ACROW
SINCE 1936

# Annual Report 2018

# Corporate Directory

## Board of Directors

Peter Lancken (Chairman – non-executive)
Steven Boland (Managing Director and Chief Executive Officer
Margaret Prokop (appointed Executive Director from 31 August 2018)
Michael Hill (non-executive Director)
Joshua May (non-executive Director)
Gregg Taylor (non-executive Director)

## Chief Financial Officer

David Williams

## Company Secretary

Lee Tamplin

## Registered Office and Principal Place of Business

c/- Whittens & McKeough
Level 29, 201 Elizabeth Street,
Sydney NSW Australia 2000
Phone: 02 8072 1400

## Share Registry

Automic Group
Level 5, 126 Phillip Street
Sydney NSW 2000

## Auditor

KPMG
Tower 3, 300 Barangaroo Avenue,
Sydney NSW Australia 2000

## ASX Code

ACF

## Website

www.acrow.com.au

## ACN

124 893 465

## Annual General Meeting

The Group will hold its 2018 Annual General Meeting at Automic Group, Level 5, 126 Phillip Street, Sydney NSW 2000 at 10.00am on Tuesday, 20 November 2018.

www.acrow.com.au

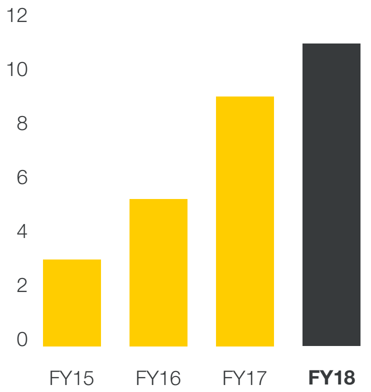
# Contents

# Highlights 2018

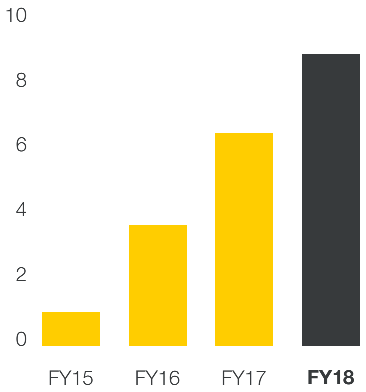
## At the start of every great project since 1936.

For over 80 years Acrow has been the leading scaffold and formwork supplier for the Australian construction industry.

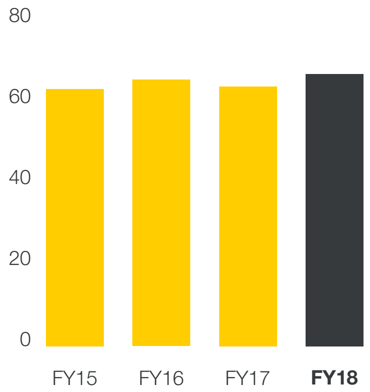
### Historical Underlying EBITDA $'000




### Operating Cash Profit $'000




### Total Revenue $'000




### Total Revenue by Category


- Scaffold – **22%**
- Formwork – **24%**
- Residential – **12%**
- Labour – **16%**
- Cartage – **5%**
- Formwork equipment sales and consumables– **22%**

### Total Revenue by Geography

- Queensland – **34%**
- New South Wales – **36%**
- Victoria – **12%**
- Western Australia – **6%**
- Tasmania – **6%**
- South Australia– **7%**

# Chairman's Report

It is a pleasure to present Acrow's first annual report as an ASX listed Company.

We are a leader of formwork and scaffolding systems to more than 1,100 construction and civil infrastructure providers across Australia. Our brand is well established with Australian operations commencing in 1950 after first being launched in the United Kingdom in 1936.

Acrow is well positioned to take advantage of the strong growth outlook for the east coast civil infrastructure construction market. The Board and Management team continue to focus on this opportunity.

Acrow listed through its acquisition by the ASX-listed NMG Corporation Limited which, following shareholder approval and a successful $27.2 million capital raising, changed its name to Acrow Formwork and Construction Services Limited and relisted on 9 April 2018.

This was a significant milestone for the company and it is pleasing that Acrow's first months of trading as a public company have demonstrated strong progress.

## Strong Financial Results

As a result of the acquisition, the consolidated FY2018 results presented in the Financial Accounts includes only 3 months of trading of Acrow Holdings Pty Ltd and its wholly owned subsidiary Acrow Formwork and Scaffolding Pty Ltd. A reconciliation of the Statutory Accounts to the underlying Group results are provided separately in this report.

The underlying business delivered revenue of $65.3 million for the 12 months to 30 June 2018 was the highest in five years, reflecting the benefits of restructure by management to focus on dry hire of scaffolding and a successful strategy of targeting east coast civil infrastructure opportunities for growth.

Underlying EBITDA was $10.8 million, up 21% from $8.9 million for the previous year, and the underlying EBITDA margin was 16.5%, up from 14.3%. The group reported a strong operating cash profit of $9.0 million, up 37% from $6.6 million. At the end of the year the group held cash of $4.9 million and had no debt.

For the period from 27 March 2018 when the Acrow company was acquired by NMG Corporation to 30 June 2018, the group reported revenue of $15.6 million. Net profit for the same period was $2.2 million.

## Maiden Dividend Declared

The strong operating and cash flow result along with the positive outlook for Acrow has encouraged the Board to declare a maiden dividend of 0.5 cents per share. A dividend reinvestment plan (DRP) was initiated with the details sent to shareholders and are contained in an ASX Release dated 28 August 2018.

The dividend policy of the Board is to pay out between 30% – 50% of the operating cash profit (defined as underlying EBITDA less maintenance capex less cash tax expense) to shareholders. The 0.5 cents per share maiden dividend declared reflected ~40% of the operating cash profit for the 3- month period of the FY2018 that Acrow was listed on the ASX.

## Acrow's Growth Strategy

Our strategy is to leverage the group's assets, client network and intellectual property to drive sustainable growth. Following successful expansion in the Queensland infrastructure market, we aim to replicate this in New South Wales and Victoria. The Board has approved growth capex for additional equipment to target this growth opportunity and are encouraged by the early results of this capital deployment.

Achievement of the growth strategy will be driven by both organic and inorganic growth strategies. After the balance date, Acrow announced and completed the acquisition of Natform Pty Limited, which is the leading designer and hirer of screen systems for the construction industry. Steven Boland will provide further commentary on this exciting development for the Company.

Acrow has a robust balance sheet and is well positioned to accelerate growth through acquisitions in the civil infrastructure and formwork supply market. The group has strong cash flow, supporting our investment in equipment which has increased the group's capabilities.

## Governance

As a newly-listed company we have established a solid governance framework supported by appropriate group audit, remuneration, risk, nominations and corporate governance committees. This allows our directors to bring their diverse skills, sector knowledge and experience to focus clearly on our growth strategy and contribute to Acrow's oversight and effective corporate governance.

For more information on Acrows Corporate Governance Policies view online at www.acrow.com.au/corporate-governance-policies.

## Our Board

I would like to welcome Margaret Prokop, the founder of Natform, who brings significant civil engineering, entrepreneurial and infrastructure expertise to our Board.

## Outlook

Acrow enters FY19 in a solid position. The Australian construction industry remains near historical high levels of activity. We have a clear growth strategy, and having achieved a good start, look forward to continuing strong financial and operational results.

In closing, I would like to thank the Acrow team, ably led by Managing Director Steven Boland, for their hard work and dedication during the year. I would also like to thank you, our investors, for your continued support.

**Peter Lancken**
**Chairman**

> "Highlights of the year included formwork hire revenue of $15.6 million, which increased 23% from $12.7 million for the previous year.

# Managing Director's Report



## I am happy to deliver the inaugural Managing Director's report for Acrow as a listed company.

I am especially pleased that the results of Acrow's first three months as a listed company see the excellent improvement in earnings trajectory of the past few years continue. On a full year underlying trading basis, almost all of the key financial metrics of the business are at their highest point for a number of years.

### Health and Safety

Providing a safe working environment for our employees and the customers who utilise our equipment is clearly of paramount importance. Our results in this area are highlighted in Acrow Safety section of this report.

We are pleased that our performance in this key area this year has been at the consistently strong level of the previous few years.

However, we strive for a zero-injury rate and will continue to focus on this goal.

### People and Culture

I would like to pass on a very strong thank you to the management and staff of Acrow who kept their tremendous operational focus despite the distractions and managed the substantially increased workload that came with the transition of becoming an ASX Listed Company.

It is also a very strong vote of confidence for the future of our business that the management team responsible for delivering the turnaround of the business under the previous ownership structure has remained intact, and recommitted themselves to Acrow.

The team is invigorated by the opportunities with greater availability of capital to substantially grow our business over the coming years.

### Financial Performance

The underlying Acrow business performed very strongly for the 12 months to 30 June 2018:

- Revenue of $65.3 million (highest number recorded since Boral divestment)
- Formwork Hire revenue of $15.6 million (an increase of 23% on FY17 and highest since Boral divestment)
- Sales contribution of $39.3 million and sales contribution margin of 60.2% (both record results since Boral divestment)
- Underlying EBITDA of $10.8 million (+21%) and Underlying EBITDA margin of 16.5% (up from 14.3%)
- Strong operating cash profit of $9.0 million (up 37%) and closing cash balance of $4.9 million (no debt)

A reconciliation of the Statutory Accounts to the underlying Group results are provided separately in this report.

The strong result was driven by a favourable shift in business mix to higher margin formwork hire away from lower margin residential work, coupled with disciplined cost control. Geographically the business had a strong contribution across the country, with key highlights being the continuing success of Acrow being awarded major contracts on the East Coast relating to both Infrastructure and Commercial Formwork and the increased market share in South Australia gained under a new management structure.

Acrow is cash generative and increased operating cash profit (defined as underlying EBITDA less maintenance capex less cash tax expense) to $9.0 million in FY18, up 37% on FY17.

Acrow enjoys a strong balance sheet. As at 30 June 2018, Acrow had approximately $39 million of net assets which includes about $31.2 million of hire equipment and $4.9 million of cash (no debt). A post acquisition asset

> "The team is invigorated by the opportunities with greater availability of capital to substantially grow our business over the coming years.

revaluation resulted in hire equipment carrying value of $31.2 million. The replacement value of this quality portfolio would be greater than $100 million. Depreciation for the three months to June 30, 2018 was $456k reflecting the newly adopted depreciation policy for the Group. Available carry forward tax losses of approximately $40 million are not reflected in the balance sheet, although they are expected to benefit cash flow going forward.

## Funds Employed /Capital Management

The Group has a robust structure for controlling and reviewing both its working capital and capital employed in the business. The below funds employed trend from the date of acquisition of Acrow Holdings Pty Ltd and after the capital raising process indicates its strong position on cash holdings and asset management.

| | Mar-18 $'000 | Apr-18 $'000 | May-18 $'000 | Jun-18 $'000 | Var Jun-Mar $'000 |
|---|---|---|---|---|---|
| Cash | 2,069 | 758 | 2,931 | 4,918 | 2,849 |
| Other financial assets | 804 | 804 | 804 | 804 | 0 |
| Receivables | 10,767 | 10,968 | 11,165 | 10,549 | (218) |
| Inventories | 2,276 | 2,264 | 2,181 | 2,111 | (165) |
| Prepayments & others | 251 | 204 | 190 | 125 | (126) |
| Assets held for sale | 65 | 66 | 66 | 68 | 3 |
| Property plant & equipment | 31,001 | 31,025 | 31,080 | 31,711 | 710 |
| **Total Assets** | **47,233** | **46,089** | **48,417** | **50,286** | **3,053** |
| Creditors | (7,224) | (5,094) | (6,423) | (7,298) | (74) |
| Provisions for make good | (453) | (453) | (453) | (453) | – |
| Liabilities held for sale | (63) | (63) | (63) | (63) | – |
| Employee benefits | (3,167) | (3,495) | (3,618) | (3,427) | (260) |
| **Total Liabilities** | **(10,907)** | **(9,105)** | **(10,557)** | **(11,241)** | **(334)** |
| **Funds Employed** | **36,326** | **36,984** | **37,860** | **39,045** | **2,719** |

- Cash has increased during the period by $2.8 million mainly due from operating profits in the period.
- Receivables collection days as at 30 June was 59 days. This include retention monies held of $0.5 million for major contractors in NSW and Queensland. Excluding retention, the collection days are at 55. Strong relationships and meetings between the states and senior management on a weekly basis ensure 90-day debt is minimised.

# Managing Director's Report (continued)



- Inventories of \$2.1 million to \$2.2 million consist of predominantly goods for resale and maintenance equipment. Levels are consistently monitored and held around this level by close monitoring of major purchases.
- Property, plant and equipment has increased by \$0.7k during the period mainly due to the first delivery of growth capex sanctioned by the Board following the Acrow Holdings acquisition. FY19 will see all growth capex delivered by early October 2018. All growth capex is monitored by measuring the effective utilisation of the equipment. Stay in Business capex is monitored based again on Group wide utilisation and equipment is transferred interstate in preference to new capital expenditure whenever feasible.

## Organic Growth – Growth Capex

Acrow committed about \$5 million of growth capex in the 12 months to June 2018 for the strategic acquisition of formwork and scaffolding equipment to service the high growth infrastructure sector. Approximately \$2 million was paid in FY18 and the balance will be paid in FY19. This equipment is being allocated to targeted new projects and the Board reiterate their confidence of achieving annualised returns of greater than 40% on this investment.

Management and Board continue to explore ongoing opportunities for further growth capex.

## Acquisition of Natform Pty Limited

After the record date, on 31 August 2018, Acrow completed the strategic acquisition of Natform Pty Limited (Natform), the leading designer and hirer of screen systems for the construction industry. Natform is 100% privately Australian owned and is a provider of screen-based formwork systems which support the construction of commercial and residential high-rise buildings and civil infrastructure. Natform have a strong Management team, led by founder Margaret Prokop, who is being retained and incentivised within the business. Margaret Prokop will be joining the Acrow Board.

The key terms and metrics of the acquisition are:

- Consideration of \$15 million (pre earn-outs), representing a c.4x EBITDA multiple (\$3.8 million FY18 underlying EBITDA)
- Initial consideration of \$10.5 million, consisting of \$7 million cash and \$3.5 million of Acrow shares (issued at \$0.35 per share and under 12-month escrow), representing a 2.8x EBITDA multiple
- Deferred consideration of \$4.5 million paid over two equal annual instalments of \$2.25 million (funded by cash flow)
- Initial consideration funded by existing cash and debt funding
- Earn-out of up to \$1 million per annum for the next two years, subject to EBITDA of \$4.5 million and \$5 million, respectively
- Option to take as cash or shares at a share price of \$0.40 per share and \$0.60 per share, respectively

In relation to the Natform acquisition we are very pleased to welcome Margaret and the Natform team to the Acrow

"Acrow has a sound and robust Risk Management Framework to identify, assess and manage risk.

family. We are especially excited by the opportunity to considerably grow the revenues of both business through working together. One of the major factors in the decision to acquire Natform was the opportunity to package services and provide one-stop solutions for common customers across both the commercial and civil sectors.

## Business risks

Acrow has a sound and robust Risk Management Framework to identify, assess and manage risk.

The most external significant risks that may materially adversely affect Acrow's business strategy are listed below.

### Construction industry downturn

As a service provider to the construction industry, financial performance is highly reliant on the level of activity within the industry. This activity can be cyclical and sensitive to a number of factors beyond the control of the Group. Any downturn in the construction industry is likely to have a significant effect on future financial performance.

### Industrial relations

Acrow operates within a highly unionised industry. Many staff are employed on Enterprise Bargaining Agreements negotiated through various industrial associations. Acrow endeavours to maintain amicable relationships with relevant unions and has not been the subject of any industrial disputes in recent years, however there are no assurances that Acrow will not experience industrial action in the future. A lengthy union dispute and industrial action would cause the financial performance of Acrow to suffer.

### Changes in government policies

Acrow's customers operate in industries such as infrastructure that are highly influenced by capital expenditure policies of both federal and state governments which are beyond its control. Any changes in government spending policies that adversely affect Acrow's customers could reduce demand for Acrow's products and services and impact revenue.

### Safety and industrial accidents

Acrow's products and services are subject to safety related risk. Acrow provides 'wet hire' solutions in its scaffold business. This includes the provision of labour to assemble and dismantle scaffolding at heights in dangerous environments such as construction sites. Whilst most of the labour is provided through sub-contractors, Acrow is not absolved in its obligations under the Work Health and Safety ACT 2011. The risk is also amplified by the fact that Acrow cannot control the safety practices of its customers. This increases Acrow's exposure to workplace injury claims. Acrow takes preventative measures, however, there is no guarantee that accidents or unsafe operations will not occur to its staff or third parties. A serious accident may negatively impact the financial performance and or financial position of the Group.

### Reliance on third party suppliers

Acrow relies on third party suppliers in its business operations.

Acrow provides wet hire solutions, mostly labour through sub-contractors and the manufacturing process itself is outsourced to third parties.

If key suppliers were to cease their relationships with Acrow there would be significant disruption to its business whilst Acrow arranges replacement suppliers. This could have a material impact on its financial performance.

### Competition

Increased competition could result in price reductions, under-utilisation of equipment and personnel which could reduce operating margins and result in loss of market share. This may adversely affect the Group's financial performance.

## Outlook

The continued strength of the east coast civil infrastructure market as well as signs of reinvestment in the resources sector in Western Australia gives us great confidence that this should continue and that we are clearly on the right strategic path. The acquisition of Natform broadens Acrow's product range servicing the commercial sector and potentially civil. Leveraging the combined capability will be a strong focus. The business will continue to invest in growth capital to capitalise on the strength of the civil market. Low debt position, financial facility headroom and strong operating cash flows provide financial flexibility in this regard. Acrow will continue to assess complementary bolt on acquisition opportunities. Revenue growth remains a key objective, while also improving margins and ensuring operating cash flow growth.

**Steven Boland**
**CEO**

# FY2018 Reconciliation of Statutory Accounts to Underlying EBITDA

As a result of the acquisition, the consolidated FY2018 results presented in the Financial Accounts includes only 3 months of trading of Acrow Holdings Pty Ltd and its wholly owned subsidiary Acrow Formwork and Scaffolding Pty Ltd. A reconciliation of the Statutory Accounts to the underlying Group results are provided below.

A summary of the Underlying Group EBITDA is provided in the below table.

| Y/E 30 June 2018, $000 | FY15A | FY16A | FY17A | FY18A |
|---|---|---|---|---|
| **Summary P&L** | | | | |
| Formwork Hire | 12,625 | 10,960 | 12,669 | 15,583 |
| Scaffold Hire | 11,493 | 13,395 | 14,393 | 14,297 |
| Residential | 8,627 | 10,334 | 10,360 | 7,684 |
| Labour & Cartage | 17,603 | 16,023 | 12,243 | 13,643 |
| Formwork Sales & Consumables | 11,335 | 13,203 | 12,671 | 14,137 |
| **Total Revenue** | **61,684** | **63,915** | **62,336** | **65,344** |
| Formwork Hire | 12,625 | 10,960 | 12,669 | 15,583 |
| Scaffold Hire | 11,493 | 13,395 | 14,393 | 14,297 |
| Residential | 3,802 | 4,401 | 4,426 | 3,384 |
| Labour & Cartage | 2,597 | 2,308 | 1,852 | 2,128 |
| Formwork Sales & Consumables | 3,069 | 3,403 | 3,196 | 3,939 |
| **Total Contribution** | **33,587** | **34,466** | **36,536** | **39,331** |
| Contribution Margin | 54.4% | 53.9% | 58.6% | 60.2% |
| Yard Related Expenses | (11,585) | (12,213) | (11,333) | (12,160) |
| Labour | (13,704) | (12,828) | (12,453) | (12,515) |
| Other | (5,200) | (4,175) | (3,835) | (3,860) |
| Holding Company Costs(2) | n/a. | n/a. | n/a. | (260) |
| **Total Overheads** | **(30,489)** | **(29,216)** | **(27,620)** | **(28,795)** |
| Restructure Costs and Provisions(1) | (290) | (530) | (625) | (536) |
| **Reported EBITDA** | **2,808** | **4,719** | **8,291** | **10,000** |
| **Underlying Acrow EBITDA(2)** | **3,098** | **5,249** | **8,915** | **10,796** |
| Margin | 5.0% | 8.2% | 14.3% | 16.5% |
| Holding Company Costs(3) | n/a | n/a | n/a | (192) |
| **Underlying Group EBITDA** | **3,098** | **5,249** | **8,915** | **10,604** |

Note:

(1) Unaudited and based on management accounts. Restructuring costs consist of redundancy, branch relocation, duplicate rents, other non-recurring costs associated with the business restructure.

(2) FY18A excludes costs of being a public company, including listing and director fees, to allow for comparability.

(3) Represents recurring costs for Acrow

| FY18A Reconciliation of Statutory Accounts to Underlying EBITDA | |
|---|---|
| Net Profit | 10,511 |
| Gain on Bargain Purchase | (10,825) |
| ACF (NMG) Full Year | 2,540 |
| **Q4 Net Profit** | **2,225** |
| Depreciation | 446 |
| Finance Costs | 76 |
| **Q4 EBITDA** | **2,747** |
| March 2018 YTD EBITDA | 7,512 |
| Significant Items | 536 |
| **FY18A Underlying EBITDA** | **10,796** |

# Business Summary



| | Activities | FY18 Commentary |
|---|---|---|
| Acrow Formwork | • Provides a range of wall forming panel, soffit forming and conventional systems for large and small construction equipment<br>• Dry hires formwork equipment and provides the product that forms the temporary mould to support concrete structures during construction<br>• Dry hires falsework equipment used to support suspended horizontal structures during construction<br>• Products are manufactured overseas and imported<br>• Generates revenue through dry hire agreements that are typically based on a price per tonne per week, or price per cubic metre per week | • Growing project pipeline driven by increasing exposure to the east coast civil infrastructure market<br>• Well-funded to meet customer demand in the formwork infrastructure sector<br>• Growth trajectory driven by higher margins<br>• Secured customer contracts in all states<br>• Driven principally by the demand for civil infrastructure and construction |

| | Activities | FY18 Commentary |
|---|---|---|
| Acrow Scaffolding | • Provides access solutions to builders and building contractors when working at heights<br>• Generates revenue through both dry hire and wet hire agreements<br>• Dry hire agreements are typically based on a price per tonne per week, over a minimum of 4 weeks<br>• Wet hire agreements are typically based on a contract sum encompassing equipment hire, transport, labour provisions and supply of consumables | • Scaffold products Cuplok, SuperCuplok, and Surelok brands and modular multi-purpose scaffolding<br>• Focus on dry hire rather than wet hire continues to drive margins<br>• Driven principally by the demand for building construction<br>• Provided at all branches except Perth |

## Acrow Formwork

### FY19 Strategy

- Continued focus on east coast civil infrastructure construction, particularly transport-related projects
- Strong pipeline of transport infrastructure projects including, but not restricted to, the Pacific Highway upgrade, NorthConnex, WestConnex, Toowoomba 2nd range, Gateway Motorway North, Western Distributor Melbourne, Perth Freight Link, Kingsford Smith Drive and Sydney Metro North West

## Acrow Scaffolding

### FY19 Strategy

- Improved project pipeline in non-east coast states
- Industrial/ mining sector opportunities
- Continue to improve relationships with major national builders
- Focus on projects requiring specialised engineering skills
- Increase dry hire through strategic partnerships
- Capitalise on synergies from the Netform acquisition

# Business Summary (continued)



| | Activities | FY18 Commentary |
|---|---|---|
| Acrow Residential | - NSW and Victoria-based operations focused on providing scaffold equipment, labour and cartage services to the detached housing and small residential markets<br>- Solutions offered on both a wet and dry basis<br>- In Victoria contracts are a combination of formal fixed term contracts/ agreements and short-term hire agreements<br>- In NSW dry hire agreements are based on a price per tonne per week, over a minimum of 4 weeks | - Focused on growing market share in NSW and Victoria<br>- In Victoria, contracts are based on a fixed linear meter rate per house based on a 4-5 week hire period, with extras applied depending on scaffold complexity and additional hire<br>- In NSW, no formal contracts are in place with major builders, however there are long term relationships with key customers |

| | Activities | FY18 Commentary |
|---|---|---|
| Natform | - Leading designer and hirer of screen systems for the construction industry<br>- Provides screen-based formwork systems which support the construction of commercial and residential high-rise buildings and civil infrastructure<br>- Dry-hire model offering highly-engineered solutions for a wide range of customers<br>- Engineering capabilities provide a key competitive advantage | - Geographically concentrated in NSW, ACT and Queensland markets<br>- Engineering team based in Sydney<br>- Operational sites in Sydney and Brisbane<br>- Focus on commercial high-rise construction industry<br>- Equipment is targeted to be a superior pre-packaged solution to competitors<br>- Strong track record of stable earnings and growth<br>- High margin business, generating about 70% contribution margin and approximately 50% EBITDA margin |

**Acrow Residential**

**FY19 Strategy**

- Continued focus on increasing market share in NSW and Victoria
- Extend relationships with existing key customers
- Improved project pipeline
- Improve hire rates

**Natform**


**FY19 Strategy**

- Continue to pursue a developed pipeline of opportunities in the commercial high-rise construction industry which is enjoying strong growth
- Capitalise on revenue synergies on Natform jobs, e.g. formwork and scaffold assets and commercial high rise; and on Acrow civil infrastructure projects
- Expand into new geographic markets in Victoria, South and Western Australia and Tasmania
- Extend competitive advantage through combining engineering teams
- Focus on innovation and new product development

# The Acrow Difference




## PACIFIC HIGHWAY – WOOLGOOLGA TO BALLINA – HARWOOD BRIDGE

The Harwood Bridge upgrade over the Clarence river forms part of the larger $4.36 billion Woolgoolga to Ballina Pacific Highway connecting Sydney and Brisbane. This is one of the largest road infrastructure projects in NSW.

During April 2016 Acciona Ferrovial Joint Venture was awarded the tender to design and build the new 1.5 km bridge. Acrow Formwork & Scaffolding provided an innovative solution for the columns and headstocks that pushed the boundaries of conventional formwork.

> "Harwood Bridge was a complex design and supply project that took Acrow out of its comfort zone and pushed the boundary into more complex temporary works to provide an all in one solution. Through design and coordination we were able to provide the client with a simple and efficient system that was safe to use with the majority of issues resolved though meticulous planning before work began."

**Matthew Caporella**
Acrow National Manger – Engineering Operations

Acrow provided a full turn key solution including the design and supply of four 170m$^2$ table systems, using custom fabricated steel and proprietary formwork. Each table had to support loads up to 50 tonnes. Over 150 lineal meters of custom steel circular column formwork were designed and supplied, and the program included coordination and supply of over 70 custom-fabricated elements and 350 hours of design time, including 3D modelling and constructability methods. Acrow products used include Acrow Supercuplock, Acrow Slimlite and SlimMax Soldiers, and custom fabricated steel and proprietary formwork.

> "Our experience with Acrow Formwork has been of the highest level, both from the design development stage to the delivery, installation and ongoing service of our major temporary formwork systems for all bridge components; including major column and headstocks in both the land and marine environment."

**Edward McPhillips**
Area Manager – Acciona and Ferrovial Joint Venture

# Acrow Safety

Safety is paramount to Acrow, particularly due to the high consequence nature of incidents that can occur when working at heights. While our overall operational safety remained strong, unfortunately we didn't meet all our targets on safety with our lost time injuries increasing from five to six during the FY18 year. We are currently in a transitioning phase and improving safety will remain a priority throughout the year ahead.

Compared to the industry that we serve, our results are better than average and none of our lost time injuries were serious in nature. However, our goal remains to have zero injuries and we will continue to improve the safety of all Acrow workplaces.

Our goal during FY18 was to develop a healthy and sustainable safety culture. We enhanced our data capture systems throughout the year, helping to improve accuracy. Our staff record incidents and now also record non-injury related incidents, such as poorly loaded and unbalanced vehicles. Loaded vehicles returning from site can be difficult, and potentially dangerous. Using this data, we have been able to establish an effective system to educate transport subcontractors and clients on the need to properly load and balance transportation vehicles. This has improved the safety of our employees and clients by delivering physical protection around vehicles and truck hazards.

During the year we also established a number of key initiatives which will continue to strengthen our safety culture. These include:

- The establishment of a National Work, Health and Safety Committee. The committee facilitates co-operation in instigating, developing and carrying out measures to improve the health and safety of all workers. This committee comprises state managers, staff safety leaders and is chaired by the company's CEO;
- The revision of transport guidelines which specifically detail loading requirements and reasonability legislation; and
- The appointment of a National Engineering Quality and Compliance Manager to drive risk mitigation by ensuring our equipment and process meet quality control and compliance standards.

In the year ahead, we will continue with safety process improvement projects, as well as driving cultural change through safety leadership activities. In FY19, we expect our safety initiatives to reduce injuries across all our operations and we remain committed to ensuring all our employees come home uninjured, every day.




# Board of Directors & Key Management Team

## Mr Peter Lancken

**Non-Executive Chairman**

Peter has a career spanning over 25 years in a range of executive and director roles in equipment hire, industrial, and real estate companies. He was formerly the Managing Director and Non-Executive Chairman of Kennards Hire Pty Limited. Peter managed an era of growth spanning two decades at Kennards, with sales now exceeding $380million from a network of over 170 locations, and remains on the Board as a Non-Executive Director.

Peter is also the Non-Executive Chairman of Propertylink Group (ASX:PLG) and Non-Executive Chairman of Crimestoppers NSW.

Peter holds a Bachelor of Engineering (Civil) degree from the University of New South Wales, is a Fellow of the Institute of Engineers Australia and is a member of the Australian Institute of Company Directors.

## Mr Steven Boland

**Executive Director**

Steven joined Acrow in 2013 and since then has served as its Chief Executive Officer. Steven was previously the CEO of the Melbourne Rebels Rugby Club and was responsible for the start-up phase of a Super Rugby professional sporting team. Previously, from 2004 to 2010, Steven served as the Global Executive Director (Recycling) of Visy Industries, and from 2002 to 2004, Steven was the Executive Director (Commercial Waste) of Veolia Environment UK.

## Mr Michael Hill

**Non-Executive Director**

Mike is a former partner of Ernst & Young and Investment Director with the private equity firm Ironbridge from 2004 to 2014. He has also served on boards across numerous industries including technology, software services, retail, healthcare, media, waste services, tourism, hospitality and manufacturing.

Mike is a founder and Managing Director of the Bombora Special Investment Growth Fund and is currently the Non-Executive Chairman of AHAlife Holdings Limited, Rhipe Limited and Janison Education Group Limited.

Mr Hill has a Bachelor of Arts Degree (Accountancy) from the University of South Australia and is a member of the Australian Institute of Chartered Accountants.

## Mr Gregg Taylor

**Non-Executive Director**

Gregg has 20 years of international business experience in financial markets, technology, sports administration, media and retail. Gregg is an Executive Director of Bombora Investment Management, a boutique investment house and currently serving on the Board of Cronulla Sharks Rugby League Football Club and Cronulla Sharks Leagues Club. Gregg has founded and managed multiple global operating businesses in sports, retail and media sectors.

Gregg has a Bachelor of Commerce Degree from University of Wollongong and was a CFA Charter holder.

## Mr Joshua May

**Non-Executive Director**

Joshua is a Chartered Accountant and transaction advisory specialist, with over 20 years' experience in Corporate Finance, and is a currently an Executive Director at Bombora Investment Management. Joshua has broad corporate advisory experience gained over many years and through various economic cycles. Transaction themes have included M&A, private equity, entrepreneurial clients seeking growth capital, succession planning for large established private businesses, and sale of non-core assets for large corporations. His industry experience is broad across healthcare, construction related products and services, mining, food, consumer and retail industries.

Joshua has a Bachelor of Arts Degree (Accountancy) from the University of South Australia and is a member of the Australian Institute of Chartered Accountants.

### Mrs Margaret Prokop

**Executive Director**

Previous proprietor of Natform businesses. Margaret is a qualified engineer, she has successfully led Natform for many years. Natform is now the leading designer and hirer of screen systems for the construction industry.

## Key Management Team

### Steven Boland

**Chief Executive Officer**

As above.

### David Williams

**Chief Financial Officer**

David joined Acrow in 2013, bringing more than a decade of experience, particularly in waste management and environmental services.

His previous roles include NSW General Manager Finance in the Recycling Division of Visy Industries, and Head of Finance (UK) of the Commercial & Recycling Division of Veolia Environment Services UK.

### Robert Caporella

**National Formwork Manager and General Manager (QLD)**

Robert has been working with Acrow since 1994 and is currently the National Formwork Manager and General Manager, overseeing operations in Queensland and South Australia.

### Colin Fisher

**General Manager (VIC & TAS)**

Colin is the National Operations Manager at Acrow, having previously worked at Honeywell Business Solutions as a General Manager.

Prior to Honeywell Business Solutions he worked at Visy Industries as the General Manager, and as the National Operations Manager at Onyx UK Limited.

### Tony Lyons

**General Manager (NSW)**

Tony joined Acrow in 2013 and is currently the General Manager for operations in New South Wales.

His prior roles include Business Manager at Polytrade Recycling, General Manager at Visy Recycling, and General Management roles at Veolia Environmental Services.

### Conan Godrich

**General Manager (WA)**

Conan brings a decade of experience with Acrow and is currently the General Manager for WA operations.

His prior roles include Account Manager (Gnangara Operations) at Rinker Australia, and Sales and Customer Service at OneSteel Reinforcing.

Mr Godrich holds a Bachelor of Commerce from Murdoch University and a Degree in Project Management from Curtin University of Technology.

### Jeffery Stewart

**National Sales & Marketing Manager**

Jeffery joined Acrow in 2011 and is currently the National Sales and Marketing Manager.

His prior roles include Regional Manager and director for Atlas Steels in New Zealand, National Market Development Manager at Atlas Specialty Metals, and Market Development Manager for Smorgon Steels Metals Distribution.

### Ranji Premaratne

**National Engineering Quality and Compliance Manager**

Ranji originally joined Acrow in 2005 and rejoined as the National Engineering Manager in 2015.

His prior experiences include Head of Temporary Works Engineering at Laing O'Rourke, Senior Structural Engineer at Robert Bird & Partners, and Senior Structural Engineer at Taylor Thompson Whiting.

Mr Premaratne holds a Masters Degree in Structural Engineering, and is a Fellow of Engineers Australia and a Chartered Engineer in civil and structural disciplines.

### Joe Cerritelli

**General Manager, Human Resources & Safety**

Joe joined Acrow in 2014 and is currently the General Manager for Health and Safety.

His prior roles include National Safety and Compliance Manager at G4S Australia, and Team Leader in Industrial Relations and Safety at Catholic Education Commission of Victoria.

# Financial Report





# Directors' Report
for the year ended 30 June 2018



The directors present their report, together with the Annual Financial Report for Acrow Formwork and Construction Services Limited (Acrow or the Company) and its controlled entities, for the year ended 30 June 2018, and the Auditor's Report thereon.

Acrow (the "Company") was formerly known as NMG Corporation Limited, its name changed on 26 March 2018 preceding the acquisition of Acrow Holdings Pty Ltd and its wholly owned subsidiary Acrow Formwork & Scaffolding Pty Ltd on the following day.

## DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

| | Date of Appointment |
|---|---|
| Peter Lancken (Chairman) | 27 March 2018 |
| Steven Boland (Chief Executive Officer) | 27 March 2018 |
| Michael Hill (retired Chairman, 26 Mar 18) | 24 December 2015 |
| Gregg Taylor | 11 August 2017 |
| Joshua May | 27 March 2018 |
| Brett Chenoweth (retired Executive Director, 27 Mar 18) | 24 December 2015 |
| Jonathan Pager (retired 8 Dec 17) | 24 December 2015 |
| Margaret Prokop | 31 August 2018 |

Information on the current directors is presented in the Annual Report on page 16. This information includes the qualifications, experience and special responsibilities of each director.

## COMPANY SECRETARY

The Company Secretarial function is responsible for ensuring that the Company complies with its statutory duties and maintains proper documentation, registers and records. It also provides advice to directors and officers about corporate governance and gives practical effect to any decisions made by the Board.

Mr Andrew Whitten of Whittens & McKeough Pty Ltd was the Company Secretary until his resignation on 13 August 2018. Mr Lee Tamplin from Whittens & McKeough Pty Ltd was appointed as Company Secretary from on the same day.

Andrew is a corporate lawyer with a particular focus on small cap ASX listed companies. Over the past decade Andrew has been involved in dozens of backdoor listings and IPOs on the ASX across a wide range of industry sectors, with an emphasis on technology, health & medical and mining companies.

Lee Tamplin has 20 years' experience in financial services in both Australia and the UK. He is Company Secretary for a number of ASX listed, NSX listed and proprietary companies. Lee holds BA (Hons) Financial Services, Bournemouth University United Kingdom, Diploma of Financial Planning, Graduate of the Australian Institute of Company Directors, Member of the Governance Institute of Australia and is a Member of the Australian Institute of Company Directors.

# Directors' Report

for the year ended 30 June 2018

## DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year 2018 are:

| | Board of Directors | | Remuneration Nomination Committee | | Audit and Risk Committee | |
|---|---|---|---|---|---|---|
| | No. held | No. attended | No. held | No. attended | No. held | No. attended |
| Peter Lancken (Chairman) | 2 | 2 | 1 | 1 | – | – |
| Steven Boland (Chief Executive Officer) | 2 | 2 | 1 | 1 | – | – |
| Michael Hill (retired Chairman, 26 Mar 18) | 4 | 3 | 1 | 1 | – | – |
| Gregg Taylor | 3 | 3 | 1 | 1 | – | – |
| Joshua May | 2 | 2 | 1 | 1 | – | – |
| Brett Chenoweth (retired Executive Director, 27 Mar 18) | 2 | 1 | – | – | – | – |
| Jonathan Pager (retired 8 Dec 17) | 2 | 2 | – | – | – | – |

Mr Michael Hill is the Chair of the Remuneration and Nomination Committee and Mr Joshua May is the Chairman of the Audit and Risk Committee.

Due to the acquisition of Acrow Holdings, management resources have been dedicated to the due diligence and integration of the business. Audit and Risk Committee meetings commenced in early FY19.

## PRINCIPAL ACTIVITIES

Acrow operates in the Australian construction services industry, hiring formwork, falsework and scaffolding and undertaking sales of certain formwork equipment and consumables.

The Formwork operation involves the supply of the temporary mould that supports concrete structures in their construction. Scaffolding involves the supply of access solutions to builders and building contractors when working at heights.

## REVIEW OF OPERATIONS

The Group's operations during half year ended 31 December 2017 were primarily dedicated to the renewal of the Group's Ghanaian exploration tenements, developing an exploration program and considering investment in other projects.

On 21 March 2018, the Group entered into a conditional binding option agreement with AusGold Ghana Limited, an unlisted Ghanaian company, under which the Company has granted an option to AusGold to acquire a 100% legal and beneficial interest in Acrow's wholly owned subsidiary, Noble Mineral Resources Ghana Ltd, which owns the Company's exploration and evaluation assets in Ghana. The option is exercisable by 30 November 2018.

The acquisition of Acrow Holdings completed on 27 March 2018 was immediately followed by re-listing on Australian Security Exchange on 9 April 2018, under the issuer code: ACF. NMG was previously suspended from quotation on 28 August 2017 due to insufficient operations.

Since the acquisition of Acrow Holdings, the principal activities of the Company became construction related.

Acrow is a leading hirer of formwork and scaffolding systems to large construction and civil infrastructure providers. Acrow operates a national network of scaffolding and formwork branches with seven locations in six states and employs approximately 150 staff. In its formwork business, Acrow provides 'dry hire' solutions for formwork equipment that forms the temporary mould to support concrete structures in their construction and also sells formwork equipment and consumables. It also dry hires falsework equipment that is used to support suspended horizontal structures during their construction. In its scaffolding business, Acrow supplies scaffolding systems on both ‘dry hire’ (equipment only) and ‘wet hire’ (equipment and labour) basis.

Further information is contained in the Chairman and Managing Director’s Review on pages 2 to 7 of this Annual Report.

## OPERATING RESULTS

Refer to the Managing Directors Report on pages 4 to 7 of this Annual Report.

## DIVIDENDS

No dividends were declared or paid during the year ended 30 June 2018.

The Company declared unfranked dividend of 0.5 cents per share amounting to $877,288 on 28 August for payment on 22 October 2018. The Dividend Reinvestment Plan (DRP) is optional for interested participants. The financial effect of the 2018 dividend will be recognised in the subsequent financial year as it was declared after 30 June 2018.

## ENVIRONMENTAL REGULATIONS

Acrow’s operations are not subject to significant environmental regulations under the Commonwealth of Australia and State/Territory legislation. The Board believes that Acrow has adequate systems in place to manage its environmental responsibilities and is not aware of any breach of regulations.

The Group is also subject to environmental regulation in respect of its exploration activities in Ghana but not aware of any breach of those regulations.

## NON-AUDIT SERVICES

Stantons International was the auditor of the listed entity until its resignation on the 24 August 2018. KPMG was appointed to fill the vacancy.

KPMG has performed non-audit services in addition to its statutory duties for the Acrow business. The Board has considered the non-audit services provided during the year by the auditor was minimal, and the Board is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit Committee to ensure that they do not impact the integrity and objectivity of the auditor; and all the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor’s own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG and its related practices for audit and non-audit services, and Stantons International, during the year are set out below:

| **In dollars** | **2018** | **2017** |
|---|---|---|
| Audit of the financial report – KPMG | 172,838 | – |
| – Stanton’s International | 57,468 | 23,000 |
| Taxation services – KPMG | 27,598 | – |
| **Total amount paid or payable** | **257,904** | **23,000** |

# Directors’ Report

for the year ended 30 June 2018



## SIGNIFICANT CHANGES TO THE STATE OF AFFAIRS

Capital raising at the re-listing amounted to $27.2 million through the issue of 136,000,000 ordinary shares at $0.20 each. A further $2.2 million of capital was issued during the year to provide additional working capital, to convert debt and on exercise of share options.

Pursuant to the Share Sales Agreement between Acrow Holdings and NMG, a total debt of $23.3 million was repaid in full to Anchorage Capital Partners.

## REMUNERATION REPORT

Information on Acrow’s remuneration framework and the outcomes for FY18 for the Group is included in the Remuneration Report section of this Annual Report.

## SHARE RIGHTS

At the date of this report, Acrow had 18,500,000 share options and rights outstanding. The options and rights relate to grants of deferred equity to directors and employees under the Long-Term Incentive Plan have a range of vesting dates through to December 2022. These options and rights are unvested and subject to various conditions and performance hurdles.

3,750,000 options (post-consolidation) converted to shares during the financial year at $0.20 per share.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

For information about likely developments in the operations of the Company, refer to the Chairman and Managing Director’s Review on pages 2 to 7 of this Annual Report.

## INDEMNIFICATION OF OFFICERS

Under the terms of Article 35 of the Company’s Constitution, and to the extent permitted by law, the Company has indemnified the directors of the Company named in this Directors’ report, the Company Secretaries, and other persons concerned in or taking part in the management of Acrow. The indemnity applies when persons are acting in their capacity as officers of the Company in respect of:

- Liability to third parties (other than the Company or related bodies corporate), if the relevant officer has acted in good faith; and
- Costs and expenses of successfully defending legal proceedings in which relief under the Corporations Act 2001 is granted to the relevant officer.

## INSURANCE PREMIUMS

During the financial year, the Company paid a premium for a Directors’ and Officers’ Liability Insurance policy. The insurance provides cover for the directors named in this Directors’ report, the Company Secretary, and officers and former directors and officers of the Company. The insurance also provides cover for present and former directors and officers of other companies in the Group.

## EVENTS SUBSEQUENT TO THE REPORTING DATE

On 31 August 2018 the Group acquired 100% of Natform Pty Ltd and Natform (QLD) Pty Ltd, a provider of screen-based formwork systems which support the construction of commercial and residential high-rise buildings and civil infrastructure in the NSW, ACT and Queensland markets.

residential high-rise buildings and civil infrastructure in the NSW, ACT and Queensland markets.

Total consideration for the acquisition is $15 million, with further $2 million potential earn-out in the next two years. Further details are set out in note 34 to the financial statements.

Margaret Prokop, previous Director of Natform companies has been appointed to the Board of Acrow adhering to the Sales Purchase Agreement.

For dividends declared subsequent to 30 June 2018, refer note 20 to the financial statements.

Other than the matter noted above, there has not arisen in the interval between the end of the financial year and the date of this Directors' report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of Acrow, the results of those operations, or the state of affairs of Acrow in future financial years.

## LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 24 and forms part of the Directors' report for the financial year ended 30 June 2018.

Dated at Sydney this 28th day of September 2018.

Signed in accordance with a resolution of the directors.

**Peter Lancken**
Chairman

**Steven Boland**
Director, Chief Executive Officer

# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

## To the Directors of Acrow Formwork and Construction Services Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Acrow Formwork and Construction Services Limited for the financial year ended 30 June 2018 there have been:

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

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

KPMG

KPMG

Greg Boydell
*Partner*

Sydney
28 September 2018

# Remuneration Report – Audited
for the year ended 30 June 2018

## 1 LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE

I am delighted to bring you this Remuneration Report following the acquisition of the Acrow business in March 2018. In preparing this report we have sought to assure shareholders that their Board is applying a high standard of governance to both remuneration and disclosure practices, consistent with the high standards of the Board.

The development of remuneration policies and practices that meet the needs of the Company and expectations of stakeholders as circumstances evolve is challenging. To that end the Remuneration Committee will continue to review and seek feedback on remuneration practices from a range of sources including independent advisors, shareholders and other stakeholders. We invite our shareholders to write to the Remuneration Committee to provide feedback in this regard.

During the FY18 reporting period the Remuneration Committee has focussed on the performance of executives in delivering the prospectus outcomes. We have also begun to engage external advisors to support the committee to identify those areas of remuneration policies, procedures and practices that will require change and improvement, following delivery of the prospectus commitments.

Michael Hill

Independent Non-Executive Director
Chair of the Remuneration Committee

## 2 SCOPE OF THE REMUNERATION REPORT AND INDIVIDUALS CLASSED AS KMP

The Remuneration Report sets out the prescribed key management personnel (KMP) remuneration information and details in accordance with section 300A of the Corporations Act and associated regulations, including policies, procedures, governance, and factual practices as required.

In addition, Acrow Formwork and Construction Services Limited (Acrow, the Company) has decided to set out such further information as shareholders may require for them to obtain an accurate and complete understanding of the Company's approach to the remuneration of Key Management Personnel (KMP).

KMP are the non-executive directors, the executive directors and employees who have authority and responsibility for planning, directing and controlling the activities of the consolidated entity. On that basis, the following roles/individuals are addressed in this report:

### Non-executive Directors (NEDs)

- Mr Peter Lancken, independent non-executive Chairman since 27 March 2018,
- Mr Michael Hill, independent non-executive director since 27 March 2018, Chair of the Rem & Nom Committee,
- Mr Joshua May, independent non-executive director since 27 March 2018, Chair of the Audit & Risk Committee, and
- Mr Gregg Taylor, independent non-executive director since 11 August 2017.

### Senior Executives Classified as KMP During the Reporting Period

- Mr Steven Boland, Chief Executive Officer (CEO) & Executive Director since 27 March 2018,
- Mr David Williams, Chief Financial Officer (CFO) since 27 March 2018,
- Mr Robert Caporella, National Formwork Manager and General Manager Queensland since 1 February 2018,
- Mr. Michael Hill, Executive Chairman, from 24 December 2015 to 26 March 2018,
- Mr. Jonathan Pager, Finance Director, from 24 December 2015 to 8 December 2017, and
- Mr. Brett Chenoweth, Executive Director, from 24 December 2015 to 27 March 2018,

## 3 CONTEXT OF KMP REMUNERATION FOR FY18 AND INTO FY19

### 3.1 Relevant Context for Remuneration Governance during FY18 – unaudited

The KMP remuneration structures that appear in this report are largely those that prevailed over FY18, as is required by regulation, but also address expectations for FY19, to some extent.

# Remuneration Report – Audited

for the year ended 30 June 2018



The Board has undertaken to further develop remuneration governance, policies and practices applied to KMP of the Company, as well as other employees, as the commitments outlined in the prospectus are delivered and the business matures. The following outlines important context for the decisions that were made in relation to remuneration for/during FY18, the outcomes of which are presented in this report.

- The Company relisted on 9 April 2018, having successfully completed the capital raising process,
- The Company is focussed on delivering the prospectus commitments to deliver value for those shareholders who participated in the float or who have become shareholders since, and implementing the strategy including:
  - Seeking to replicate the Group's Queensland civil infrastructure success
  - Near term capital expenditure to acquire equipment for deployment in civil infrastructure market
  - Actively pursuing acquisitions to accelerate growth in the civil infrastructure and formwork market
- As outlined in the prospectus, prior to listing, the Company entered into arrangements with KMP suitable to the context of a public listing being undertaken. Some of these past practices are recognised as being less well suited to the future of a listed Company and will be reviewed and may be discontinued going forward. Those issues that the Board has recognised as needing to be reviewed include:
  - the participation of NEDs in Performance Rights plans, and a NED Fee Sacrifice Equity Plan could be considered as an alternative, which would not have any performance or service conditions, nor any exercise price obligations,
  - the diversity of instruments used under the LTI plan could be reviewed, and perhaps reduced to Performance Rights only, with a three-year measurement period, to be granted annually creating a framework for continuous improvement, and linked to indicators of sustainable long-term value creation for shareholders (perhaps including both internal and external measures),
  - the simple short-term incentive bonus plan, which could be replaced with a documented target-based short-term incentive plan involving KPIs at the group, business unit and role level, and subject to financial performance outcomes linked to the budget process,
  - calibration of both short and long term incentives by applying defined Threshold, Target and Stretch concepts consistently, placing a range around expected performance outcomes that are challenging but achievable and ensuring a framework that has both up-side and down-side for Participants (both at-risk remuneration, and incentive), and
  - the overall quantum and structure of KMP remuneration which could be benchmarked against the ASX market.

## 4 OVERVIEW OF ACROW'S REMUNERATION GOVERNANCE FRAMEWORK & STRATEGY

### 4.1 Transparency and Engagement

The Company seeks input regarding the governance of KMP remuneration from a wide range of sources, including:

- Shareholders and other stakeholders,
- Remuneration Committee Members,
- External remuneration consultants (ERCs),
- Other experts and professionals such as tax advisors and lawyers, and
- Company management to understand roles and issues facing the Company.

The following outlines a summary of Acrow's Remuneration Framework, including policies and practices to the extent developed. Shareholders can access a number of the related documents by visiting the investors portal on the Company website www.acrow.com.au. It is recommended that shareholders, proxy advisors and other interested parties consider all the available information.

### 4.2 Remuneration Committee Charter

The Remuneration Committee Charter (the Charter) governs the operation of the Remuneration Committee (the Committee). It sets out the Committee's role and responsibilities, composition, structure and membership requirements. The purpose of the Committee is to assist the Board by:

- Establishing appropriate processes regarding the review of the performance of directors, committees and the Board, and implementing them,
- Reviewing and making recommendations to the Board in relation to the remuneration packages of Senior

Executives and non-executive directors, equity-based incentive plans and other employee benefit programs,

- Developing policies, procedures and practices that will allow the Company to attract, retain and motivate high calibre executives, and
- Ensuring a framework for a clear relationship between key executive performance and remuneration.

The Committee has the authority to obtain outside legal or other professional advice or assistance on any matters within its terms of reference.

Acrow recognises the importance of ensuring that any recommendations given to the Committee provided by remuneration consultants are provided independently of those to whom the recommendations relate. Further information about the parameters under which external remuneration consultants are engaged is provided below.

## 4.3 Senior Executive Remuneration Policy

The Company's senior executive remuneration policy may be summarised as follows:

- Remuneration for senior executives should be composed of:
  - Fixed Package inclusive of superannuation, allowances, benefits and any applicable fringe benefits tax (FBT),
  - Variable remuneration which is at-risk, creating opportunity for the Company to pay less than the planned remuneration when performance expectations have not been met, and which is partly an incentive to reward executives for meeting or exceeding expectations, including:
    - Short Term Incentive (STI) or Bonus opportunity which provides a reward for performance against annual objectives, and
    - Long Term Incentive (LTI) which provides an equity-based reward for performance against indicators of shareholder benefit or value creation, over a multi-year period, and
  - In total the sum of the elements will constitute a total remuneration package (TRP).
- Both internal relativities and external market factors should be considered,
- Total remuneration packages (TRPs, which include Fixed Package and incentives) should be structured with reference to market practices, the practices of competitors for talent, and the circumstances of the Company at the time,
- Remuneration will be managed within a range so as to allow for the recognition of individual differences such as the calibre of the incumbent and the competency with which they fulfil a role (a range of +/- 20% is specified in line with common market practices), and
- Termination benefits will generally be limited to the default amount allowed for under the Corporations Act (without shareholder approval).

Due to the recent acquisition of the Acrow business and re-listing of the Group, the Board is still formulating the target remuneration mix for future years.

Changes to remuneration resulting from annual reviews are generally to be determined in relation to:

- external benchmarking, and/or market movements,
- whether current remuneration for the incumbent is above or below the policy midpoint/benchmark – those below the midpoint will tend to receive higher increases,
- the competence of the incumbent in fulfilling their role which determines their positioning within the policy range – higher calibre incumbents are intended to be positioned higher in the range, and
- any changes to internal relativities related to role/ organisation design that have occurred since the previously review.

## 4.4 Non-executive Director Remuneration Policy

The Non-executive Director remuneration policy applies to non-executive directors (NEDs) of the Company in their capacity as directors and as members of committees, and may be summarised as follows:

- Remuneration may be composed of:
  - Board fees,
  - Committee fees,
  - Superannuation,
  - Other benefits, and
  - Equity (if appropriate at the time, such as in the lead-up to the re-listing).
- Remuneration will be managed within the aggregate fee limit (AFL) or fee pool approved by shareholders of the Company as part of the listing, noting that equity does not count towards the AFL unless cash remuneration is sacrificed for a grant of equity, refer section 9.
- The Board may seek adjustment to the AFL in the case of the appointment of additional NEDs, or should

the AFL become insufficient to attract or retain the appropriate calibre of NEDs,

- Remuneration should be reviewed annually,
- Committee fees may be used to recognise additional contributions to the work of the Board by members of committees in circumstances that the workload of the Board is not equally shared,
- The Board Chair fee will be set as a multiple of the fees payable to other NEDs, in recognition of the additional workload associated with this role.

## 4.5 Short-Term Incentive Policy

The short-term incentive policy of the Company is that an annual component of executive remuneration should be at-risk and allow the Company to modulate the cost of employment to align with individual and Company performance while motivating value creation for shareholders:

- The STI should be paid in cash and deferral should not apply since there is a separate component of remuneration (the LTI) which is intended to address long term outcomes,
- Non-executive directors are excluded from participation,
- A termination of employment will trigger a forfeiture of some or all of unearned STI entitlements depending upon the circumstances of the termination. The Board retains discretion to trigger or accelerate payment or vesting of incentives provided the limitation on termination benefits as outlined in the Corporations Act are not breached.
- Short term awards are linked to the main drivers of value creation at the group, business unit or individual level, as may be appropriate to the role and subject to Board decision.

## 4.6 Long-Term Incentive Policy

The long-term incentive policy of the Company is that a component of remuneration of executives should be at-risk and linked to equity in the Company to ensure that the interests of executives are aligned with those of shareholders, and share risk with shareholders:

- The LTI should be based on Performance Rights or Options (which may include Loan Funded Shares arrangements) that produce a benefit for Participants when performance objectives are met (which may include increasing Share price),
- The measurement period for long term incentives should be at least two years,
- A termination of employment will trigger a forfeiture of some or all of the long-term incentives held by an executive in respect of which performance conditions and hurdles have not yet been met, depending upon the circumstances of the termination. The Board retains discretion to trigger or accelerate payment or vesting of incentives provided the limitation on termination benefits as outlined in the Corporations Act are not breached.

## 4.7 Securities Trading Policy

The Company's Securities Trading Policy applies to Directors and executives classified as KMP (including their relatives and associates), those employees working closely with KMP, employees nominated by the Board, or any other employee holding inside information. It sets out the guidelines for dealing in any type of Company Securities by persons covered by the policy, and the requirement for the Company to be notified within 2 business days of any dealing. It also summarises the law relating to insider trading which applies to everyone at all times. Under the current policy, those covered by the policy may not trade during a "blackout period" or when they hold inside information (subject to exceptional circumstances arrangements, see the policy on the Company website). The following periods in a year are "blackout periods" as defined in the policy:

- 2 weeks prior to the release of the Company's quarterly results or half year results,
- From the financial year balance date until 24 hours following the release of the Company's preliminary full year results (Appendix 4E) as long as such results are audited,
- Within 24 hours of release of price sensitive information to the market, and
- another date as declared by the Board ("ad-hoc").

## 4.8 Executive Remuneration Consultant Engagement Policy and Procedure

The Company intends to adopt a set of executive remuneration engagement policy and procedure to manage the interactions between the Company and ERCs, to ensure their independence and that the Remuneration Committee will have clarity regarding the extent of any interactions between management and the ERC. This policy enables the Board to state with confidence whether the advice received has been independent, and why that view is held. The Policy states that ERCs are to be approved and engaged by the Board before any advice is received, and that such advice may only be provided to a non-executive director. Interactions between management and the ERC must be approved and will be overseen by the Remuneration Committee when appropriate. Refer to section 13.

## 4.9 Variable Executive Remuneration – The Short Term Incentive Bonus Plan

| Short Term Incentive Plan (STIP) | |
|---|---|
| **Aspect** | **Plan, Offers and Comments** |
| Purpose | The short-term incentive bonus plan's purpose is to give effect to an element of remuneration. This element of remuneration reinforce a performance focussed culture, encourage teamwork and co-operation among executive team members and maintains a stable executive team by helping retain key talent. These objectives aim to be achieved by a simple plan that rewards participants for their performance during a 12 month period. |
| Measurement Period | The Company's financial year (12 months). For the year ended 30 June 2018, the measurement period was from 27 March to 30 June 2018 following the acquisition of the Acrow business. |
| Award Opportunities | The CEO was offered an opportunity of up to 50% of Fixed Package which is based on achieving a range of measurable KPI's which are predominately based on achieving EBITDA targets and strategic goals including debt reduction, working capital improvement and meeting safety standards. For other KMP Executives, their individual KPI's are determined by the CEO in collaboration with the Board. |
| Performance Assessments and Award Outcomes | Performance assessments are undertaken by the CEO in relation to other Senior Executives who then make recommendations to the Board, and by the Board in relation to the CEO. The Board has discretion to vary the recommendations of the CEO in determining final award outcomes. |
| Award Payment | Assessments and award determinations are performed following the end of the Measurement Period and the auditing of Company accounts. Awards will generally be paid in cash in the September following the end of the Measurement Period. They are to be paid through payroll with PAYG tax and superannuation deducted as appropriate. Deferral has not been introduced due to the mix of short-term and long-term incentives being appropriately weighted. |
| Cessation of Employment During a Measurement Period | In the event of cessation of employment due to dismissal for cause, all entitlements in relation to the Measurement Period are forfeited.<br><br>In the event of cessation of employment due to resignation, all entitlements in relation to the Measurement Period are forfeited, unless the termination is classified as "good leaver" in the discretion of the Board, in which case the Board may make an award at the time of the termination, or assess outcomes at the normal time, following the termination. |
| Change of Control | In the event of a Change of Control including a takeover the Board has discretion regarding the treatment of short term incentive bonus opportunities. |
| Fraud, Gross Misconduct etc. | If the Board forms the view that a Participant has committed fraud, defalcation or gross misconduct in relation to the Company then all entitlements in relation to the Measurement Period will be forfeited by that participant. |

## 4.10 Variable Executive Remuneration – Long Term Incentive Plan (LTIP) – Performance Rights, Options and Loan Funded Shares

| | Long Term Incentive Plan (LTIP) |
|---|---|
| **Aspect** | **Plan, Offers and Comments** |
| Purpose | The LTI Plan's purpose is to provide an element of at-risk remuneration that constitutes part of a market competitive total remuneration package and aims to ensure that Senior Executives have commonly shared goals related to producing relatively high returns for Shareholders. Other purposes of the LTI Plan are to assist Senior Executives to become Shareholders, provide a component of remuneration to enable the Company to compete effectively for the calibre of talent required for it to be successful and to help retain employees, thereby minimising turnover and stabilising the workforce such that in periods of poor performance the cost is lesser (applies to non-market measures under AASB2).<br><br>Currently the Company operates a Rights, Options and Loan funded shares for the purposes of the LTIP. |
| Form of Equity | The current plan includes the ability to grant the following Rights to Eligible Employees which includes Directors and employees as nominated by the Board:<br>❯ Share Awards,<br>❯ Performance Rights, which are subject to performance related vesting conditions, and which may be settled upon exercise by new issues or on market purchase of ordinary fully paid Shares,<br>❯ Options, which are subject to an exercise price, and which typically have no intrinsic value when granted (exercise price is around the Share price), creating an incentive to increase Share price and grow shareholder value. The Options may be settled as "Cashless Exercise" in which case on exercise of the Options the Company will only allot and issue or transfer that number of Plan Shares to the Participant that are equal in value to the difference between the Exercise Price otherwise payable in relation to the Options and the then market value of the Plan Shares as at the time of the exercise. Options may also be subject to performance related vesting conditions, and<br>❯ Share Purchase Loans, whereby the Company provides a non-recourse, interest free loan to executives to acquire fully paid ordinary shares, with an associated obligation to repay the lesser of the loan amount and the value of the Shares at the end of the term of the loan. This functions effectively the same as an Option, with no intrinsic value at the time the arrangement is made, however participants hold Shares at an earlier stage.<br><br>No dividends accrue to unvested Rights or Options, and no voting rights are attached, however dividends do accrue to Loan Funded Shares (along with voting entitlements) which must be put towards repayment of the Loan if any amount is outstanding. |
| Plan Limit | Unless prior Shareholder Approval is obtained, the number of Awards which may be granted under this Plan (assuming all Options and Performance Rights were exercised) must not at any time exceed in aggregate 10% of the total Issued Capital of the Company at the date of any proposed new Awards. |

| Long Term Incentive Plan (LTIP) | |
|---|---|
| **Aspect** | **Plan, Offers and Comments** |
| LTI Value | The Board retains discretion to determine the LTI to be offered each year, subject to shareholder approval in relation to Directors, when the Rights are to be settled in the form of a new issue of Company shares. The Board may also seek shareholder approval for grants to Directors in other circumstances, at its discretion.<br>**FY18 Invitations**<br>The Chairman was granted the following:<br>› Performance Rights: 2,625,000 units with a fair value of $525,000<br>› Options: 350,000 units with a fair value of $28,175, and<br>› Loan Funded Shares: 525,000 units with a fair value of $56,228.<br>The NEDs were granted the following:<br>› Performance Rights: 3,150,000 units with a fair value of $630,000<br>› Options: 820,000 units with a fair value of $65,464, and<br>› Loan Funded Shares: 630,000 units with a fair value of $67,473.<br>The CEO was granted the following:<br>› Performance Rights: 2,550,000 units with a fair value of $510,000<br>› Options: 340,000 units with a fair value of $27,370, and<br>› Loan Funded Shares: 510,000 units with a fair value of $54,621.<br>Other senior executives were granted the following:<br>› Performance Rights: 2,231,250 units with a fair value of $446,250<br>› Options: 297,500 units with a fair value of $23,949 and<br>› Loan Funded Shares: 446,250 units with a fair value of $47,793<br>**FY19 Invitations**<br>No decision in regard to changing the LTIP or extending invitations to other staff have been made for FY19. |

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| | Long Term Incentive Plan (LTIP) |
|---|---|
| **Aspect** | **Plan, Offers and Comments** |
| Measurement Period | The Measurement Period is determined by the Board as part of each grant. The FY18 grants were appropriate to the circumstances of the listing of Acrow, however they will be reviewed in respect of FY19 and going forward, to gauge alignment with broader market practices.<br>**FY18 Invitations**<br>› Performance Rights: a term of 2 years applies. However, the service condition is 2 years and the performance condition must be achieved by 30 June 2019 for Rights to vest, otherwise they will lapse at the end of their term,<br>› Options: a term of 3 years applies and if the performance conditions and hurdle are not met within that time, they will lapse,<br>› Loan Funded Shares: a term of 5 years applies to the loans, and the performance condition and hurdle may be satisfied at any time during the 5 years from the date of grant.<br>**FY19 Invitations**<br>The Measurement Period applicable to each instrument was under review at the time of writing of this report, with regards to market expectations in relation to long term incentive performance periods.<br>**Comments**<br>Three-year Measurement Periods combined with annual grants will produce overlapping cycles that will promote a focus on producing long term sustainable performance/value improvement and mitigates the risk of manipulation and short-termism (continuous improvement). Because of the timing of grants, the life of the Right may be less than 3 years at times, however this does not impact the Measurement Period over which performance is measured. |

| Long Term Incentive Plan (LTIP) | |
|---|---|
| **Aspect** | **Plan, Offers and Comments** |
| Performance, Vesting and Forfeiture Conditions | The Board has discretion to set Vesting, Performance and Forfeiture Conditions and for each Invitation. When such conditions are not met, the entitlement lapses.<br>**FY18 Invitations**<br>Except as indicated below, a participant must remain employed by the Company during the Measurement Period and the performance conditions must be satisfied for LTI to vest.<br>The following conditions apply to the grants of FY18 LTI made to Directors and Executives as noted above:<br>› Performance Rights: vesting is subject to continued service for a period of 2 years from 27 March 2018, and a hurdle of the Company's EBITDA exceeding $11,000,000 for the year ending 30 June 2019,<br>› Options: vesting is subject to continued service for a period of 2 years from 27 March 2018, and a hurdle of the 20-day volume weighted average price of the Company's shares trading on the ASX exceeding 40 cents at any time during 3 years from 27 March 2018 (i.e. 100% increase in the share price compared to the grant calculation date),<br>› Loan Funded Shares: vesting is subject to continued service for a period of 2 years from 27 March 2018, and a hurdle of the 20-day volume weighted average price of the Company's shares trading on the ASX exceeding 40 cents at any time during the 5 years from 27 March 2018 (i.e. 100% increase in the share price compared to the grant calculation date).<br>**FY19 Invitations**<br>As at the time of writing of this report, the vesting scales applied to the LTI for future offers were subject to review for adjustment in light of the Company's current circumstances.<br>**Comments**<br>The performance hurdles were selected because they were linked to delivery of the prospectus (Performance Rights) and wealth creation for shareholders (Loan Funded Shares and Options), which are the long-term objectives that the Board views as most critical for the KMP to focus on at this time. |
| Retesting | Retesting is not contemplated under the Plan Rules. |
| Amount Payable for Grants | The target value of LTI is included in assessments of remuneration benchmarking and policy positioning. No amount is payable by participants for grants of Performance Rights or Options. An Acquisition Price will apply in respect of grants of Loan Funded Shares (with an accompanying loan) and may also apply to grants of Share Awards, which may or may not have Vesting Conditions. Any loan must be repaid prior to the end of the Loan Term, up to the Market Value of the Loan Funded Shares (non-recourse).<br>For the FY18 grant, Loan Funded Shares were offered at a price of 20c each, being the share price at the time of the grant calculation, and a loan for this amount was provided to the Participant for this amount in respect of each Loan Funded Shares acquired. |

| Long Term Incentive Plan (LTIP) | |
|---|---|
| **Aspect** | **Plan, Offers and Comments** |
| Exercise of Grants | Participants will be required to submit an Exercise Notice in respect of Options, in order to convert them to Shares, as well as the payment of the Exercise Price in respect of each Option exercised. For the FY18 grant, the exercise price is 20c, which was the share price at the time of the grant calculation.<br><br>Performance Rights will be automatically exercised on the date the Vesting Notification which will be issued if he performance conditions and hurdles are met. No amount is payable by KMP on the exercise of Performance Rights. |
| Disposal Restrictions etc. | Options and/or Performance Rights granted under this Plan may not be assigned, transferred, encumbered with a Security Interest in or over them, or otherwise disposed of by a Participant, unless the consent of the Board is obtained, or due to the force of law in the case of the death of a Participant. The Board has discretion to determine the disposal restrictions attaching to Share Awards, Loan Funded Shares or Plan Shares (resulting from vesting and exercise of grants) as part of the Invitation terms. |
| Cessation of Employment | In the event of cessation of employment in the circumstances of a “Bad Leaver” (resignation or termination for cause), all unvested entitlements will be forfeited. In other circumstances, the treatment of unvested awards will be dealt with as determined by the Board.<br><br>In the case of outstanding loans related to Loan Funded Shares, a Bad Leaver must repay the loan by the date of the cessation of employment. In other cases of termination, the Participant will have six months from the date of the termination, to repay the loan. If these requirements are not satisfied the Loan Shares are surrendered. |
| Change of Control of the Company (CoC) | If in the opinion of the Board a change of control event has occurred, or is likely to occur;<br><br>a) Performance Rights granted will vest to the extent that the performance period has elapsed, and to the extent performance conditions have been met (may involve a pro-rata calculation), with the remainder lapsing,<br><br>b) Options may be subject to accelerated vesting in the sole discretion of the Board, and<br><br>c) Share Awards or Loan Funded Shares which do not vest will automatically be surrendered by the Participant, and any that do not lapse and which are subject to an outstanding loan will be subject to the requirement of the loan being repaid by the date of the CoC. |
| Fraudulent or Dishonest Actions | If the Board takes the view that a Participant has acted fraudulently, dishonestly, or wilfully breaches their duties to the group, the Board has discretion to determine that unvested or unexercised awards are forfeited. |

## 5 PROFORMA EXECUTIVE REMUNERATION FOR FY18 (NON-STATUTORY DISCLOSURE) – UNAUDITED

The disclosures required under the Corporations Act (including regulations) and prepared in accordance with applicable accounting standards, do not provide shareholders with an understanding of the intended remuneration in a given year. For example, the LTI disclosed is not reflective of the remuneration opportunity for the year being reported on, due to the requirements of AASB2. Therefore, the following table is provided to ensure that shareholders have an accurate understanding of the Board's intention regarding the remuneration offered to executives during FY18. The values presented reflect the remuneration for a full year i.e. ignoring any part-year reporting impact.

| Position | Incumbent | Fixed Package including Super | Target STI | LTI Opportunity | Total Value of Package |
|---|---|---|---|---|---|
| Executive Director and Chief Executive Officer | Steven Boland | $500,000 | $250,000 | $591,991 | $1,341,991 |
| Chief Financial Officer | David Williams | $303,890 | $57,000 | $192,397 | $553,287 |
| National Formwork Manager and General Manager QLD | Robert Caporella | $350,000 | $66,000 | $325,595 | $741,595 |

## 6 VESTED/AWARDED INCENTIVES AND REMUNERATION OUTCOMES IN RESPECT OF THE COMPLETED FY18 PERIOD (NON-STATUTORY DISCLOSURE)

The statutory disclosure requirements and accounting standards make it difficult for shareholders to obtain a clear understanding of what the actual remuneration outcomes for executives were in relation to a given reporting period. The following table brings these outcomes back to the year of performance outcome to which the award outcome relates, and which is the reporting period, ie. LTI is presented as being part of the remuneration for the year during which performance testing was completed.

| | | STI and LTI Outcomes | | | | | |
|---|---|---|---|---|---|---|---|
| Position | Incumbent | Fixed Package inclu-ding Super* | Actual STI** | STI vested % | STI forfeited % | LTI Value*** | Total Value of Package |
| Executive Director and Chief Executive Officer | Steven Boland | $125,012 | $55,000 | 88% | 12% | No vesting in terms of FY18 | $180,012 |
| Chief Financial Officer | David Williams | $75,973 | $13,000 | 91% | 9% | No vesting in terms of FY18 | $88,973 |
| National Formwork Manager and General Manager QLD | Robert Caporella | $87,500 | $16,500 | 100% | 0% | No vesting in terms of FY18 | $104,000 |

* Being the remuneration from 27 March to 30 June 2018.

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

*** No LTI vested in relation to FY18 being completed, therefore the values realised in relation to LTI grants was nil.

With Steven Boland (CEO), STI is capped at 50% of his package. For the period between April to June 2018, 88% of the STI was vested 12% forfeited. For David Williams (CFO) and Robert Caporella (National Formwork Manager and General Manager QLD), STI's are based on achieving individual KPIs and performance targets.

Details regarding the assessments of performance that gave rise to the short-term incentive bonus outcomes for FY18 are given below.

# 7 PERFORMANCE OUTCOMES FOR FY18

## 7.1 Company Performance

The following outlines the performance of the Company over the FY16 and FY18 period in accordance with the requirements of the Corporations Act:

| Corporate Performance Measures | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | ST change in Shareholder Value over 1-year value (SP increase + Dividends) | |
| FY End Date | Revenue | Profit/ (loss) after Tax | Share Price | Change in Share Price | Dividends | Amount | % |
| 30 June 2018 | $15,556,061 | $10,510,658 | $0.290 | $0.170 | Nil | $0.170 | 142% |
| 30 June 2017 | $0 | $(613,395) | $0.120 | $(0.06) | Nil | $(0.06) | (33%) |
| 30 June 2016 | $0 | $8,468,607 | $0.180 | n/a | Nil | n/a | n/a |

The Company was not listed between July 2013 to April 2016 and hence no further historical results provided.

## 7.2 Links Between Performance and Reward Including STI and LTI Determinations

The remuneration of executive KMP is intended to be composed of three parts as outlined earlier, being:

- Fixed Package, which is not intended to vary with performance, but which tends to increase as the scale of the business increases (i.e. following success),
- STI which is intended to vary with indicators of annual Company and individual performance, and
- LTI which is also intended to deliver a variable reward based on long-term measures of Company performance.

The STI achieved in relation to FY18 was paid after the end of the period (i.e. during FY19). This level of award was considered appropriate under the STI process as it stood at the time, and strongly linked to performance.

Following the end of FY18, reports on the Company's activities during the year were prepared for the Board. The Board then assessed the extent to which expectations had been met or exceeded in relation to the Company and each role, to calculate the total award payable. This method of performance assessment was chosen because under the circumstances of capital raising and with the Company's business plans needing to be responsive to unexpected circumstances, it was not deemed appropriate to set KPIs for FY18. The Board takes the view that revenue, profit and strategy implementation aligned with the prospectus are the main drivers of value creation for shareholders at this time.

During the reporting period, grants of equity were made in relation to the LTI scheme as part of remuneration for FY18 but did not vest due to the presence of the long-term measurement period and vesting conditions that are yet to be completed/assessed. As well as performance-based Rights, Options and Loan Funded Shares were made, and details are given elsewhere in this report in relation to changes in equity interests such as these.

## 7.3 Links Between Company Strategy and Remuneration

The Company intends to attract the superior talent required to successfully implement the Company's strategies at a reasonable and appropriately variable cost by:

- positioning Fixed Packages (the fixed element) around relevant market data benchmarks when they are undertaken,
- supplementing the Fixed Package with at-risk remuneration and incentives that motivate executive focus on:
  - short to mid-term objectives linked to the strategy via annual performance assessments, and
  - long term value creation for shareholders by linking a material component of remuneration to those factors that shareholders have expressed should be the long-term focus of executives and the Board, such as share price appreciation.

To the extent appropriate, the Company links strategic implementation and measures of success of the strategy, directly to incentives in the way that performance is assessed.

# 8 KMP EQUITY

## 8.1 Number of equities granted as remuneration

The following tables outline the changes in the amount of equity held by executives and non-executive directors.

**Executives:**

| | | Number Held at 1 July 2017 | Granted FY18 | | Forfeited | Purchased/ Other | Number Held at 30 June 2018 |
|---|---|---|---|---|---|---|---|
| Name | Instrument | Number | Date Granted | Number | Number | Number | Number |
| Steven Boland | Escrowed Shares | – | | – | – | 1,000,000 | 1,000,000 |
| | Loan Shares | – | 27-Mar-18 | 510,000 | – | – | 510,000 |
| | Options | – | 27-Mar-18 | 340,000 | – | – | 340,000 |
| | Performance Rights | – | 27-Mar-18 | 2,550,000 | – | – | 2,550,000 |
| | Unrestricted Shares | – | | – | – | – | – |
| David Williams | Escrowed Shares | – | | – | – | – | – |
| | Loan Shares | – | 27-Mar-18 | 165,750 | – | – | 165,750 |
| | Options | – | 27-Mar-18 | 110,500 | – | – | 110,500 |
| | Performance Rights | – | 27-Mar-18 | 828,750 | – | – | 828,750 |
| | Unrestricted Shares | – | | – | – | 75,000 | 75,000 |

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| Name | Instrument | Number Held at 1 July 2017 | Granted FY18 | | Forfeited | Purchased/ Other | Number Held at 30 June 2018 |
|---|---|---|---|---|---|---|---|
| | | Number | Date Granted | Number | Number | Number | Number |
| Robert Caporella | Escrowed Shares | – | | – | – | – | – |
| | Loan Shares | – | 27-Mar-18 | 280,500 | – | – | 280,500 |
| | Options | – | 27-Mar-18 | 187,000 | – | – | 187,000 |
| | Performance Rights | – | 27-Mar-18 | 1,402,500 | – | – | 1,402,500 |
| | Unrestricted Shares | – | | – | – | 500,000 | 500,000 |
| **TOTALS** | | **–** | | **6,375,000** | **–** | **1,575,000** | **7,950,000** |

**NEDS:**

| Name | Instrument | Number Held at 1 July 2017 | Granted FY18 | | Forfeited | Vested and Exercised | Purchased/ Other | Number Held at 30 June 2018 |
|---|---|---|---|---|---|---|---|---|
| | | Number | Date Granted | Number | Number | Number | Number | Number |
| Peter Lancken | Escrowed Shares | – | | – | – | – | 5,000,000 | 5,000,000 |
| | Loan Shares | – | 27-Mar-18 | 525,000 | – | – | – | 525,000 |
| | Options | – | 27-Mar-18 | 350,000 | – | – | – | 350,000 |
| | Performance Rights | – | 27-Mar-18 | 2,625,000 | – | – | – | 2,625,000 |
| | Unrestricted Shares | – | | – | – | – | – | – |
| Michael Hill | Escrowed Shares | – | | – | – | – | 750,000 | 750,000 |
| | Loan Shares | – | 27-Mar-18 | 90,000 | – | – | – | 90,000 |
| | Options | 1,163,334 | 27-Mar-18 | 60,000 | – | (780,000) | – | 443,334 |
| | Performance Rights | – | 27-Mar-18 | 450,000 | – | – | – | 450,000 |
| | Unrestricted Shares | 1,233,050 | | – | – | 780,000 | 651,109 | 2,664,159 |

| Name | Instrument | Number Held at 1 July 2017 | Granted FY18 | | Forfeited | Vested and Exercised | Purchased/ Other | Number Held at 30 June 2018 |
|---|---|---|---|---|---|---|---|---|
| | | Number | Date Granted | Number | Number | Number | Number | Number |
| Gregg Taylor | Escrowed Shares | – | | – | – | – | 250,000 | 250,000 |
| | Loan Shares | – | 27-Mar-18 | 90,000 | – | – | – | 90,000 |
| | Options | – | 13-Dec-17 | 400,000 | – | – | – | 400,000 |
| | Options | – | 27-Mar-18 | 60,000 | – | – | – | 60,000 |
| | Performance Rights | – | 27-Mar-18 | 450,000 | – | – | – | 450,000 |
| | Unrestricted Shares | 26,250 | | – | – | – | – | 26,250 |
| Joshua May | Escrowed Shares | – | | – | – | – | 750,000 | 750,000 |
| | Loan Shares | – | 27-Mar-18 | 450,000 | – | – | – | 450,000 |
| | Options | – | 27-Mar-18 | 300,000 | – | – | – | 300,000 |
| | Performance Rights | – | 27-Mar-18 | 2,250,000 | – | – | – | 2,250,000 |
| | Unrestricted Shares | – | | – | – | – | – | – |
| Brett Chenoweth (resigned 27 Mar 18) | Escrowed Shares | – | | – | – | – | – | – |
| | Loan Shares | – | | – | – | – | – | – |
| | Options | 1,163,334 | | – | – | (780,000) | – | 383,334 |
| | Performance Rights | – | | – | – | – | – | – |
| | Unrestricted Shares | 1,233,050 | | – | – | 780,000 | 361,841 | 2,374,891 |
| Jonathan Pager (resigned 8 Dec 17) | Escrowed Shares | – | | – | – | – | – | – |
| | Loan Shares | – | | – | – | – | – | – |
| | Options | 300,000 | | – | – | (175,000) | – | 125,000 |
| | Performance Rights | – | | – | – | – | – | – |
| | Unrestricted Shares | 640,000 | | – | – | 175,000 | 361,841 | 1,176,841 |
| **TOTALS** | | **5,759,018** | | **8,100,000** | **–** | **–** | **8,124,791** | **21,983,809** |

* Escrowed shares: A total of 7,750,000 paid up ordinary shares, consisting of three equal tranches of 2,583,333 were issued for cash to KMP on 27 March 2018. These shares are restricted from selling until September 2018, February 2020 and September 2020 respectively and each KMP holds one third of their escrowed shares in each tranche.

** Unrestricted shares: paid-up ordinary shares, no disposal restrictions.

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## 8.2 Value of equities granted as remuneration

The tables below present the number of Loan Shares, Options and Performance Rights granted to executives and non-executive directors. No options or rights vest if the conditions are not satisfied, hence the minimum value is nil. The maximum value of the grants has been determined is the fair value of the awards at grant date that is yet to be expensed.

### Executives:

| 2018 Equity Grants | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Role | Type | Grant Date | Expiry Date | Fair Value per Unit | Total Value at Grant | Value Expensed in FY18 | Max Value to be Expensed in Future Years |
| Steven Boland | Executive Director and Chief Executive Officer | Loan Shares | 27-Mar-18 | 27-Mar-23 | 0.1071 | $54,621 | $10,014 | $44,607 |
| | | Options | 27-Mar-18 | 27-Mar-21 | 0.0805 | $27,370 | $5,018 | $22,352 |
| | | Performance Rights | 27-Mar-18 | 27-Mar-21 | 0.2000 | $510,000 | $93,506 | $416,494 |
| David Williams | Chief Financial Officer | Loan Shares | 27-Mar-18 | 27-Mar-23 | 0.1071 | $17,752 | $3,255 | $14,497 |
| | | Options | 27-Mar-18 | 27-Mar-21 | 0.0805 | $8,895 | $1,631 | $7,264 |
| | | Performance Rights | 27-Mar-18 | 27-Mar-21 | 0.2000 | $165,750 | $30,389 | $135,361 |
| Robert Caporella | National Formwork Manager and General Manager (QLD) | Loan Shares | 27-Mar-18 | 27-Mar-23 | 0.1071 | $30,042 | $5,508 | $24,534 |
| | | Options | 27-Mar-18 | 27-Mar-21 | 0.0805 | $15,054 | $2,760 | $12,294 |
| | | Performance Rights | 27-Mar-18 | 27-Mar-21 | 0.2000 | $280,500 | $51,428 | $229,072 |
| **TOTALS** | | | | | | **$1,109,983** | **$203,509** | **$906,474** |

**NEDs:**

| 2018 Equity Grants Name | Role | Type | Grant Date | Expiry Date | Fair Value per Unit | Total Value at Grant | Value Expensed in FY18 | Max Value to be Expensed in Future Years |
|---|---|---|---|---|---|---|---|---|
| Peter Lancken | Independent Non-executive Chairman | Loan Shares | 27/3/18 | 27/3/23 | 0.1071 | $56,228 | $10,309 | $45,918 |
| | | Options | 27/3/18 | 27/3/21 | 0.0805 | $28,175 | $5,166 | $23,009 |
| | | Performance Rights | 27/3/18 | 27/3/21 | 0.2000 | $525,000 | $96,256 | $428,744 |
| Michael Hill | Independent Non-executive Director | Loan Shares | 27/3/18 | 27/3/23 | 0.1071 | $9,639 | $1,767 | $7,872 |
| | | Options | 27/3/18 | 27/3/21 | 0.0805 | $4,830 | $886 | $3,944 |
| | | Performance Rights | 27/3/18 | 27/3/21 | 0.2000 | $90,000 | $16,501 | $73,499 |
| Gregg Taylor | Independent Non-executive Director | Loan Shares | 27/3/18 | 27/3/23 | 0.1071 | $9,639 | $1,767 | $7,872 |
| | | Options | 13/12/17 | 13/12/20 | 0.0708 | $14,169 | $14,169 | $0 |
| | | Options | 13/12/17 | 13/12/22 | 0.0874 | $17,485 | $17,485 | $0 |
| | | Options | 27/3/18 | 27/3/21 | 0.0805 | $4,830 | $886 | $3,944 |
| | | Performance Rights | 27/3/18 | 27/3/21 | 0.2000 | $90,000 | $16,501 | $73,499 |
| Joshua May | Independent Non-executive Director | Loan Shares | 27/3/18 | 27/3/23 | 0.1071 | $48,195 | $8,836 | $39,359 |
| | | Options | 27/3/18 | 27/3/21 | 0.0805 | $24,150 | $4,428 | $19,722 |
| | | Performance Rights | 27/3/18 | 27/3/21 | 0.2000 | $450,000 | $82,505 | $367,495 |
| Brett Chenoweth (resigned 27 Mar 18) | Executive Director | Loan Shares | – | – | – | – | – | – |
| | | Options | – | – | – | – | – | – |
| | | Performance Rights | – | – | – | – | – | – |
| Jonathan Pager (resigned 8 Dec 17) | Finanace Director | Loan Shares | – | – | – | – | – | – |
| | | Options | – | – | – | – | – | – |
| | | Performance Rights | – | – | – | – | – | – |
| **TOTALS** | | | | | | **$1,372,340** | **$277,461** | **$1,094,878** |

# Remuneration Report – Audited

for the year ended 30 June 2018

## 9 NED FEE POLICY RATES FOR FY18 AND FY19, AND FEE LIMIT

Non-executive director fees are managed within the current annual fees limit (AFL or fee pool) of $500,000 which was approved by shareholders as part of the constitution of the Company during capital raising.

The following table outlines the NED fee policy rates that were applicable as at the end of FY18:

| Director | Director Fees/Executive Remuneration |
|---|---|
| Chairperson | $110,000 |
| Other | $70,000 |

## 10 REMUNERATION RECORDS FOR FY18 – STATUTORY DISCLOSURES

### 10.1 Senior Executive Remuneration

The following table outlines the remuneration received by Senior Executives of the Company prepared according to statutory disclosure requirements and applicable accounting standards:

**FY2018**

| | | Short Term | | | | | | Share based payments | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Role | Salary | STI | Non-cash | Sub-total | Post employ-ment | Other long term | Rights | Options | Total | % perf-ormance based |
| Steven Boland | Chief Executive Officer | $120,000 | $55,000 | $3,442 | $178,442 | $5,012 | $14,613 | $93,506 | $15,032 | $306,605 | 53% |
| David Williams | Chief Finance Officer | $70,960 | $13,000 | $3,244 | $87,204 | $5,012 | $6,622 | $30,389 | $4,886 | $134,113 | 36% |
| Robert Caporella | National Formwork Manager and General Manger QLD | $82,488 | $16,500 | $0 | $98,988 | $5,012 | $7,696 | $51,428 | $8,268 | $171,392 | 44% |

**FY2017**

| Name | Role | Short Term | | | | Post employment | Other long term | Share based payments | | Total | % performance based |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary | STI | Non-cash | Sub-total | | | Rights | Options | | |
| Michael Hill | Executive Chairman | $41,667 | $0 | $0 | $41,667 | $3,958 | $0 | $0 | $0 | $45,625 | 0% |
| Jonathan Pager | Finance Director | $27,250 | $0 | $0 | $27,250 | $0 | $0 | $0 | $0 | $27,250 | 0% |
| Brett Chenoweth | Executive Director | $27,250 | $0 | $0 | $27,250 | $0 | $0 | $0 | $0 | $27,250 | 0% |

## 10.2 NED Remuneration

Remuneration received by non-executive directors in FY18 is disclosed below:

| Name | Role | Short Term | Share based payments | | Total | % performance based |
|---|---|---|---|---|---|---|
| | | Board Fees | Rights | Options | | |
| Peter Lancken | Chairman | $27,500 | $96,256 | $15,475 | $139,231 | 0% |
| Michael Hill(i) | Independent NED | $147,722 | $16,501 | $2,653 | $166,876 | 0% |
| Gregg Taylor | Independent NED | $29,621 | $16,501 | $34,307 | $80,429 | 0% |
| Joshua May | Independent NED | $17,500 | $82,505 | $13,264 | $113,269 | 0% |
| Brett Chenoweth(ii) | Executive Director (resigned 27 Mar 18) | $97,368 | $0 | $0 | $97,368 | 0% |
| Jonathan Pager(iii) | Finance Director (resigned 8 Dec 17) | $72,368 | $0 | $0 | $72,368 | 0% |

(i) Including board Fees of $130,222 paid by the issue of 651,110 shares at $0.20 per share in lieu of cash.

(ii) Including board Fees of $72,368 paid by the issue of 361,840 shares at $0.20 per share in lieu of cash.

(iii) Board Fees of $72,368 were paid by the issue of 361,840 shares at $0.20 per share in lieu of cash.

No NED during the year end FY17.

# 11 EMPLOYMENT TERMS FOR KEY MANAGEMENT PERSONNEL

## 11.1 Service Agreements

A summary of contract terms in relation to executive KMP is presented below:

| | | | | Period of Notice | | |
|---|---|---|---|---|---|---|
| **Name** | **Position Held at Close of FY18** | **Employing Company** | **Duration of Contract** | **From Company** | **From KMP** | **Termination Payments** |
| Steven Boland | Executive Director and Chief Executive Officer | Acrow Formwork and Construction Services Limited | Open-ended | 6 months | 6 months | Up to 6 months' Total Remuneration* |
| David Williams | Chief Financial Officer | Acrow Formwork and Construction Services Limited | Open-ended | 6 months | 6 months | Up to 6 months' Total Remuneration* |
| Robert Caporella | National Formwork Manager and General Manager (QLD) | Acrow Formwork and Construction Services Limited | Open-ended | 6 months | 6 months | Up to 6 months' Total Remuneration* |

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

The treatment of incentives in the case of termination is addressed in separate sections of this report that give details of incentive design.

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation relevant to the office of the director. No contracts apply to the appointment of non-executive KMP.

# 12 OTHER REMUNERATION RELATED MATTERS

The following outlines other remuneration related matters that may be of interest to stakeholders, in the interests of transparency and disclosure:

- Other than in the case of grants of Loan Funded Shares, there were no loans to Directors or other KMP at any time during the reporting period, and
- Other transactions with KMP:

During the year, the Company engaged Bombora Group to provide advisory services. Bombora is owned equally by Messrs Hill, Everett, and Chenoweth. The Company paid Bombora $300,000 in 2018 (2017: $160,000).

The Company borrowed $800,000 from various parties which were associated with Peter Lancken (Chairman) and Brad Lancken (son of the Chairman) to enable the Company to meet various Acrow acquisition costs before the issue of share capital on 27 March 2018. The Company converted these loans to equity by issuing 4,000,000 shares at 20 cents each. In consideration for the loans, the lenders received interest in the total amount of $100,000 and a total arrangement fee of $40,000, which was applied to the subscription of New Shares under the Public Offer. The agreement also provided for the Company to pay a success fee of $150,000 to Mr Brad Lancken at completion of the transaction in consideration for assisting the Company in being the successful buyer of Acrow. These transactions were based on normal commercial terms and conditions.

## 13 EXTERNAL REMUNERATION CONSULTANT ADVICE

During the reporting period, the Board did engage an external remuneration consultant (ERC) to provide KMP remuneration recommendations.

The Board has adopted a policy to govern any such future engagements, the details of which will be disclosed in future Remuneration Reports should they arise.

The Board did seek the support of Godfrey Remuneration Group Pty Ltd in the preparation of this Remuneration Report, however this activity is not classifiable as KMP remuneration advice or recommendations.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| In dollars | Note | 2018 | 2017 |
|---|---|---|---|
| Revenue | 4 | 15,556,061 | – |
| Other income | 5 | 11,086,185 | – |
| Personnel expenses | | (6,398,775) | (198,336) |
| Sub-contract labour costs | | (3,575,132) | – |
| Inventory purchased, net of changes in finished goods | | (2,291,490) | – |
| Property costs | | (803,861) | – |
| Depreciation and impairment | | (445,754) | (13,253) |
| Other expenses | 6 | (2,402,890) | (404,719) |
| **Results from operating activities** | | **10,724,344** | **(616,308)** |
| Finance income | 7 | 34,076 | 2,913 |
| Finance cost | 7 | (247,762) | – |
| **Net finance expense** | | **(213,686)** | **2,913** |
| **Profit/(loss) before income tax** | | **10,510,658** | **(613,395)** |
| Income tax expense | 8 | – | – |
| **Profit/(loss) for the year** | | **10,510,658** | **(613,395)** |
| **Other comprehensive income** | | | |
| **Items that may be reclassified to profit or loss** | | | |
| Foreign operations – foreign currency translation differences | | (39) | 35,879 |
| **Total comprehensive income for the year** | | **10,510,619** | **(577,516)** |
| **Earnings per share** | | **Cents** | **Cents** |
| Basic and diluted earnings/(loss) per share | 22 | 19.28 | (3.91) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## As at 30 June 2018

| In dollars | Note | 2018 | 2017 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 9 | 4,917,837 | 480,720 |
| Other financial assets | 10 | 491,827 | – |
| Receivables | 11 | 10,548,983 | 11,562 |
| Inventories | 12 | 2,111,446 | – |
| Prepayments and other assets | | 125,106 | 11,621 |
| Assets held for sale | 13 | 67,650 | – |
| **Total current assets** | | **18,262,849** | **503,903** |
| Other financial assets | 10 | 311,583 | – |
| Property, plant & equipment | 14 | 31,710,998 | – |
| Exploration and evaluation assets | | – | 65,003 |
| **Total non-current assets** | | **32,022,581** | **65,003** |
| **Total assets** | | **50,285,430** | **568,906** |
| **Liabilities** | | | |
| Trade and other payables | 15 | 7,298,117 | 102,448 |
| Employee benefits | 16 | 3,095,040 | – |
| Liabilities held for sale | 13 | 62,508 | – |
| **Total current liabilities** | | **10,455,665** | **102,448** |
| Employee benefits | 16 | 331,597 | – |
| Provisions | 18 | 452,474 | – |
| **Total non-current liabilities** | | **784,071** | **–** |
| **Total liabilities** | | **11,239,736** | **102,448** |
| **Net assets** | | **39,045,694** | **466,458** |
| Share capital | | 29,377,927 | 1,865,819 |
| Reserves | | 679,297 | 122,827 |
| Retained earnings / (accumulated losses) | | 8,988,470 | (1,522,188) |
| **Total equity** | | **39,045,694** | **466,458** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| In dollars | Share capital | Share based payments reserve | Foreign currency translation reserve | Retained earnings/ (accumu-lated losses) | Total equity |
|---|---|---|---|---|---|
| Balance at 1 July 2016 | 1,865,819 | 62,460 | 20,446 | (908,793) | 1,039,932 |
| **Total comprehensive income for the year** | | | | | |
| Loss for the year | – | – | – | (613,395) | (613,395) |
| Other comprehensive income | – | – | 35,879 | – | 35,879 |
| **Total comprehensive income** | **–** | **–** | **35,879** | **(613,395)** | **(577,516)** |
| **Transactions with owners of the Company** | | | | | |
| Equity settled share based payments | – | 4,042 | – | – | 4,042 |
| Balance at 30 June 2017 | 1,865,819 | 66,502 | 56,325 | (1,522,188) | 466,458 |
| Balance at 1 July 2017 | 1,865,819 | 66,502 | 56,325 | (1,522,188) | 466,458 |
| **Total comprehensive income for the year** | | | | | |
| Profit for the year | – | – | – | 10,510,658 | 10,510,658 |
| Other comprehensive income | – | – | (39) | – | (39) |
| **Total comprehensive income** | **–** | **–** | **(39)** | **10,510,658** | **10,510,619** |
| **Transactions with owners of the Company** | | | | | |
| Shares issued net of costs | 26,760,233 | – | – | – | 26,760,233 |
| Equity settled share base payments | – | 558,384 | – | – | 558,384 |
| Options exercised | 751,875 | (1,875) | – | – | 750,000 |
| **Total transactions with owners of the company** | **27,512,108** | **556,509** | **–** | **–** | **28,068,617** |
| **Balance at 30 June 2018** | **29,377,927** | **623,011** | **56,286** | **8,988,470** | **39,045,694** |

# CONSOLIDATED STATEMENT OF CASH FLOW

| In dollars | Note | 2018 | 2017 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 17,341,219 | – |
| Payments to suppliers and employees | | (12,402,054) | (733,450) |
| Cash generated from operations | | 4,939,165 | (733,450) |
| Acquisition costs paid | | (968,185) | – |
| Finance income | 7 | 34,076 | 2,913 |
| **Net cash from operating activities** | **24** | **4,005,056** | **(730,537)** |
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of property, plant and equipment | | 338,154 | – |
| Purchase of property, plant and equipment | 14 | (1,086,382) | – |
| Consideration paid for controlled entities net of cash acquired | | (9,576) | – |
| **Net cash from investing activities** | | **(757,804)** | **–** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 27,400,000 | – |
| Capital raising costs | | (1,902,991) | – |
| Proceeds from exercise of options | | 750,000 | – |
| Proceeds from borrowings | | 800,000 | – |
| Repayment of borrowings | | (25,607,095) | – |
| Finance costs paid | 7 | (247,762) | – |
| **Net cash from financing activities** | | **1,192,512** | **–** |
| **Net increase/(decrease) in cash and cash equivalents** | | **4,439,764** | **(730,537)** |
| Effect of exchange rate movements on cash held | | (2,647) | 31,063 |
| Cash and cash equivalents at 1 July | | 480,720 | 1,180,194 |
| **Cash and cash equivalents at 30 June** | | **4,917,837** | **480,720** |

# Notes to the Financial Statements

for the year ended 30 June 2018

## 1. REPORTING ENTITY

Acrow Formwork and Construction Services Limited (Acrow or the Company) is formerly known as NMG Corporation Limited. The consolidated financial statements of Acrow for the year ended 30 June 2018 comprise of the Company and its controlled entities (the Group). The Group is a for-profit entity and is primarily involved in the hire and sale of formwork and construction related services. Acrow is a limited company incorporated and domiciled in Australia whose shares are quoted on the Australian Securities Exchange under the issuer code "ACF".

## 2. BASIS OF PREPARATION

### (a) Basis of accounting

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). They were authorised for issue by the Board of Directors on 26 September 2018. Details of the Group's accounting policies are included in Note 3.

Following the acquisition of Acrow Holdings Pty Ltd on 27 March 2018, the consolidated financial statements include that subsidiary's results from 27 March 2018 to 30 June 2018.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivatives that are measured at fair value.

### (c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Group's functional currency.

### (d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in:

- note 19 – utilisation of tax losses

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

#### (i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree ; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

### (ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

## (b) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for qualifying cash flow hedges to the extent the hedge is effective, which are recognised in other comprehensive income.

## (c) Financial instruments

### (i) Non-derivative financial assets

The Group initially recognises receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends to either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: receivables, cash and cash equivalents and other financial assets.

**Receivables**

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortised cost using the effective interest method, less any impairment losses.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less and are subject to an insignificant risk of changes in their fair value.

**Other financial assets**

Other financial assets comprise term deposits that are held as security over property leases.

### (ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

Financial liabilities comprise loans and borrowings, trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### (iii) Share capital

**Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

## (d) Property, plant and equipment

### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

## 3. Significant accounting policies (continued)

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see below). Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income / other expenses in profit or loss.

#### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives are as follows:

- buildings 50 years
- plant and equipment 3 – 20 years
- hire equipment 13 – 33 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

#### (iv) Hire equipment loss provision

A hire equipment loss provision is recognised to cover the expected loss of equipment on hire. The provision is based on historical experience of unrecoverable losses incurred on the return of hire equipment from customers.

### (e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### (f) Impairment

#### (i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise or indications that a debtor or issuer will enter bankruptcy.

**Receivables**

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU (or group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## (g) Employee benefits

### (i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

### (ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method.

### (iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

### (iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of

## 3. Significant accounting policies (continued)

past service provided by the employee and the obligation can be estimated reliably.

### (h) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### (i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

#### (ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

#### (iii) Make good

A provision for make good is measured at the present value of the cost of restoring leased properties at the conclusion of the lease.

### (i) Revenue

#### (i) Hire of equipment

Scaffolding and formwork equipment is rented to customers under operating leases. These rental periods are typically less than 6 months. Rental is most commonly on a “dry hire” basis but some arrangements include labour services. Revenue from the rental of scaffolding and formwork is recognised over the period the equipment is provided to the customer.

#### (ii) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually on delivery of the goods to the customer such that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

### (j) Finance income and finance costs

Finance income comprises interest income on funds deposited. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and, where material, the unwinding of the discount on provisions.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

### (k) Tax

Tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## (l) Exploration and evaluation assets

Exploration and evaluation expenditure relating to an area of interest is capitalised where exploration rights have been obtained. This expenditure is carried forward only to the extent that they are expected to be recouped through successful development and exploitation, or sale of the area, or where exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves and active exploration operations are continuing. This expenditure is not subject to amortisation but is assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

## (m) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities are recoverable from, or payable to, the ATO are classified as operating cash flows.

## (n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the Group's financial statements, except for:

- AASB 9 *Financial Instruments*, which becomes mandatory for the Group's 2019 financial statements. No significant impact on Acrow's financial performance or position, on transition date at 1 July 2018 is expected.
- AASB 15 *Revenue from Contracts* with Customers, which becomes mandatory for the Group's 2019 financial statements. We expect the majority of current revenue recognition practice to not be significantly impacted by the new standard. No significant impact on Acrow's financial performance or position, on transition date at 1 July 2018 is expected.
- AASB 16 *Leases*, which becomes mandatory for the Group's 2020 financial statements. Whilst work is yet to commence, this standard will ultimately result in a portion of the Group's operating leases being accounted for on balance sheet as a "right to use asset" and "lease liability" following adoption of the standard on 1 July 2019. The standard will also result in reclassification of operating lease expense into depreciation and finance expenses, and a reclassification of certain cash flows from operating into financing activities. The Group also acts as lessor in the rental of hire equipment but does not expect any impact form the new standard in relation to operating lease revenue. The Group does not plan to early adopt AASB16.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 4. REVENUE

| In dollars | 2018 | 2017 |
|---|---|---|
| Revenue from hire of equipment, provision of labour and contracting services | 12,513,163 | – |
| Sale of goods | 3,042,898 | – |
| | **15,556,061** | **–** |

## 5. OTHER INCOME

| In dollars | 2018 | 2017 |
|---|---|---|
| Net gain on disposal of property, plant and equipment | 261,087 | – |
| Significant item – gain on bargain purchase (note 30) | 10,825,098 | – |
| | **11,086,185** | **–** |

## 6. OTHER EXPENSES

| In dollars | 2018 | 2017 |
|---|---|---|
| Significant item – acquisition costs | (968,185) | – |
| ASX listing fees and share registry maintenance | (145,483) | – |
| Freight costs | (307,812) | – |
| Motor vehicle expenses | (225,025) | – |
| IT and telecommunication expenses | (245,924) | – |
| Insurance expenses | (160,688) | – |
| Other | (349,773) | (404,719) |
| | **(2,402,890)** | **(404,719)** |

## 7. FINANCE INCOME AND FINANCE COSTS

| In dollars | 2018 | 2017 |
|---|---|---|
| Recognised in profit and loss | | |
| Interest income | 7,007 | 2,913 |
| Net foreign exchange gain | 27,069 | – |
| **Finance income** | **34,076** | **2,913** |
| Interest expense on financial liabilities | (189,012) | – |
| Borrowing costs | (58,750) | – |
| **Finance costs** | **(247,762)** | **–** |
| **Net finance costs recognised in profit or loss** | **(213,686)** | **2,913** |

# 8. INCOME TAX (EXPENSE)/BENEFIT

| In dollars | 2018 | 2017 |
|---|---|---|
| Profit/(loss) before income tax | 10,510,658 | (613,395) |
| Income tax (expense)/benefit using the Company's domestic tax rate (30%) | (3,153,197) | 184,019 |
| Tax effect of amounts which are non-deductible/(taxable) in calculating taxable income | | |
| Non-taxable income – gain on bargain purchase | 3,247,530 | – |
| Non-deductable expenses | (170,995) | – |
| Recognition of tax losses not previously brought to account | 76,662 | – |
| Tax losses not brought to account | – | (184,019) |
| **Income tax (expense)/benefit** | **–** | **–** |

# 9. CASH AND CASH EQUIVALENTS

| In dollars | 2018 | 2017 |
|---|---|---|
| Cash at bank | 479,234 | 480,720 |
| Cash on deposit – non interest bearing | 4,438,603 | – |
| **Cash and cash equivalents** | **4,917,837** | **480,720** |

# 10. OTHER FINANCIAL ASSETS

| In dollars | 2018 | 2017 |
|---|---|---|
| **Current** | | |
| Term deposits held as security | 491,827 | – |
| **Non-current** | | |
| Term deposits held as security | 311,583 | – |
| | **803,410** | |

## 11. TRADE AND OTHER RECEIVABLES

| In dollars | 2018 | 2017 |
|---|---|---|
| Trade receivables | 11,380,164 | – |
| Provision for doubtful debts | (831,931) | – |
| | 10,548,233 | – |
| Other receivables | 750 | 11,562 |
| | 10,548,983 | 11,562 |
| Movement in the provision for doubtful debts: | | |
| **At 1 July** | | |
| Addition through business combination | (870,062) | – |
| Impairment expense recognised during the year | – | – |
| Receivables written off during the year as uncollectable | 38,131 | – |
| **Balance at 30 June** | **(831,931)** | **–** |

Due to the short-term nature of current receivables, their carrying amount approximates their fair value. The Group has considered the collectability and recoverability of trade receivables. An allowance for doubtful debt is recognised for the specific irrecoverable trade receivable amounts based on the commencement of legal action, bankruptcy and changes in cash collections due to economic circumstances. The ageing of trade receivable is outlined below:

| In dollars | 2018 | 2017 |
|---|---|---|
| Current | 5,557,304 | – |
| 31 to 60 | 4,072,278 | – |
| 61 to 90 | 935,798 | – |
| 90+ | 814,784 | – |
| Impaired | (831,931) | – |
| | **10,548,233** | **–** |

## 12. INVENTORIES

| In dollars | 2018 | 2017 |
|---|---|---|
| Finished goods | 3,166,431 | – |
| Provision for slow moving stock | (1,054,985) | – |
| | **2,111,446** | **–** |

## 13. ASSETS AND LIABILITIES HELD FOR SALE

| In dollars | 2018 | 2017 |
|---|---|---|
| Assets classified as held for sale | 67,650 | – |
| **Liabilities classified as held for sale** | **62,508** | **–** |

On the 21 March 2018, the Group entered into a conditional binding option agreement with AusGold Ghana Limited, an unlisted Ghanaian company, under which the Group has granted an option to AusGold to acquire a 100% legal and beneficial interest in Acrow's wholly owned subsidiary, Noble Mineral Resources Ghana Ltd, which owns the Group's exploration and evaluation assets in Ghana.

## 14. PROPERTY, PLANT AND EQUIPMENT

| In dollars | Land and buildings | Plant and equipment | Hire equipment | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 July 2016 | – | 13,466 | – | 13,466 |
| Foreign exchange movement | – | (213) | – | (213) |
| **Balance at 30 June 2017** | – | 13,253 | **–** | **13,253** |
| Balance at 1 July 2017 | – | 13,253 | | 13,253 |
| Acquisitions through a business combination | 96,921 | 419,602 | 31,162,503 | 31,679,025 |
| Additions | – | 20,676 | 1,065,705 | 1,086,382 |
| Disposals | – | (13,253) | (78,637) | (91,890) |
| Balance at 30 June 2018 | 96,921 | 440,278 | 32,149,571 | 32,686,770 |
| **Depreciation and impairment losses** | | | | |
| Balance at 1 July 2016 | – | – | – | – |
| Depreciation for the year | – | – | – | – |
| Impairment | – | 13,253 | – | 13,253 |
| **Balance at 30 June 2017** | **–** | **13,253** | **–** | **13,253** |
| Balance at 1 July 2017 | – | 13,253 | – | 13,253 |
| Acquisitions through a business combination(i) | – | – | 677,662 | 677,662 |
| Depreciation for the year | 8,861 | 50,390 | 386,503 | 445,754 |
| Disposals | – | (13,253) | (1,570) | (14,823) |
| Hire equipment loss adjustment | – | – | (146,074) | (146,074) |
| **Balance at 30 June 2018** | **8,861** | **50,390** | **916,521** | **975,772** |
| **Carrying amounts** | | | | |
| At 1 July 2016 | – | 13,466 | – | 13,466 |
| At 30 June 2017 | – | – | – | – |
| At 1 July 2017 | – | – | – | – |
| At 30 June 2018 | 88,060 | 389,888 | 31,233,050 | 31,710,998 |

(i) This represents the hire equipment loss provision

## 15. TRADE AND OTHER PAYABLES

| In dollars | 2018 | 2017 |
|---|---|---|
| **Current** | | |
| Trade payables | 3,429,139 | – |
| Accrued expenses | 3,868,978 | 102,448 |
| | **7,298,117** | **102,448** |

## 16. EMPLOYEE BENEFITS

| In dollars | 2018 | 2017 |
|---|---|---|
| **Current** | | |
| Annual leave | 1,155,505 | – |
| Long service leave | 1,007,659 | – |
| Other employee benefits | 931,876 | – |
| | 3,095,040 | – |
| **Non-current** | | |
| Long service leave | 331,597 | – |

## 17. LOANS AND BORROWINGS

The Group has a $12,000,000 secured revolving loan facility which has not been utilized at 30 June 2018. The facility carries interest payable at the rate of 3.2% plus the Reserve Bank of Australia daily cash rate on each respective day for the utilised portion; plus, a further line fee charge of 1% per annum based on the Facility limit charged daily. This loan is secured by the Group's trade receivables and matures in June 2021.

## 18. PROVISIONS

| In dollars | 2018 | 2017 |
|---|---|---|
| Make good | 452,474 | – |
| Movements during the year were as follows: | | |
| Balance at 1 July | – | – |
| Addition through a business combination | 452,474 | – |
| Charged to profit and loss | – | – |
| Amounts used during the year | – | – |
| **Balance at 30 June** | **452,474** | **–** |

# 19. UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

| In dollars | 2018 | 2017 |
|---|---|---|
| Deferred tax assets have not been recognised in respect of the following items: | | |
| Revenue tax losses | 13,083,920 | – |
| Capital losses | 202,441 | – |
| Temporary differences | (1,088,873) | – |
| | **12,197,488** | **–** |

While tax losses and temporary differences do not expire under current tax legislation, deferred tax assets have not been recognised in respect of these items as the Group has experienced a number of years without taxable income and therefore recovery is not considered probable. The tax losses do not expire under current tax legislation.

The potential benefit of the deferred tax asset in respect of tax losses carried forwards will only be obtained if:

(i) the Group continues to derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

(ii) the Group continues to comply with the conditions for deductibility imposed by the law;

(iii) no changes in tax legislation adversely affect the Group in realising the asset; and

(iv) The Group passes the continuity of ownership test, or the same business test as outlined by the Australia Taxation Office.

There are no available franking credits.

# 20. SHARE CAPITAL

| In dollars | 2018 | 2017 |
|---|---|---|
| **Number of shares** | | |
| On issue of 1 July | 313,328,147 | 313,328,147 |
| Issue of shares for cash(i) | 25,000,000 | – |
| | 338,328,147 | 313,328,147 |
| Share consolidation(ii) | (321,411,654) | – |
| | 16,916,493 | 313,328,147 |
| Issue of shares for cash(iii) | 136,000,000 | – |
| | 152,916,493 | 313,328,147 |
| Issue of shares in exchange for debt(iv) | 6,316,122 | – |
| Exercise of share options(v) | 3,750,000 | – |
| | **162,982,615** | **313,328,147** |

(i) 25,000,000 shares were issued on 11 August 2017 at $0.008 per share;

(ii) Consolidation of shares on 22 March 2018 at a conversion rate of 20:1;

(iii) 136,000,000 shares were issued on 27 March 2018 at $0.20 per share;

(iv) 6,316,000 shares were issued at $0.20 per share to extinguish existing debt; and

(v) 3,750,000 options (post share consolidation) were exercised at $0.20 per share.

The holders of these shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

## 20. Share capital (continued)

### Dividends

No dividends were declared or paid during the year ended 30 June 2018 (2017: nil). Subsequent to balance date the Directors declared an unfranked dividend on 0.5 cents per share on 28 August 2018.

### Reserve

#### Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising on translation of the Group entities that do not have functional currency of AUD dollars and have been translated for presentation purpose.

#### Share based payments reserve

The share based payments reserve is used to recognise the grant date fair value of shares issue to employees and directors that has not yet vested.

## 21. CAPITAL MANAGEMENT

Management monitors the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and borrowings.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The Board is targeting a dividend payout ratio of between 30% and 50% of its operating cash profit which it defines as EBITDA less maintenance capital expense. Dividends are not expected to be franked in the near term.

At 30 June 2018 and 30 June 2017 the Group had no borrowings.

## 22. EARNINGS PER SHARE

Basic EPS is calculated by dividing profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the net profit attributable to ordinary equity holders of the Parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS computations:

| In dollars | 2018 | 2017 |
|---|---|---|
| **Earnings reconciliation** | | |
| Profit excluding significant items | 653,745 | (613,395) |
| Net significant items (refer notes 5 and 6) | 9,856,913 | – |

| In dollars | 2018 | 2017 |
|---|---|---|
| **Net profit** | **10,510,658** | **(613,395)** |

| | Number of shares | |
|---|---|---|
| **Number of ordinary shares** | | |
| Weighted average number of ordinary shares used in the calculation of basic and diluted EPS | 54,503,462 | 15,666,407 |
| Basic and diluted EPS (cents per share) | 19.28 | (3.91) |
| Basic and diluted EPS excluding significant items (cents per share) | 1.2 | (3.91) |

# 23. COMMITMENTS

| In dollars | 2018 | 2017 |
|---|---|---|
| Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows: | | |
| Plant and equipment | 3,752,060 | – |
| **Leases as leasee** | | |
| Non-cancellable operating lease rentals payable as follows: | | |
| Less than one year | 3,474,087 | – |
| Between one and five years | 9,005,695 | – |
| More than five years | 2,488,434 | – |
| | **14,968,216** | **–** |

The Group leases several properties, motor vehicles and office equipment under operating leases. The leases can run for more than 5 years with options to renew the leases after that date. For the year ended 30 June 2018 $895,650 was recognised as an expense in profit or loss in respect of operating leases (2017: nil).

## 24. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

| In dollars | 2018 | 2017 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit / (loss) | 10,510,658 | (613,395) |
| **Adjustments for:** | | |
| Depreciation and impairment | 445,754 | 13,253 |
| Hire loss provision | (146,074) | – |
| Gain on disposal of property, plant and equipment | (261,087) | – |
| Gain on bargain purchase | (10,825,098) | – |
| Share based payment expense | 558,384 | – |
| Net changes in working capital: | | |
| Other financial assets | (4,551) | – |
| Trade and other receivables | 229,551 | 8,377 |
| Inventories | 164,414 | – |
| Prepayments and other assets | 262,927 | – |
| Trade and other payables | 2,050,446 | (138,772) |
| Provisions and employee benefits | 771,970 | – |
| | 3,757,294 | (730,537) |
| Finance costs paid | 247,762 | – |
| **Net cash from operating activities** | **4,005,056** | **(730,537)** |

## 25. AUDITORS' REMUNERATION

| In dollars | 2018 | 2017 |
|---|---|---|
| Audit of the financial report – KPMG | 172,838 | – |
| – Stantons International | 57,468 | 23,000 |
| Taxation services – KPMG | 27,598 | – |
| **Total amount paid or payable to auditors** | **257,904** | **23,000** |

# 26. RELATED PARTIES

Key management personnel are those persons having authority and responsibility of planning, directing and controlling the activities of the group, directly or indirectly, including any director, whether executive or otherwise, of the group.

Key management personnel compensation for the period:

| In dollars | 2018 | 2017 |
|---|---|---|
| Short term employment benefits | 756,713 | 117,167 |
| Long term employment benefits | 28,931 | |
| Post-employment benefits | 15,036 | 3,958 |
| Share based payments | 480,971 | |
| **Total compensation paid to key management personnel** | **1,281,651** | **121,125** |

## Other related party transactions

During the year, the Company engaged Bombora Group to provide advisory services. Bombora is owned equally by Messrs Hill, Everett, and Chenoweth. The Company paid Bombora $300,000 in 2018 (2017: $160,000).

The Company borrowed $800,000 from various parties which were associated with Peter Lancken (Chairman) and Brad Lancken (son of the Chairman) to enable the Company to meet various Acrow acquisition costs before the issue of share capital on 27 March 2018. The Company converted these loans to equity by issuing 4,000,000 shares at 20 cents each. In consideration for the loans, the lenders received interest in the total amount of $100,000 and a total arrangement fee of $40,000, which was applied to the subscription of New Shares under the Public Offer. The agreement also provided for the Company to pay a success fee of $150,000 to Mr Brad Lancken at completion of the transaction in consideration for assisting the Company in being the successful buyer of Acrow. These transactions were based on normal commercial terms and conditions.

# 27. SHARE BASED PAYMENTS

At 30 June 2018 the Group had the following share based payment arrangements.

## Loan Funded Shares

Select employees and directors of the Group have been granted an interest-free loan to subscribe to shares of Acrow Formwork and Construction Services Limited. These loans are non-recourse other than to the shares held by that employee/director, and the proceeds of the loan must be used to buy shares. As the only recourse on the loans is the shares and there are vesting conditions, the arrangement has been accounted for as share options, as required under accounting standards. These options entitle the holders to receive dividends on ordinary shares of the Company, and these dividends are required to be used to repay the loans described above. The Loan Funded Shares have the following terms:

(i) Date of issue: 27 March 2018

(ii) Loan term: 5 years;

(iii) Interest: No interest is payable; and

(iv) Vesting hurdles: subject to being a continuous employee or director of the Company for 2 years from the date of issue, and the 20-day (at any point over the vesting period) volume weighted average share price ("VWAP") of the Company's share price exceeding 40 cents per share (post the share consolidation).The fair value at grant date was determined using an adjusted form of the Monte-Carlo model that factors in market conditions. The weighted average grant date fair value of rights granted in the year was $0.1071.

The model inputs for the in substance options ranted during the year ended included:

a) Exercise price $0.20

b) Share price at grant date $0.20

## 27. Share based payments (continued)

c) Expected price volatility 75%- based on comparable companies

d) Expected dividend yield 0%

e) Risk-free interest rate 2.41%

f) Expected life 3 years

### Reconciliation of outstanding loan funded share options

The number and weighted average exercise prices of share options were as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Number | Weighted average exercise price | Number | Weighted average exercise price |
| Outstanding at 1 July | – | – | – | – |
| Granted during the year | 2,475,000 | $0.20 | – | – |
| Exercised during the year | – | – | – | – |
| **Outstanding at 30 June** | **2,475,000** | **$0.20** | **–** | **–** |

## Options

Options have been granted to select employees and directors. The Options will have the following terms:

(i) Exercise price: 20 cents per option (post-Consolidation basis);

(ii) Vesting hurdles: subject to being a continuous employee or director of the Company group for 2 years from the date of issue, and 20-day VWAP of the Company's Share price exceeding 40 cents per Share (post-consolidation basis); and

(iii) Expiry date: 3 years from the date of issue.

The fair value at grant date was determined using an adjusted form of the Monte Carlo Model that factors in market conditions. The weighted average grant date fair value of rights granted in the year was $0.0805.

The model inputs for performance rights granted during the year ended included:

a) Exercise price $0.20

b) Share price at grant date $0.20

c) Expected price volatility 75%- based on comparable companies

d) Expected dividend yield 0%

e) Risk-free interest rate 2.18%

f) Expected life 5 years

| | | 2018 | | 2017 | |
|---|---|---|---|---|---|
| Grant date | Expiry date | Exercise price | Number of options | Exercise price | Number of options |
| 12 April 2016 | 12 April 2019 & 2021 | $0.20 | 1,500,002 | $0.20 | 1,500,002 |
| 23 November 2016 | 23 November 2019 & 2021 | $0.20 | 100,000 | $0.20 | 100,000 |
| 13 December 2017 | 13 December 2020 & 2022 | $0.20 | 400,000 | – | – |
| 27 March 2018 | 27 March 2021 | $0.20 | 1,650,000 | – | – |

### Reconciliation of outstanding share options

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Number | Weighted average exercise price | Number | Weighted average exercise price |
| Outstanding at 1 July | 5,350,002 | $0.20 | 5,250,002 | $0.20 |
| Granted during the year | 2,050,000 | $0.20 | 100,000 | $0.20 |
| Exercised during the year | (3,750,000) | $0.20 | – | – |
| **Outstanding at 30 June** | **3,650,002** | **$0.20** | **5,350,002** | **$0.20** |

## Performance Rights

On 27 March 2018 the Group granted 12,375,000 performance rights to select employees and directors. The performance rights have the following terms:

(i) Exercise price: Nil;

(ii) Conversion: upon vesting, conversion to shares on a 1 for 1 basis;

(iii) Dividends: not entitled until performance rights are exercised;

(iv) Vesting hurdles: subject to being a continuous employee or director of the Company group for 2 years from the date of issue, and satisfaction of performance hurdles being met (FY19 EBITDA exceeding $11m); and

(v) Expiry date: if unvested after 2 years from the date of issue, expires immediately thereafter.

The fair value at grant date was determined to be $0.20, equivalent to the share price on that date.

# 28. FINANCIAL RISK MANAGEMENT

## Risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for economic hedging purposes and not as trading or speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and aging analysis for credit risk.

### Fair value hierarchy

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

Fair value inputs are summarised as follows:

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

## 28. Financial risk management (continued)

Fair value inputs are summarised as follows:

| | Fair value hierarchy | Valuation technique |
|---|---|---|
| Derivatives – forward exchange contracts | Level 2 | The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on a yield curve sourced from available market data quoted for the respective currencies |

Fair value hierarchy is re-assessed annually for any change in circumstance that may suggest a revised level be assigned to a type of balance measured at fair value.

The Group's risk management is coordinated by management, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

### Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk and certain other price risks, which result from its operating activities.

### Exposure to currency risk

The Group's exposure to currency risk (United States Dollars and Hong Kong Dollars) at balance date as follows:

| | 30 June 2018 | | 30 June 2017 | |
|---|---|---|---|---|
| | USD | HKD | USD | HKD |
| Trade payables | 271,173 | 90,780 | – | – |
| Purchase orders at 30 June | 1,341,810 | 757,798 | – | – |
| Forward exchange contracts | (870,799) | (715,492) | – | – |
| **Net exposure** | **742,184** | **133,086** | **–** | **–** |

### Foreign currency sensitivity

A reasonable possible strengthening/(weakening) of the USD or Hong Kong Dollar at 30 June would have effected profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant and ignores the impact of forecast purchases.

| | Profit or loss | |
|---|---|---|
| | Strengthening $ | Weakening $ |
| USD (10% movement) | 59,962 | (59,962) |
| HKD (10% movement) | 64,399 | (64,399) |

## Interest rate risk

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. At 30 June 2018, the Group has no exposure to interest rates on borrowings.

| In dollars | 2018 | 2017 |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 803,410 | – |
| **Variable rate instruments** | | |
| Financial assets | 479,234 | 480,720 |

## Interest rate sensitivity

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A reasonably possible change of 100 basis points in interest rates during the year would have increased equity and profit or loss by $4,792 (2017: $4,807).

## Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk principally through receivables from customers. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

| In dollars | 2018 | 2017 |
|---|---|---|
| **Classes of financial assets** | | |
| Cash and cash equivalents | 4,917,837 | 480,720 |
| Other financial assets | 803,410 | – |
| Derivative financial instruments | 27,068 | – |
| Trade and other receivables | 10,548,983 | 11,562 |
| | **16,297,298** | **492,282** |

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

## Liquidity risk analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Group's objective is to maintain cash to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, notably its cash resources and trade receivables. The Group's existing cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within three months.

## 28. Financial risk management (continued)

The following liquidity risk disclosures reflect all contractually fixed repayments and interest resulting from recognised financial liabilities and derivatives as of 30 June 2018. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

| | Carrying value $ | Contractual cash flows $ | Less than 6 months $ |
|---|---|---|---|
| **2018** | | | |
| Non-derivative financial liabilities | | | |
| Trade payables | 7,271,049 | 7,271,049 | 7,271,049 |
| **Derivative financial liabilities** | | | |
| Forward exchange contracts | 27,068 | 27,068 | 27,068 |
| **2017** | | | |
| **Non-derivative financial liabilities** | | | |
| Trade payables | 102,448 | 102,448 | 102,448 |

## 29. GROUP ENTITIES

The consolidated financial statements include the financial statements of the following wholly owned subsidiaries:

| | Place of Incorporation | % Equity Interest |
|---|---|---|
| Acrow Holdings Pty Limited[(a), (b)] | NSW | 100% |
| Acrow Formwork and Scaffolding Pty Ltd[(a), (b)] | NSW | 100% |
| Noble Mineral Resources Ghana Limited | Ghana | 100% |

(a) These subsidiaries have been granted relief from the necessity to prepare financial reports under the option available to the Company under ASIC Corporations (Wholly Owned Companies) Instrument 2016/785.

(b) These subsidiaries, along with Acrow Formwork and Construction Services Group Limited, form the Deed of Cross Guarantee Group described further from Note 33.

# 30. ACQUISITION OF ACROW HOLDINGS PTY LTD

On 27 March 2018 NMG acquired all the shares of Acrow Holdings Pty Limited, the parent company of Acrow Formwork and Scaffolding Pty Ltd, for consideration of $472,372 plus $23,327,093 to settle existing loans.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

## Acrow Holdings Pty Limited

| In dollars | $ |
|---|---|
| **Assets** | |
| Cash and cash equivalents | 462,796 |
| Other financial assets | 798,859 |
| Receivables | 10,766,972 |
| Inventory | 2,275,860 |
| Property, plant and equipment | 31,001,363 |
| Other | 376,413 |
| **Total assets** | **45,682,263** |
| **Liabilities** | |
| Trade and other payables | 5,670,557 |
| Borrowings | 25,607,095 |
| Provisions | 3,107,141 |
| **Total liabilities** | **34,384,793** |
| **Net assets** | 11,297,470 |
| Gain on bargain purchase | 10,825,098 |
| **Purchase consideration transferred** | **472,372** |
| Add settlement of loan | **23,327,093** |
| **Total consideration paid** | **23,799,465** |

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

| Asset acquired | Valuation technique |
|---|---|
| Hire equipment | Depreciated replacement cost as determined by independent valuer, Aon Risk Solutions. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. |

Receivables comprised gross contracted amounts due of $11,637,034 less a provision of $870,062 for amounts not considered collectible.

The consolidated statement of profit and loss and comprehensive income includes the following revenue and net profit resulting from the acquisition made since 27 March 2018.

| In dollars | $ |
|---|---|
| Revenue | 15,556,001 |
| Net profit after tax | 2,225,404 |

## 30. Acquisition of Acrow Holdings Pty Ltd (continued)

If the acquisition had taken place at the beginning of the financial year (1 July 2017), the following revenue and net profit before tax would have been included:

| In dollars | $ |
|---|---|
| Revenue | 64,737,872 |
| Net profit after tax | 5,064,728 |

## 31. OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group has the following segments:

- Formwork and Construction Services: the provision of formwork, scaffolding and related materials for hire and sales
- Mineral exploration activities

### Segment information as at 30 June 2018

| In dollars | Formwork & Construction | Mineral Exploration | Total |
|---|---|---|---|
| **Segment revenue** | **15,556,061** | **–** | **15,556,061** |
| Segment operating profit | 2,301,505 | (59,764) | 2,241,741 |
| Unallocated corporate overhead costs | | | (1,374,312) |
| Gain on bargain purchase | | | 10,825,099 |
| Acquisition costs | | | (968,185) |
| Net finance costs | | | (213,685) |
| **Profit before income tax** | | | **10,510,658** |
| **Other material items** | | | |
| Depreciation and amortisation | 445,754 | – | 445,754 |
| Capital expenditure | 1,086,352 | – | 1,086,382 |
| **Segment assets** | **50,217,779** | **67,650** | **50,285,429** |
| **Segment liabilities** | **11,177,228** | **62,508** | **11,239,736** |

## Geographical information

The Group's Mineral Exploration segment operates in Ghana.

The Group operated in one segment, Mineral Exploration, during the year ended 30 June 2017.

# 32. PARENT ENTITY DISCLOSURES

| In dollars | 2018 | 2017 |
|---|---|---|
| **Results of parent entity** | | |
| Loss for the period | (2,539,923) | (635,976) |
| Other comprehensive income | 10,825,098 | – |
| **Total comprehensive income for the period** | **8,285,175** | **(635,976)** |
| **Financial position of parent entity at year end** | | |
| Current assets | 397,909 | 502,831 |
| Non-current assets | 36,483,511 | - |
| **Total assets** | **36,881,420** | **502,831** |
| **Current liabilities** | 66,758 | 45,026 |
| Total liabilities | 66,758 | 45,026 |
| **Net assets** | **36,814,662** | **457,805** |
| **Total equity of parent entity comprising:** | | |
| Share capital | 29,377,927 | 1,865,819 |
| Reserves | 11,451,174 | 66,502 |
| Accumulated losses | (4,014,439) | (1,474,516) |
| **Total equity** | **36,814,662** | **457,805** |

## 33. DEED OF CROSS GUARANTEE

Under the terms of ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, certain wholly owned controlled entities have been granted relief from the requirement to prepare audited financial reports. Acrow entered into an approved Deed of Indemnity on 26 June 2018 for the cross-guarantee of liabilities with those controlled entities identified in note 29.

The following consolidated statement of comprehensive income and statement of financial position comprises Acrow and its controlled entities which are party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed.

### Statement of comprehensive income

#### For the year ended 30 June 2018

| In dollars | 2018 |
|---|---|
| Revenue | 15,556,061 |
| Other income | 11,086,186 |
| Personnel expenses | (6,398,778) |
| Sub-contract labour costs | (3,575,132) |
| Inventory purchased, net of changes in finished goods | (2,291,490) |
| Property costs | (796,006) |
| Depreciation | (445,754) |
| Other expenses | (2,374,383) |
| **Results from operating activities** | **10,755,704** |
| Finance income | 34,076 |
| Finance cost | (247,762) |
| **Net finance expense** | **(213,686)** |
| **Profit before income tax** | **10,542,018** |
| Income tax expense | – |
| **Profit for the year** | **10,542,018** |
| **Other comprehensive income** | |
| Total comprehensive income for the year | **10,542,018** |

# Statement of financial position

## As at 30 June 2018

| In dollars | 2018 |
|---|---|
| **Assets** | |
| Cash and cash equivalent | 4,917,429 |
| Other financial assets | 491,827 |
| Receivables | 10,548,983 |
| Inventories | 2,111,446 |
| Prepayments and other assets | 125,106 |
| **Total current assets** | **18,194,790** |
| Other financial assets | 311,583 |
| Property, plant & equipment | 31,710,998 |
| **Total non-current assets** | **32,022,581** |
| **Total assets** | **50,217,371** |
| **Liabilities** | |
| Trade and other payables | 7,298,195 |
| Employee benefits | 3,095,040 |
| **Total current liabilities** | **10,393,234** |
| Employee benefits | 331,597 |
| Provisions | 452,474 |
| **Total non-current liabilities** | **784,071** |
| **Total liabilities** | **11,177,305** |
| **Net assets** | **39,040,066** |
| Share capital | 29,377,927 |
| Reserves | 623,012 |
| Retained earnings | 9,039,127 |
| **Total equity** | **39,040,066** |

# 34. SUBSEQUENT EVENTS

## Dividends

On 28 August 2018 the Directors declared an unfranked dividend of 0.5 cents per share to be paid on 22 October 2018.

## Acquisition of Natform Pty Ltd

On 31 August 2018 the Group acquired 100% of Natform Pty Ltd, a provider of screen based formwork systems which support the construction of commercial and residential high rise buildings and civil infrastructure in the NSW, ACT and Queensland markets.

Total consideration for the acquisition is $15million, comprising:

- Initial consideration of $10.5million, consisting of $7million of cash and $3.5million of ACF shares (issued at $0.35 per share and under 12 month escrow). The initial consideration was funded by existing cash and debt funding.
- Deferred consideration of $4.5million to be paid in two equal instalments in September 2019 and September 2020.
- An earn-out of up to $1million per annum for the next two years, subject to EBITDA of $4.5million and $5million, respectively with an option to take the earn-out as cash or shares at a share price of $0.40 per share and $0.60 per share, respectively.

The acquisition of Natform will provide the Group with the opportunity to package services to provide one stop solutions to common customers across both the Commercial and Civil sectors.

Due to the recent date of the acquisition, management is in the process of determining the fair value of the assets acquired and liabilities assumed.

Other than the above matters there has not otherwise arisen between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of the affairs of the Group, in future financial years.

# Directors' Declaration

for the year ended 30 June 2018



In the opinion of the directors of Acrow Formwork and Construction Services Ltd (the Company):

(a) the consolidated financial statements and notes and the Remuneration report that are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance, for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) There are reasonable grounds to believe that Acrow Formwork and Construction Services Limited and its controlled entities identified in note 28 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between Acrow Formwork and Construction Services Limited and its controlled entities pursuit to ASIC Corporations wholly-owned companies instrument 2016/785.

(d) The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2018.

Signed in accordance with a resolution of the directors:

**Steven Boland**
Director

Sydney

28th September 2018

KPMG

# Independent Auditor's Report

## To the shareholders of Acrow Formwork and Construction Services Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the ***Financial Report*** of Acrow Formwork and Construction Services Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

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

The ***Financial Report*** comprises the:

- Consolidated statement of financial position as at 30 June 2018;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.The ***Group*** consists of Acrow Formwork and Construction Services Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

## 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.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

<table>
<tr><th colspan="2">Acquisition of Acrow Holdings Pty Ltd - $23.8 million</th></tr>
<tr><td colspan="2">Refer to Note 30 - Acquisition of Acrow Holdings Pty Ltd</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group's acquisition of Acrow Holdings Pty Limited for consideration of $23.8 million on 27 March 2018 represents a significant single transaction for the Group. This was a Key Audit Matter due to the size and scale of the acquisition. The transaction had a pervasive impact on the financial statements and consequently was a significant part of the audit.<br><br>Significant effort was required to audit judgements made by the Group relating to the acquisition, in particular assessing the Group's determination of the fair value of net assets acquired in the purchase price allocation (PPA). The Group engaged an external valuation expert to advise on the identification and measurement of hire equipment which forms a significant proportion of the acquired net assets. We focused on the key inputs, including the replacement cost and useful lives of the hire equipment, and the methodologies applied in the valuation of the hire equipment.<br><br>We involved our valuation specialists to supplement our senior audit team members in assessing this Key Audit Matter.</td><td>Our procedures included:<br><br>• reading the acquisition contract to:<br>- understand key terms;<br>- assess the acquisition against the criteria of a business combination in the accounting standards;<br>- assess the Group's identification of the relevant assets acquired and liabilities assumed;<br><br>• working with our valuation specialists we challenged the key inputs and the valuation methodologies applied in the PPA to hire equipment. This included:<br>- comparing the Group's external valuation expert's replacement cost of the hire equipment to the original cost in the acquiree's accounting records;<br>- assessing the Group's useful lives of the hire equipment using the acquiree's underlying accounting records, our understanding of the nature and condition of the assets required and the industry;<br>- comparing the valuation methodologies against generally accepted valuation techniques in the industry; and<br>- assessing the objectivity, competence, and scope of the Group's external expert;<br><br>• assessing the Group's disclosures in relation to the business acquisition, by comparing these disclosures to our understanding of the acquisition, and against the requirements of accounting standards.</td></tr>
</table>

## Other Information

Other Information is financial and non-financial information in Acrow Formwork and Construction Services Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

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 and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

KPMG

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Acrow Formwork and Construction Services Limited for the year ended 30 June 2018, complies with *Section 300A of the Corporations Act 2001*.

### Directors' 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 responsibilities

We have audited the Remuneration Report included in pages 25 to 45 of the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

G Boydell

Greg Boydell
*Partner*

Sydney
28 September 2018

# Shareholder Information



The shareholder information set out below was applicable as at 20 September 2018.

## SUBSTANTIAL SHAREHOLDERS

| Top holders | Securities | % |
|---|---|---|
| IOOF Holdings Pty Ltd | 19,117,157 | 10.896 |
| Keneco Property Pty Ltd | 10,420,000 | 5.939 |
| Ausbil Investment Management Limited | 10,400,131 | 5.927 |
| Margaret Anna Prokop | 9,999,700 | 5.699 |
| Acrow Formwork and Construction Services Limited* | 9,999,700 | 5.699 |

* By nature of entering into a voluntary escrow deed with Margaret Prokop. Includes 4 million shares held by MRP Property Pty Ltd.

## HOLDING DISTRIBUTION

Analysis of numbers of equity holders by size of holding:

| Range | No. of fully paid ordinary shareholders | No. of option-holders | No. of performance rights holders |
|---|---|---|---|
| 100,001 and over | 139 | 11 | 11 |
| 10,001 to 100,000 | 507 | 7 | – |
| 5,001 to 10,000 | 142 | – | – |
| 1,001 to 5,000 | 114 | – | – |
| 1 to 1,000 | 1,586 | – | – |
| **Total** | **2,488** | **18** | **11** |

There are 1,576 holders of unmarketable parcels of ordinary shares.

## VOTING RIGHTS

Fully Paid 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 have one vote.

Options and Performance Rights – do not have voting rights.

# SHARES SUBJECT TO VOLUNTARY ESCROW

Shares subject to voluntary escrow until certain time and conditions, include:

- 2,583,337 shares voluntarily escrowed until the Company's FY19 results are lodged with ASX (approximately September 2019).
- 2,583,332 shares voluntarily escrowed until the Company's half-yearly results for FY20 are lodged with ASX (approximately February 2020).
- 2,583,331 shares voluntarily escrowed until the Company's FY20 results are lodged with ASX (approximately September 2020).
- 10,000,000 shares voluntarily escrowed until 31 August 2019.
- 2,430,000 loan funded shares to directors and management subject to a vesting condition of continuous employment and/or service as an employee or Director (as appropriate) for 2 years from the date of issue, and a performance hurdle of 20 day VWAP of the Company's Share price exceeding 40 cents per share.
- 45,000 loan funded shares to an advisor of the Company subject to a vesting condition of continuous service as an advisor to the Company for 2 years from the date of issue. And a performance hurdle of 20 day VWAP of the Company's Share price exceeding 40 cents per share.

# UNLISTED SECURITIES

Unlisted securities include: 3,650,002 unlisted options and 12,375,000 performance rights.

No optionholder has more than 20% of the total.

There are 2 performance rights holders with 20% or more of the total – Palcort Pty Ltd 21.21% and Maryville Pty Ltd 20.61%.

# Shareholder Information



## TOP HOLDERS

### Twenty largest quoted equity security holders

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

| Rank | Name | 20 Sep 2018 | %IC |
|---|---|---|---|
| 1 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 29,132,750 | 16.60 |
| 2 | NATIONAL NOMINEES LIMITED | 20,249,142 | 11.54 |
| 3 | KENECO PROPERTY PTY LTD | 10,420,000 | 5.94 |
| 4 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 6,235,840 | 3.55 |
| 5 | MARGARET ANNA PROKOP | 5,999,700 | 3.42 |
| 6 | BNP PARIBAS NOMS PTY LTD | 5,906,066 | 3.37 |
| 7 | NETWEALTH INVESTMENTS LIMITED | 5,000,000 | 2.85 |
| 8 | MRP PROPERTY PTY LTD | 4,000,000 | 2.28 |
| 9 | BNP PARIBAS NOMINEES PTY LTD | 3,513,523 | 2.00 |
| 10 | JARUMITO PTY LIMITED | 2,603,050 | 1.48 |
| 11 | JOSAMBA PTY LTD | 2,500,000 | 1.42 |
| 11 | WHOOSHKA NOMINEES | 2,500,000 | 1.42 |
| 12 | AUST EXECUTOR TRUSTEES LTD | 2,250,000 | 1.28 |
| 13 | TOTAL CONSTRUCTION PTY LTD | 2,000,000 | 1.14 |
| 13 | NATIONAL NOMINEES LIMITED | 2,000,000 | 1.14 |
| 13 | DR DAVID JOHN RITCHIE & DR GILLIAN JOAN RITCHIE | 2,000,000 | 1.14 |
| 14 | CITICORP NOMINEES PTY LIMITED | 1,422,815 | 0.81 |
| 15 | KENNARD FAMILY SUPER FUND | 1,250,000 | 0.71 |
| 15 | MR STEPHEN JAMES TAYLOR | 1,250,000 | 0.71 |
| 15 | MARSHALL SUPER FUND PTY LTD | 1,250,000 | 0.71 |
| 15 | W H FRANKS CONSTRUCTIONS PTY LTD | 1,250,000 | 0.71 |
| 15 | DRACKA PTY LTD | 1,250,000 | 0.71 |
| 15 | BRUNDEE INVESTMENTS PTY LTD | 1,250,000 | 0.71 |
| 16 | BOND STREET CUSTODIANS LTD | 1,200,178 | 0.68 |
| 17 | HOLLOWAY COVE PTY LTD | 1,175,000 | 0.67 |
| 18 | BREBEC PTY LTD | 1,085,391 | 0.62 |
| 19 | 11 BELGRAVIA PTY LTD | 1,000,000 | 0.57 |
| 19 | TIGERSHARK INVESTMENTS PTY LTD | 1,000,000 | 0.57 |
| 19 | MR GREGORY OWEN JOSEPH O'MAHONEY | 1,000,000 | 0.57 |
| 19 | LHC CAPITAL ADVISORS PTY LTD | 1,000,000 | 0.57 |
| 20 | BAINPRO NOMINEES PTY LIMITED | 984,978 | 0.56 |
| | **Total** | **123,678,433** | **70.49** |
| | **Balance of register** | **51,779,182** | **29.51** |
| | **Grand total** | **175,457,615** | **100.00** |