accrued income              | 1,397,663           | 987,487     |
| Sub lease receivable        | 395,870             | -           |
| Trade and other receivables | 4,397,172           | 3,678,704   |

*Allowance for expected credit losses*

The consolidated entity retains a provision of \$nil in respect of impairment of receivables for the year ended 30 June 2021 (2020: \$81,428).

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

|                       | <b>Consolidated</b> |             |
|-----------------------|---------------------|-------------|
|                       | <b>2021</b>         | <b>2020</b> |
|                       | <b>\$</b>           | <b>\$</b>   |
| 3 to 6 months overdue | -                   | -           |
| Over 6 months overdue | -                   | 81,428      |
|                       | -                   | 81,428      |

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

|                        | <b>Consolidated</b> |             |
|------------------------|---------------------|-------------|
|                        | <b>2021</b>         | <b>2020</b> |
|                        | <b>\$</b>           | <b>\$</b>   |
| Opening balance        | 81,428              | 81,428      |
| Additions and releases | (81,428)            | -           |
| Closing balance        | -                   | 81,428      |

**Note 10. Current assets - Other assets**

|                       | <b>Consolidated</b> |             |
|-----------------------|---------------------|-------------|
|                       | <b>2021</b>         | <b>2020</b> |
|                       | <b>\$</b>           | <b>\$</b>   |
| Prepayments           | 747,928             | 391,632     |
| Rental bonds          | 155,719             | 133,738     |
| Income Tax receivable | 237,039             | -           |
|                       | 1,140,686           | 525,370     |

**Note 11. Non-current assets - Right of use assets**

|  | <b>Consolidated</b> |             |
|--|---------------------|-------------|
|  | <b>2021</b>         | <b>2020</b> |
|  | <b>\$</b>           | <b>\$</b>   |
| Right of use assets - rental properties        | 2,482,799           | 2,524,895   |
| Right of use assets - accumulated depreciation | (1,441,721)         | (871,160)   |
|  | 1,041,078           | 1,653,735   |

*Reconciliation*

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

|   |             |           |
|---|-------------|-----------|
| Balance at beginning of year / adoption of AASB 16 on 1 July 2019 | 1,653,735   | 2,218,768 |
| Additional leases entered into during the year                    | 1,062,188   | 306,127   |
| Depreciation of right of use assets in the period                 | (570,560)   | (871,160) |
| Derecognition of right of use asset                               | (1,104,285) | -         |
| Closing balance at end of year                                    | 1,041,078   | 1,653,735 |

The derecognition of the right-of-use asset during the financial year as a result of the Group entering into a finance sublease arrangement for this property.

**Note 12. Non-current assets - property, plant and equipment**

|   | <b>Consolidated</b> |              |
|---|---------------------|--------------|
|   | <b>2021</b>         | <b>2020</b>  |
|   | <b>\$</b>           | <b>\$</b>    |
| Plant and equipment - at cost                 | 4,232,959           | 3,777,702    |
| Less: Accumulated depreciation                | (2,273,566)         | (2,005,026)  |
|   | 1,959,393           | 1,772,676    |
| Vessels - at cost                             | 8,458,664           | 17,266,846   |
| Less: Accumulated depreciation and impairment | (2,292,888)         | (11,240,061) |
|   | 6,165,776           | 6,026,785    |
|   | 8,125,169           | 7,799,461    |

*Reconciliations*

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

| <b>Consolidated</b>                | <b>Plant and<br/>equipment<br/>\$</b> | <b>Vessel<br/>\$</b> | <b>Total<br/>\$</b> |
|------------------------------------|---------------------------------------|----------------------|---------------------|
| Balance at 1 July 2019             | 1,189,462                             | 13,445,646           | 14,635,108          |
| Additions                          | 780,402                               | -                    | 780,402             |
| Disposals                          | -                                     | (35,870)             | (35,870)            |
| Impairment of assets               | -                                     | (6,508,245)          | (6,508,245)         |
| Depreciation expense               | (197,188)                             | (874,746)            | (1,071,934)         |
| Balance at 30 June 2020            | 1,772,676                             | 6,026,785            | 7,799,461           |
| Additions                          | 642,899                               | -                    | 642,899             |
| Disposals                          | -                                     | -                    | -                   |
| Write back of impairment of assets | -                                     | 1,000,000            | 1,000,000           |
| Depreciation expense               | (456,182)                             | (861,009)            | (1,317,191)         |
| Balance at 30 June 2021            | 1,959,393                             | 6,165,776            | 8,125,169           |

**Write back of impairment of the vessel**

At balance date the Company performed an analysis of the carrying value of the vessel, TEK-Ocean Spirit.

The carrying value of the vessel is based on a value-in-use model using the following key assumptions:

- Future cash flows of the vessel are for 6 years;
- Future sale of the vessel at the end of year 6; and
- Pre-tax discount rate of 10% (2020: 10%).

The above assumptions generate a net present value of future cash flows (NPV) of \$7.77 million as compared to its unadjusted carrying value of \$5.16 million.

As a result of this assessment a write back of \$1.00 million against a previously recorded impairment charge of \$6.51 million was recorded on the carrying value of the vessel.

The directors considered the analysis included in the value-in-use model which has also been subjected to sensitivity testing with respect to the quantum of forecast future revenue and expenditure. In light of the current and forecast business environment as compared to the prior year, including the outlook for the vessel, to take advantage of future major project work, the directors believed it reasonable to reflect this by writing back a portion of the prior year impairment charge.

**Note 13. Non-current assets - Intangibles assets**

|          | <b>Consolidated<br/>2021<br/>\$</b> | <b>2020<br/>\$</b> |
|----------|-------------------------------------|--------------------|
| Software | 223,177                             | 61,435             |
|          | <u>223,177</u>                      | <u>61,435</u>      |



*Reconciliations*

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

| <b>Consolidated</b>     | <b>Licenses</b> | <b>Software</b> | <b>Total</b> |
|-------------------------|-----------------|-----------------|--------------|
|                         | <b>\$</b>       | <b>\$</b>       | <b>\$</b>    |
| Balance at 1 July 2019  | 99,081          | -               | 99,081       |
| Additions               | -               | 61,435          | 61,435       |
| Impairment of assets    | (99,081)        | -               | (99,081)     |
| Amortisation            | -               | -               | -            |
| Balance at 30 June 2020 | -               | 61,435          | 61,435       |
| Additions               | -               | 178,172         | 178,172      |
| Impairment of assets    | -               | -               | -            |
| Amortisation            | -               | (16,430)        | (16,430)     |
| Balance at 30 June 2021 | -               | 223,177         | 223,177      |

|  | <b>Consolidated</b> |                  |
|--|---------------------|------------------|
| <b>Note 14. Current liabilities - trade and other payables</b> | <b>2021</b>         | <b>2020</b>      |
|  | <b>\$</b>           | <b>\$</b>        |
| Trade payables   | 1,637,080           | 1,420,308        |
| Unearned revenue   | 12,883              | 22,233           |
| Other payables   | 847,662             | 611,340          |
|  | <u>2,497,625</u>    | <u>2,053,881</u> |

*Unearned revenue reconciliation*

Reconciliation of the written down value of the beginning and end of the current and previous financial years are set out below:

|   | <b>Consolidated</b> |               |
|---|---------------------|---------------|
|   | <b>2021</b>         | <b>2020</b>   |
|   | <b>\$</b>           | <b>\$</b>     |
| Opening balance at 1 July 2020  | 22,233              | 1,061,401     |
| Payments received in advance  | 139,954             | 1,906,347     |
| Transfer to revenue - included in opening balance                         | (22,233)            | (1,061,401)   |
| Transfer to revenue - performance obligations satisfied in current period | (127,071)           | (1,884,114)   |
| Closing balance at 30 June 2021   | <u>12,883</u>       | <u>22,233</u> |

Unearned revenue as at 30 June 2021 has been realised subsequent to year end.

|                 | <b>Consolidated</b> |               |
|-----------------|---------------------|---------------|
|                 | <b>2021</b>         | <b>2020</b>   |
|                 | <b>\$</b>           | <b>\$</b>     |
| Within 6 months | 12,883              | 22,233        |
| 6 to 12 months  | -                   | -             |
|                 | <u>12,883</u>       | <u>22,233</u> |

**Note 15. Current liabilities - borrowings**

|                            | <b>Consolidated</b> |                  |
|----------------------------|---------------------|------------------|
|                            | <b>2021</b>         | <b>2020</b>      |
|                            | <b>\$</b>           | <b>\$</b>        |
| Bank overdraft             | 102,517             | -                |
| Insurance funding facility | 352,678             | -                |
| Bank loans                 | 1,836,939           | 1,317,142        |
|                            | <u>2,292,134</u>    | <u>1,317,142</u> |

As at 30 June 2020 the Company had in place an insurance premium funding facility balance due of \$364,965; the amount was classified on the balance sheet at 30 June 2020 as a trade payable not current borrowings. The Company now reports these amounts as current borrowings to better reflect the nature of the financial liability.

*Compliance with loan covenants*

The subsidiary TEK-Ocean Energy Services Pty Ltd has not complied with certain loan conditions in relation to its CBA borrowing facility for the 2021 financial year.

The impairment of the vessel recognised during the year ended 30 June 2020 contributed to a breach of the net tangible asset ratio covenant measured as at 30 June 2021; however, CBA elected to waive the covenant requirement and no breach has been recorded. CBA advised that it reserves the right to exercise its rights relating to any breach/es in the future.

*Assets pledged as security*

As at 30 June 2021 the bank overdraft and loans are secured by the following:

1. First ranking charge over all present and after acquired property of TEK-Ocean Energy Services Pty Ltd
2. First ranking charge over all present and after acquired property including a charge over the watercraft TEK-Ocean Spirit by Gippsland Maritime Holdings Pty Ltd
3. First ranking charge over all present and after acquired property by TEK-Ocean Pty Ltd
4. Personal guarantees by the following Directors and former Directors:
  - Alexander Biro
  - David Layton (former Director)
  - Keith Thomson
  - Andrew Lillas (former Director)

*Financing arrangements*

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

|                            | <b>Consolidated</b> |               |
|----------------------------|---------------------|---------------|
|                            | <b>2021</b>         | <b>2020</b>   |
|                            | <b>\$'000</b>       | <b>\$'000</b> |
| Total facilities           |                     |               |
| Bank overdraft             | 1,000               | 1,000         |
| Bank loans                 | 6,962               | 7,473         |
| Insurance funding          | 353                 | -             |
|                            | <u>8,315</u>        | <u>8,473</u>  |
| Used at the reporting date |                     |               |
| Bank overdraft             | 103                 | -             |
| Bank loans                 | 6,962               | 7,473         |
| Insurance funding          | 353                 | -             |
|                            | <u>7,418</u>        | <u>7,473</u>  |

|                              | <b>Consolidated</b> |               |
|------------------------------|---------------------|---------------|
|                              | <b>2021</b>         | <b>2021</b>   |
|                              | <b>\$'000</b>       | <b>\$'000</b> |
| Unused at the reporting date |                     |               |
| Bank overdraft               | 897                 | 1,000         |
| Bank loans                   | -                   | -             |
| Insurance funding            | -                   | -             |
|                              | <u>897</u>          | <u>1,000</u>  |

The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

**Note 16. Current liabilities - lease liabilities**

|                 | <b>Consolidated</b> |                |
|-----------------|---------------------|----------------|
|                 | <b>2021</b>         | <b>2020</b>    |
|                 | <b>\$</b>           | <b>\$</b>      |
| Lease liability | <u>1,186,598</u>    | <u>766,259</u> |

**Note 17. Current liabilities – Current tax liabilities**

|                          | <b>Consolidated</b> |                 |
|--------------------------|---------------------|-----------------|
|                          | <b>2021</b>         | <b>2020</b>     |
|                          | <b>\$</b>           | <b>Restated</b> |
|                          | <b>\$</b>           | <b>\$</b>       |
| Provision for income tax | <u>-</u>            | <u>470,835</u>  |

**Note 18. Current liabilities – employee benefits**

|                   | <b>Consolidated</b> |                |
|-------------------|---------------------|----------------|
|                   | <b>2021</b>         | <b>2020</b>    |
|                   | <b>\$</b>           | <b>\$</b>      |
| Employee benefits | <u>607,801</u>      | <u>457,588</u> |

Includes provision for current annual leave and long service leave entitlements.

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

**Note 19. Non-current liabilities - borrowings**

|            | <b>Consolidated</b> |                  |
|------------|---------------------|------------------|
|            | <b>2021</b>         | <b>2020</b>      |
|            | <b>\$</b>           | <b>\$</b>        |
| Bank loans | <u>5,125,400</u>    | <u>6,156,135</u> |

Refer to Note 15 for additional information on facilities.

**Note 20. Non-current liabilities - lease liabilities**

|                               | <b>Consolidated</b> |             |
|-------------------------------|---------------------|-------------|
|                               | <b>2021</b>         | <b>2020</b> |
|                               | <b>\$</b>           | <b>\$</b>   |
| Lease liability               | 644,708             | 965,510     |
| Of which are:                 |                     |             |
| Current lease liabilities     | 1,186,598           | 766,259     |
| Non-current lease liabilities | 644,708             | 965,510     |
|                               | 1,831,306           | 1,731,769   |

**Note 21. Non-current assets / liabilities - Deferred tax**

|                        | <b>Consolidated</b> |                        |
|------------------------|---------------------|------------------------|
|                        | <b>2021</b>         | <b>2020</b>            |
|                        | <b>\$</b>           | <b>Restated<br/>\$</b> |
| Deferred tax asset     | 1,373,237           | 1,073,405              |
| Deferred tax liability | (275,999)           | -                      |
|                        | 1,097,238           | 1,073,405              |

|   | <b>Consolidated</b> |                            |
|---|---------------------|----------------------------|
|   | <b>2021</b>         | <b>2020</b>                |
|   | <b>\$'000</b>       | <b>Restated<br/>\$'000</b> |
| Deferred tax asset/liability comprises temporary differences attributable to: |                     |                            |
| Amounts recognised in the profit and loss                                     |                     |                            |
| Employee Entitlements   | 186                 | 139                        |
| Provision for Doubtful Debts  | -                   | 22                         |
| Fixed Assets  | 574                 | 1,118                      |
| Accrued Expenses  | 9                   | 2                          |
| ROU assets  | 205                 | 42                         |
| Rent Deferral   | -                   | (9)                        |
| Black hole expenditure  | 124                 | -                          |
| Restatement of prior period deferred tax asset                                | -                   | (268)                      |
| Goodwill amortisation   | -                   | 27                         |
| Closing balance   | 1,097               | 1,073                      |
| Movements:  |                     |                            |
| Opening balance   | 1,073               | (564)                      |
| Credited to the profit or loss  | 24                  | 1,637                      |
|   | 1,097               | 1,073                      |

**Note 22. Non-current liabilities - employee benefits**

|                   | <b>Consolidated</b> |             |
|-------------------|---------------------|-------------|
|                   | <b>2021</b>         | <b>2020</b> |
|                   | <b>\$</b>           | <b>\$</b>   |
| Employee benefits | 21,315              | 32,522      |

Includes provision for non-current long service leave entitlements.

**Note 23. Financial risk management**

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity'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 consolidated entity. The consolidated entity 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 and other price risks, and ageing analysis for credit risk.

Financial risk management is carried out by the Company's finance function under guidance from the Board of Directors. The finance function identifies, evaluates and reports financial risks to the Board on a regular basis.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in Note 2.

The Group's financial instruments consist of cash and cash equivalents, bank guarantees, trade and other receivables, trade and other payables, current and non-current borrowings.

The totals for each category of financial instruments in the consolidated statement of financial position are as follows:

|  | <b>Consolidated</b> |                   |
|--|---------------------|-------------------|
|  | <b>2021</b>         | <b>2020</b>       |
|  | <b>\$</b>           | <b>\$</b>         |
| <b>Financial assets</b>                |                     |                   |
| Cash and cash equivalents              | 21,999              | 1,040,466         |
| Trade and other receivables            | 4,397,172           | 3,678,704         |
| <b>Total financial assets</b>          | <b>4,419,171</b>    | <b>4,719,170</b>  |
| <b>Financial liabilities</b>           |                     |                   |
| Trade creditors <sup>1</sup>           | 1,637,080           | 1,055,343         |
| Other payables                         | 860,545             | 633,573           |
| Lease liabilities                      | 1,831,306           | 1,731,769         |
| Overdraft                              | 102,517             | -                 |
| Insurance premium funding <sup>1</sup> | 352,678             | 364,965           |
| Current portion of long-term debt      | 1,836,939           | 1,317,142         |
| Non-current portion of long-term debt  | 5,125,400           | 6,156,135         |
| <b>Total financial liabilities</b>     | <b>11,746,465</b>   | <b>11,258,927</b> |

1. As at 30 June 2020 the Company had in place an insurance premium funding facility balance due of \$364,965; the amount was classified on the balance sheet at 30 June 2020 as a trade creditor not current borrowings. From 30 June 2021 the Company now reports these amounts as current borrowings to better reflect the nature of the financial liability. For purposes of the table above the amount is shown separately as insurance premium funding.



## **Market Risk**

### *Foreign Exchange Risk*

The consolidated entity undertakes minimal transactions denominated in foreign currency and is not significantly exposed to foreign currency risk through foreign exchange rate fluctuations.

### *Price risk*

The consolidated entity is not exposed to any significant price risk.

### *Interest Rate Risk*

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value risk.

The consolidated entity's long term bank loans outstanding, totalling \$6,962,339 (2020: \$7,473,277), are principal and interest payment loans. Quarterly cash outlays of approximately \$520,000 are required to service the loan payments. An official increase/decrease in interest rates of 100 (2020: 100) basis points would have an adverse/favourable effect on profit before tax of \$835,000 (2020: \$897,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts. In addition, minimum principal and interest repayments on long term bank loans of approximately \$2,100,000 are due during the year ending 30 June 2022. The amount includes both interest and principal cash flows and therefore these totals may differ from their carrying amount in the statement of financial position.

## **Credit Risk**

The maximum exposure to credit risk at the end of the financial year is the carrying amount of the financial assets as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements. The consolidated entity does not hold any collateral.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents held with financial institutions, as well as credit exposures to customers, including outstanding receivables.

Credit risk is managed on a Group basis at the corporate level. To minimise credit risk, the Group has adopted a framework of dealing with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result being the Group's exposure to bad debts is minimised. The Group does not currently hold collateral, nor does it securitise its receivables.

The Group has policies in place to ensure that services are made to customers with an appropriate credit history. Cash and cash equivalents counterparties are limited to credit quality banks and financial institutions.

The Group's credit exposure is monitored on a periodic basis. Where commercially practical, the Group seeks to limit the amount of credit exposure to any one bank or financial institution. The Group is exposed to concentration of credit risk in relation to cash and cash equivalents held with the Commonwealth Bank in Australia, the maximum amount of exposure as at 30 June 2021 was \$21,999 (30 June 2020: \$1,040,466)

When required, the carrying amount of the relevant financial asset is reduced through the use of a loss allowance account and the amount of any loss is recognised in the statement of profit or loss and other comprehensive income. When measuring expected credit losses, balances are reviewed based on available external credit ratings, historical loss rates and the days past due. As disclosed in note 9, the calculation of expected credit losses has been revised as at 30 June 2021 following successful collection of aged debtors.

The consolidated entity has a credit risk exposure with a major customer, which as at 30 June 2021 owed the consolidated entity approximately \$1,600,000 (61% of trade receivables) (2020: \$650,000 (17% of trade receivables)). With the exception of \$170,000 being overdue, this balance was within its terms of trade; the overdue amount was collected in full subsequent to 30 June 2021 and no impairment was made as at 30 June 2021.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

### **Liquidity Risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The Group manages liquidity risk by ensuring that there are sufficient funds available to meet financial obligations on a day-to-day basis and to meet unexpected liquidity needs in the normal course of business.

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

### *Financing arrangements*

Refer to note 15 for unused borrowing facilities at the reporting date.

### *Remaining contractual maturities*

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

| <b>2021</b>                                  | <b>Weighted<br/>average<br/>interest<br/>rate %</b> | <b>1 Year or<br/>less</b> | <b>Between 1<br/>and 2<br/>years</b> | <b>Between 2<br/>and 5<br/>years</b> | <b>Over<br/>5<br/>years</b> | <b>Remaining<br/>contractual<br/>maturities</b> |
|--|---|---------------------------|--------------------------------------|--------------------------------------|-----------------------------|---|
| <b>Consolidated</b>                          |   |                           |                                      |                                      |                             |   |
| <b>Non-derivatives:</b>                      |   |                           |                                      |                                      |                             |   |
| <i>Non-interest bearing:</i>                 |   |                           |                                      |                                      |                             |   |
| Trade payables                               |   | 1,637,080                 | -                                    | -                                    | -                           | 1,637,080                                       |
| Other payables                               |   | 860,545                   | -                                    | -                                    | -                           | 860,545   |
| <i>Interest-bearing - variable<br/>rate:</i> |   |                           |                                      |                                      |                             |   |
| Bank loans including<br>overdraft)           | 4.25  | 2,153,345                 | 2,482,359                            | 2,939,421                            | -                           | 7,575,124                                       |
| <i>Interest-bearing - fixed rate:</i>        |   |                           |                                      |                                      |                             |   |
| Insurance premium funding                    | 2.36  | 375,157                   | -                                    | -                                    | -                           | 375,157   |
| Lease liability                              | 6.50  | 1,256,831                 | 555,975                              | 128,780                              | -                           | 1,941,586                                       |
| Total non-derivatives                        |   | 6,282,958                 | 3,038,333                            | 3,068,201                            | -                           | 12,389,492                                      |

| <b>2020</b>                              | <b>Weighted<br/>average<br/>interest<br/>rate %</b> | <b>1 Year or<br/>less</b> | <b>Between 1<br/>and 2<br/>years</b> | <b>Between 2<br/>and 5<br/>years</b> | <b>Over 5<br/>years</b> | <b>Remaining<br/>contractual<br/>maturities</b> |
|--|---|---------------------------|--------------------------------------|--------------------------------------|-------------------------|---|
| <b>Consolidated</b>                      |   |                           |                                      |                                      |                         |   |
| <b>Non-derivatives:</b>                  |   |                           |                                      |                                      |                         |   |
| <i>Non-interest bearing:</i>             |   |                           |                                      |                                      |                         |   |
| Trade payables                           |   | 1,420,308                 | -                                    | -                                    | -                       | 1,420,308                                       |
| Other payables                           |   | 633,573                   | -                                    | -                                    | -                       | 633,573   |
| <i>Interest-bearing - variable rate:</i> |   |                           |                                      |                                      |                         |   |
| Bank loans including overdraft)          | 4.18  | 1,887,508                 | 1,922,978                            | 3,521,303                            | 945,000                 | 8,276,789                                       |
| <i>Interest-bearing - fixed rate:</i>    |   |                           |                                      |                                      |                         |   |
| Insurance premium funding                | 2.36  | 364,965                   | -                                    | -                                    | -                       | 364,965   |
| Lease liability                          | 6.50  | 861,172                   | 844,614                              | 157,236                              | -                       | 1,863,022                                       |
| Total non-derivatives                    |   | 5,167,526                 | 2,767,592                            | 3,678,539                            | 945,000                 | 12,558,657                                      |

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

#### **Fair value of financial instruments**

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

#### **Hedge accounting**

The Company does not employ hedge accounting.

#### **Note 24. Equity - issued capital**

|                              | <b>Consolidated</b> |               | <b>Consolidated</b> |             |
|------------------------------|---------------------|---------------|---------------------|-------------|
|                              | <b>2021</b>         | <b>2020</b>   | <b>2021</b>         | <b>2020</b> |
|                              | <b>Shares</b>       | <b>Shares</b> | <b>\$</b>           | <b>\$</b>   |
| Ordinary shares - fully paid | 24,936,000          | 24,936,000    | 3,210,228           | 3,210,228   |

#### **Movements in ordinary share capital**

| <b>Details</b>                   | <b>Date</b>      | <b>Shares</b> | <b>Issue Price</b> | <b>\$</b> |
|----------------------------------|------------------|---------------|--------------------|-----------|
| Balance                          | 1 July 2019      | 1,678,000     |                    | 1,458,000 |
| Shares issued                    | 30 December 2019 | 400,000       | \$4.80             | 1,920,000 |
| Shares split on a 12-for-1 basis | 30 December 2019 | 22,858,000    | \$0.00             | -         |
| Share issue costs                |                  | -             |                    | (167,722) |
| Balance                          | 30 June 2020     | 24,936,000    |                    | 3,210,228 |
| Balance                          | 30 June 2021     | 24,936,000    |                    | 3,210,228 |

#### **Options on issue**

|   | <b>30 June 2021<br/>No.</b> |
|---|-----------------------------|
| Guarantor Options on Issue (Exp. 31 Dec 2022 & exercisable at \$0.53) | 2,475,000                   |
| Director Options on Issue (Exp. 31 Dec 2023 & exercisable at \$0.53)  | 1,485,000                   |
| LTI Options on Issue (Exp. 22 April 2025 & exercisable at \$0.80)     | 2,000,000                   |
|   | 5,960,000                   |

### *Ordinary shares*

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

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

### *Capital risk management*

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

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. Refer to note 15 for further detail.

### **Note 25. Equity - reserves**

|                              | <b>Consolidated</b> |             |
|------------------------------|---------------------|-------------|
|                              | <b>2021</b>         | <b>2020</b> |
|                              | <b>\$</b>           | <b>\$</b>   |
| Share-based payments reserve | 458,700             | -           |
| Share-based payments expense | 227,750             | 458,700     |
|                              | <hr/>               | <hr/>       |
|                              | 686,450             | 458,700     |

### **Note 26. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by PKF, the auditor of the Company:

|  | <b>Consolidated</b> |             |
|--|---------------------|-------------|
|  | <b>2021</b>         | <b>2020</b> |
|  | <b>\$</b>           | <b>\$</b>   |
| <i>Audit and assurance services – PKF</i>  |                     |             |
| - Review of the half year financial report | 25,000              | 20,000      |
| - Audit of annual financial report         | 55,000              | 50,000      |
| Tax compliance services                    | 19,250              | 21,500      |
| Other advisory services                    | 133,100             | 31,850      |
|  | <hr/>               | <hr/>       |
|  | 232,350             | 123,350     |

**Note 27. Key management personnel disclosures**

*Compensation*

The aggregate compensation made to members of key management personnel of the consolidated entity is set out below:

|                              | <b>Consolidated</b> |                |
|------------------------------|---------------------|----------------|
|                              | <b>2021</b>         | <b>2020</b>    |
|                              | <b>\$</b>           | <b>\$</b>      |
| Short-term employee benefits | 397,842             | 280,807        |
| Post-employment benefits     | 26,582              | 15,675         |
| Long-term benefits           | 2,529               | 2,592          |
| Share-based payments         | 181,950             | 114,676        |
|                              | <b>608,903</b>      | <b>413,750</b> |

**Note 28. Related party transactions**

*Parent entity*

TEK-Ocean Group Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 30.

*Transactions with related parties*

The following amounts were paid to related parties during the year:

|  | <b>Consolidated</b> |                |
|--|---------------------|----------------|
|  | <b>2021</b>         | <b>2020</b>    |
|  | <b>\$</b>           | <b>\$</b>      |
| Consultancy fees – Alexander Biro <sup>1</sup> | 25,331              | 1,980          |
| Consultancy fees – Brendan Brown <sup>2</sup>  | 111,908             | -              |
| Consultancy fees – Keith Thomson <sup>3</sup>  | 308,755             | 127,975        |
| Rental fees – Alex Biro <sup>1</sup>           | 110,692             | 106,035        |
|  | <b>556,686</b>      | <b>235,900</b> |

1. The Company has entered into a consultancy agreement with Djinta Djinta Pty Ltd (Djinta) to provide business development services and other engagements as agreed with the Board. Alexander Biro, a Non-Executive Director of the Company, is a director and shareholder of Emerlite Pty Ltd, which is in turn a controlling shareholder of Djinta. The Board has approved these transactions being on arm's length basis. During the year the value of the services provided by Djinta amounted to \$25,331 plus \$110,692 in lease payments for property used by the Company.
2. The Company entered into a consultancy agreement with Cape Leveque Securities Pty Ltd (CLS), being a related entity of Brendan Brown, who is a Non-Executive Director of the Company. CLS agreed to assist and advise the Group on investigating capital structuring options, including pursuing a listing on the ASX. The Board has approved these transactions being on arm's length basis. During the year the value of the services provided by CLS amounted to \$111,908.
3. The Company has entered into a consultancy agreement with KestWell Pty Ltd (Kestwell), to provide business development services and certain services in relation to specific projects as and when required as set out in a separate statement of work. Keith Thomson, a Non-Executive Director of the Company, is a director and shareholder of KestWell. The Board has approved these transactions being on arm's length basis.

*Receivable from and payable to related parties*

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

*Loans to/from related parties*

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



## **Note 29. Parent entity information**

Set out below is the supplementary information about the parent entity.

| <i>Statement of profit or loss and other comprehensive income</i> | <b>Consolidated</b> |             |
|---|---------------------|-------------|
|   | <b>2021</b>         | <b>2020</b> |
|   | <b>\$</b>           | <b>\$</b>   |
| Loss after income tax   | (578,104)           | (458,700)   |
| Total comprehensive income  | (578,104)           | (458,700)   |
| <i>Statement of financial position</i>                            |                     |             |
|   | <b>Consolidated</b> |             |
|   | <b>2021</b>         | <b>2020</b> |
|   | <b>\$</b>           | <b>\$</b>   |
| Total current assets  | 139,370             | -           |
| Total assets  | 2,937,204           | 3,612,704   |
| Total current liabilities   | 77,330              | -           |
| Total liabilities   | 77,330              | -           |
| Equity  |                     |             |
| Issued capital  | 3,210,228           | 3,210,228   |
| Share-based payments reserve                                      | 686,450             | 458,700     |
| Accumulated losses  | (1,036,804)         | (56,224)    |
| Total equity  | 2,859,874           | 3,612,704   |

On 31 December 2019, TEK-Ocean Pty Ltd underwent a restructure whereby TEK-Ocean Group Limited was established as its holding company. As part of the restructure process, TEK-Ocean Pty Ltd executed a Share Swap (sale of shares) Deed to operate for the benefit of each of its existing shareholders and the holding company. Upon execution of the Deed TEK-Ocean Group Limited issued twelve shares and twelve options respectively for each issued share and option of TEK-Ocean Pty Ltd to its existing share and option holders.

### *Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

### *Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

### *Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

### *Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity;
- Investments in associates are accounted for at cost, less any impairment, in the parent entity;
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

### **Note 30. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name   | Principal place of business /<br>Country of incorporation | Ownership interest |           |
|--|---|--------------------|-----------|
|  |   | 2021<br>%          | 2020<br>% |
| TEK-Ocean Pty Ltd <sup>1</sup>                   | Australia   | 100%               | 100%      |
| TEK-Ocean Energy Services Pty Ltd <sup>2</sup>   | Australia   | 100%               | 100%      |
| Gippsland Maritime Holdings Pty Ltd <sup>2</sup> | Australia   | 100%               | 100%      |
| TOPL Pty Ltd <sup>2</sup>                        | Australia   | 100%               | 100%      |
| TEK-Secora Services Pty Ltd <sup>3</sup>         | Australia   | Nil                | 50%       |

1. On 31 December 2019, TEK-Ocean Pty Ltd underwent a restructure whereby TEK-Ocean Group Limited was established as its holding company. As part of the restructure process, TEK-Ocean Pty Ltd executed a Share Swap (sale of shares) Deed to operate for the benefit of each of its existing shareholders and the holding company. Upon execution of the Deed TEK-Ocean Group Limited issued twelve shares and twelve options respectively for each issued share and option of TEK-Ocean Pty Ltd to its existing share and option holders.
2. TEK-Ocean Pty Ltd owns 100% of the shares in TEK-Ocean Energy Services Pty Ltd, Gippsland Maritime Holdings Pty Ltd and TOPL Pty Ltd.
3. TEK-Secora Services Pty Ltd was deregistered on 19 April 2021.

#### *Contingent liabilities*

The subsidiaries had no contingent liabilities as at 30 June 2021 and 30 June 2020.

#### *Capital commitments - Property, plant and equipment*

The subsidiaries had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

### **Note 31. Reconciliation of (loss)/profit after income tax to net cash from operating activities**

|   | Consolidated |             |
|---|--------------|-------------|
|   | 2021         | 2020        |
|   | \$           | \$          |
| (Loss)/Profit after income tax for the year         | (20,348)     | (3,923,820) |
| Adjustments for:                                    |              |             |
| Depreciation and amortisation                       | 1,887,752    | 1,943,093   |
| Finance costs included in financing activities      | 517,192      | 618,860     |
| Share based payments expense                        | 227,750      | 458,700     |
| Net loss/(gain) on disposal of plant and equipment  | (110,373)    | -           |
| Impairment (write back)/expense                     | (598,166)    | 6,508,245   |
| Write off intangible assets                         | -            | 99,081      |
| Change in operating assets and liabilities:         |              |             |
| Decrease/(increase) in trade receivables            | (322,598)    | 377,493     |
| Decrease/(increase) in other assets                 | (558,036)    | (380,292)   |
| Decrease/(increase) in deferred tax asset/liability | (23,833)     | (1,637,980) |
| (Decrease)/increase in trade and other payables     | 443,744      | (1,261,868) |
| (Decrease)/increase in tax liability                | (677,283)    | (340,562)   |
| (Decrease)/increase in employee benefits            | 139,006      | 137,156     |
| Net cash from operating activities                  | 904,807      | 2,598,106   |

### **Note 32. Share-based payments**

On 22 April 2021, the consolidated entity issued 2,000,000 LTI Options to the directors and certain key employees at an exercise price of \$0.80. A Black-Scholes valuation was performed on these options which indicated a price per option of \$0.0916, resulting in the recognition of share-based payment expense of \$183,200 in relation to these options for the year then ended.

Values of Director Options over ordinary shares granted on 31 December 2019 had been recognised in the financial results of the Company during the prior year ending 30 June 2020. On 11 June 2021 the Company agreed to extend by one year the expiry date of 1,485,000 existing Director Options to 31 December 2023. The options have an exercise price of \$0.53 and in accordance with AASB 2 Share-based payments the incremental fair value of these options as a result of the expiry date extension using the Black Scholes option pricing model is \$0.030 and a share-based payment expense of \$44,550 was recognised.

The Company thus recognised total share-based payment expenses of \$227,750 for the year ending 30 June 2021 (2020: \$458,700).

For the LTI Options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date    | Expiry date   | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|---------------|---------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 22 April 2021 | 22 April 2025 | \$0.4000                  | \$0.8000       | 55.00%              | -              | 0.71%                   | \$0.0916                 |

### **Note 33. Events after the reporting period**

Subsequent to the reporting date, the COVID-19 pandemic continued to develop as the Delta strain's presence in Australia expanded. The Company employs robust Covid-Safe work practices and continues to operate effectively in this environment.

On 23 July 2021 the Company lodged a Prospectus with the Australian Securities and Investment Commission and applied to ASX Limited for admission of the Company to the Official List and for the quotation by ASX of its shares.

On 2 September 2021 the Company successfully listed on the ASX under the ticker code: T3K. It raised \$6.596 million before costs of the Offer in the order of \$0.99 million are deducted. An additional 13,192,000 ordinary shares were issued at a price of \$0.50 per share.

In July 2021 the TEK-Ocean Spirit sailed to Singapore to carry out five-yearly drydocking and investment in operational capability enhancements. The current forecast of the cost of investment during the drydock is approximately \$5 million with the intention of ultimately positioning the vessel with the capability to effectively operate in the burgeoning decommissioning market.

Since year end a number of significant contracts have been secured including:

- In-field work in Bass Strait in the November 2021 – February 2022 time frame;
- Artificial reef installation in December 2021.

In September 2021 the Company received and executed an updated Letter of Offer and associated loan documentation from its bankers, CBA to revise the terms of its business finance facilities. The revised Letter of Offer provides for the following variations to the existing facilities:

- The existing \$1,000,000 overdraft facility will increase under a Temporary Excess facility by an additional \$1,000,000 on 1 November 2021 bringing the total facility limit to \$2,000,000 and will remain at this level until 31 March 2022;
- The Temporary Excess will reduce by \$500,000 on 31 March 2022 bringing the total limit to \$1,500,000 and will remain at this level until 30 April 2022;
- The Temporary Excess will cease on 30 April 2022 bringing the total overdraft facility limit to \$1,000,000 which will remain at this level;
- Existing Director Guarantees provided by certain current and former directors will be released;
- A revised Repayment Schedule changing from quarterly repayments to monthly repayments commencing in March 2022.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 34. Earnings per share**

|  | <b>Consolidated</b> |                    |
|--|---------------------|--------------------|
|  | <b>2021</b>         | <b>2020</b>        |
|  | <b>\$</b>           | <b>Restated \$</b> |
| (Loss)/Profit after income tax for the year  | (20,348)            | (3,923,820)        |
| Basic loss per ordinary share  | (0.00)              | (0.17)             |
| Diluted loss per ordinary share <sup>1</sup>   | (0.00)              | (0.17)             |
| Weighted average number of ordinary shares on issue during the financial year used in calculating basic earnings per ordinary share: | 24,936,000          | 22,542,575         |
| Weighted average number of potential ordinary shares:  | 4,338,082           | 1,985,425          |
| Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per ordinary share:    | 29,274,082          | 24,528,000         |

1. Diluted loss per ordinary share equates to basic loss per ordinary share in the current and previous financial year because a loss per ordinary share is not considered dilutive for the purposes of calculating earnings per share pursuant to AASB 133 'Earnings per Share'.



## Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements are in compliance with International Financial Reporting Standards as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by s295A of the Corporations Act 2001.

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

On behalf of the Directors



---

Brendan Brown  
Non-Executive Chairman

30 September 2021

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEK-OCEAN GROUP LIMITED

## Report on the Financial Report

### Auditor's Opinion

We have audited the accompanying financial report of TEK-Ocean Group Limited (the Company) and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Company and of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of TEK-Ocean Group Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; 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 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, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

| Key audit matter – Valuation of non-current assets   | How our audit addressed this matter   |
|--|---|
| <p>As set out in Notes 2 (accounting policy: Impairment of non-financial assets), 4 and 12 of the financial statements the Company performed a year-end assessment of the value-in-use of the vessel, the TEK-Ocean Spirit, compared to its carrying amount.</p> <p>The assessment is forward-looking, requiring Management and the Directors to exercise significant judgement in determining key assumptions within the value-in-use model, and in particular:</p> <ul style="list-style-type: none"> <li>• Future cash flows of the vessel are for 7 years,</li> <li>• Future sale of the vessel at the end of year 7, and</li> <li>• Pre-tax discount rate of 10%.</li> </ul> <p>The model generated a net present value of future cash flows of \$7.77 million, compared to the vessel's unadjusted carrying amount of \$5.16 million. Utilising this assessment, the Directors made a judgement that a write back of \$1.00 million be recognised and reflected in the carrying value of the vessel.</p> | <p>Our audit procedures included, but were not limited to, the following procedures:</p> <ul style="list-style-type: none"> <li>• Assessing and challenging the appropriateness of the basis for calculating the value-in-use model ensuring that the cashflows presented related to the asset in its current state as at 30 June 2021;</li> <li>• Evaluating the assumptions, methodologies and conclusions used by Management, in particular those relating to the outlook and utilisation of the vessel including the forecast cashflows used in the model,</li> <li>• Re-performing critical calculations in the value-in-use model to determine accuracy of the net present value,</li> <li>• Performing sensitivity analysis on key assumptions such as weighted average cost of capital and revenue growth within reasonably foreseeable ranges, in respect of which we found that value-in-use remained in excess of the carrying value of the asset, after uplift of the carrying amount; and</li> </ul> |

(continued)

PKF Melbourne Audit & Assurance Pty Ltd ABN 75 600 749 184

Level 12, 440 Collins Street, Melbourne, Victoria 3000

T: +61 3 9679 2222 F: +61 3 9679 2288 [www.pkf.com.au](http://www.pkf.com.au)

Liability limited by a scheme approved under Professional Standards Legislation

PKF Melbourne Audit & Assurance Pty Ltd is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

| Key audit matter – Valuation of non-current assets  | How our audit addressed this matter   |
|---|---|
| Based on the above, we have determined that the value-in-use of the vessel, and thus the writeback of a portion of previous impairment, to be a Key Audit Matter. | <ul style="list-style-type: none"> <li>Reviewing the adequacy of disclosures including those relating to the sensitivities in the assumptions used in Note 12.</li> </ul> |

### **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 an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the financial report, our responsibility is to read the other information and in doing so, we 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 information, we are required to report that fact. We have nothing to report in this regard.

### **Directors' Responsibilities 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 Group's ability 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in 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 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 other 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 group 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**

#### ***Auditor's Opinion***

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of the Company 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.



**PKF**  
**Melbourne, 30 September 2021**



**Steven Bradby**  
**Partner**

## Additional ASX Information

The shareholder information set out below was applicable as at 15 September 2021.

|  | Ordinary<br>shares | Ordinary<br>shares                                     | Ordinary<br>shares             | Options<br>over<br>ordinary<br>shares | Options<br>over<br>ordinary<br>shares | Options<br>over<br>ordinary<br>shares |
|--|--------------------|--|--------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|  | No. of<br>holders  | No. of<br>units  | % of total<br>shares<br>issued | No. of<br>holders                     | No. of<br>units                       | % of total<br>of holders              |
| 1 to 1,000                               | 15                 | 11,956   | 0.03%                          | -                                     | -                                     | -                                     |
| 1,001 to 5,000                           | 297                | 958,530  | 2.51%                          | -                                     | -                                     | -                                     |
| 5,001 to 10,000                          | 106                | 933,616  | 2.44%                          | -                                     | -                                     | -                                     |
| 10,001 to 100,000                        | 173                | 7,428,058  | 19.44%                         | -                                     | -                                     | -                                     |
| 100,001 and over                         | 49                 | 28,868,840   | 75.57%                         | 15                                    | 5,960,000                             | 100%                                  |
|  | 640                | 38,201,000   | 100.00%                        | 15                                    | 5,960,000                             | 100%                                  |
| Holding less than a<br>marketable parcel | 38                 | Shareholders holding 36,677 Fully Paid Ordinary Shares |                                |                                       |                                       |                                       |

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in the report is as follows. The information is current as at 15 September 2021.

*Distribution of shareholders*

Analysis of number of shareholders by size of holding:

*Twenty largest quoted equity security holders*

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

|   | Ordinary shares   |                          |
|---|-------------------|--------------------------|
|   | No. held          | % of total shares issued |
| SEVENTY FOURTH STAR INVESTMENTS PTY LTD <SJ GORDIJN FAMILY A/C>             | 1,818,000         | 4.76%                    |
| MR ANDREW JAMES LILLAS & MRS HELENA LILLAS <LILLAS SUPER FUND A/C>          | 1,818,000         | 4.76%                    |
| YANAKIE POWER & ENERGY PTY LTD  | 1,818,000         | 4.76%                    |
| SLR SUBSEA SOLUTIONS PTY LTD <ROBBIE FAMILY A/C>                            | 1,818,000         | 4.76%                    |
| KESTWELL PTY LTD  | 1,818,000         | 4.76%                    |
| MR TIMOTHY IAN GOOLD & MRS KIM MAREE GOOLD <GOOLD FAMILY A/C>               | 1,526,000         | 3.99%                    |
| MR BRIAN JAMES THRELFALL & MRS LAUREN MAY THRELFALL <THRELFALL FAMILY A/C>  | 1,518,000         | 3.97%                    |
| MR KUAN CHUNG & MRS BETSY CHUNG <KUAN SAN FAMILY A/C>                       | 1,458,000         | 3.82%                    |
| HARDCORP ENTERPRISES PTY LTD <HARDCORP A/C>                                 | 1,458,000         | 3.82%                    |
| AMBA GROUP PTY LTD  | 1,458,000         | 3.82%                    |
| MR JOHN EDWARD NISKI <J & T NISKI FAMILY A/C>                               | 1,396,799         | 3.66%                    |
| EMERLITE PTY LTD <BIRO FAMILY A/C>  | 1,363,500         | 3.57%                    |
| CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>                 | 740,847           | 1.94%                    |
| AMAL TRUSTEES PTY LTD <MAGNOLIA CAPITAL ECMC A/C>                           | 550,000           | 1.44%                    |
| SECURE SOLUTIONS PLUS PTY LIMITED <BADEES SUPER FUND A/C>                   | 500,000           | 1.31%                    |
| MR BERNARD WILLIAM LIVY & MRS DESMA LEA LIVY <D & B LIVY SUPER FUND A/C>    | 475,000           | 1.24%                    |
| MR ALEXANDER GARY BIRO & MRS ELEONOR MARGARET BIRO <BIRO SUPER FUND A/C>    | 454,500           | 1.19%                    |
| GANNET CAPITAL PTY LTD <VSP EVENT DRIVEN FUND A/C>                          | 400,000           | 1.05%                    |
| WONDERFUL TONIGHT PTY LTD <ROLLERCOASTER SUPER FUND A/C>                    | 400,000           | 1.05%                    |
| MR JOHN EDWARD NISKI & MRS TINA MARIE NISKI <J & T NISKI FAMILY A/C>        | 350,000           | 0.92%                    |
| MR ROBERT WHITECHURCH & MRS MELINDA WHITECHURCH <R & M WHITECHURCH S/F A/C> | 349,996           | 0.92%                    |
| PAGET SUPER PTY LTD <PAGET SUPER FUND A/C>                                  | 349,996           | 0.92%                    |
| BOND STREET CUSTODIANS LIMITED <RSALTE - D62375 A/C>                        | 304,634           | 0.80%                    |
| ZERO NOMINEES PTY LTD   | 300,000           | 0.79%                    |
| MR DAVID JOHN ADAMS & MRS LORRAINE BARBARA ADAMS <ADAMS SUPER FUND A/C>     | 300,000           | 0.79%                    |
| BEIRNE TRADING PTY LTD  | 292,000           | 0.76%                    |
| WILSON SMSF PTY LTD <WILSON SUPER FUND A/C>                                 | 269,064           | 0.70%                    |
| ABL CONSULTING PTY LTD <ABL CONSULTING S/FUND A/C>                          | 267,004           | 0.70%                    |
| MUNCHA CRUNCHA PTY LTD  | 256,000           | 0.67%                    |
|   | <b>25,827,340</b> | <b>67.61%</b>            |

|                                     | No. on issue | No. of holders |
|-------------------------------------|--------------|----------------|
| <b>Unquoted equity securities</b>   |              |                |
| Options over ordinary shares issued | 5,960,000    | 15             |

There is no person holding 20% or more of unquoted equity securities.



### Substantial holders

There are no substantial holders in the Company as at the date of this report.

### Buy-backs

The Company is not currently undertaking any on-market buy-backs.

### Voting rights

The voting rights attached to securities are set out below:

#### *Ordinary shares*

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

#### *Unlisted options*

The unlisted options on issue do not carry any voting rights.

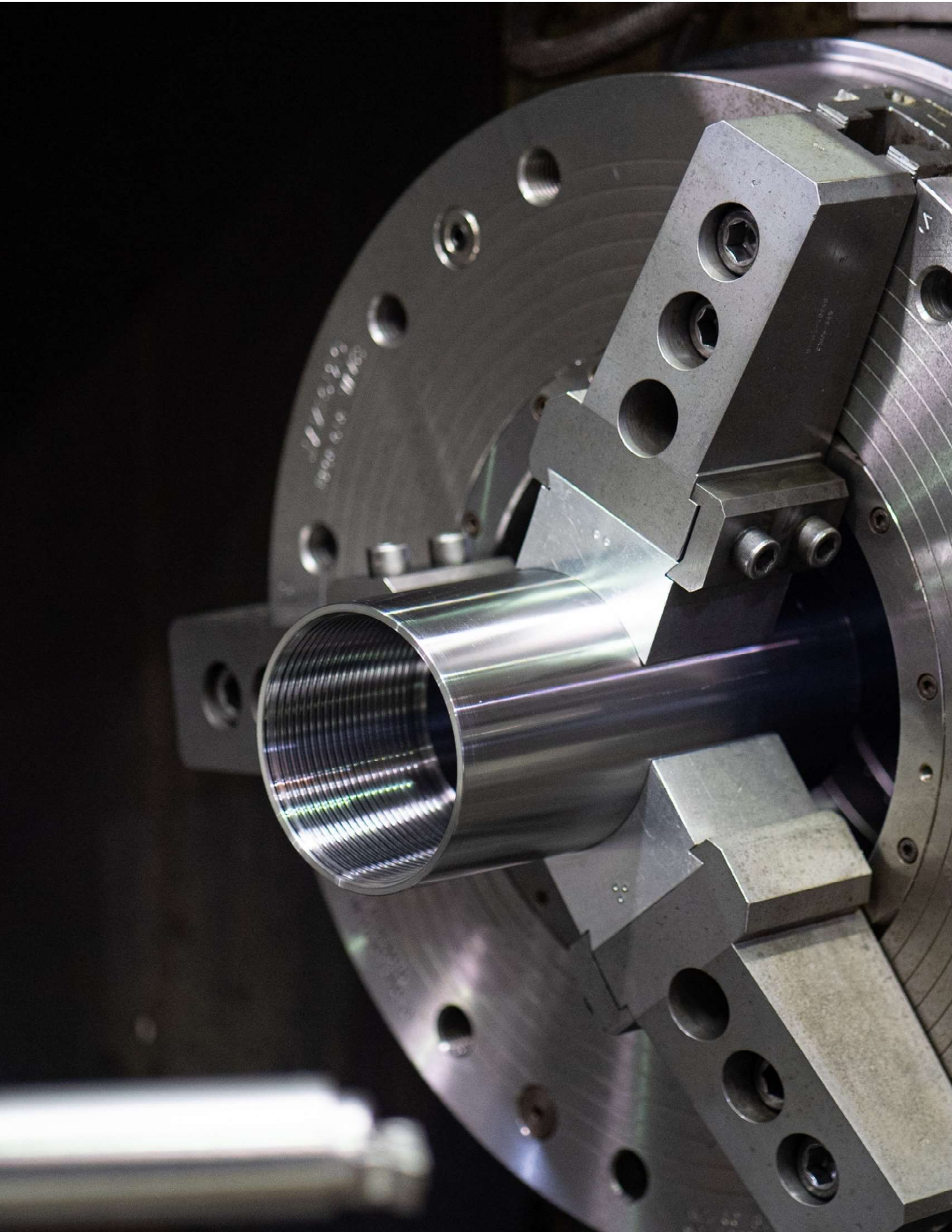
### Statement in accordance with ASX Listing Rule 4.10.19

The Company confirms that it has used the cash and assets in a form readily convertible to cash at the time of admission in a way consistent with its business objectives.

### Restricted Securities

The Company advises that the following securities are classified as restricted securities on the basis of disposal restrictions (escrow) imposed by ASX:

| Securities       | Restriction      | Number     | Restriction Period     |
|------------------|------------------|------------|------------------------|
| Ordinary Shares  | Mandatory Escrow | 5,466,499  | Until 2 September 2023 |
| Unlisted Options | Mandatory Escrow | 2,735,000  | Until 2 September 2023 |
| Ordinary Shares  | Voluntary Escrow | 14,720,799 | Until 2 September 2023 |





[www.tek-ocean.com.au](http://www.tek-ocean.com.au)