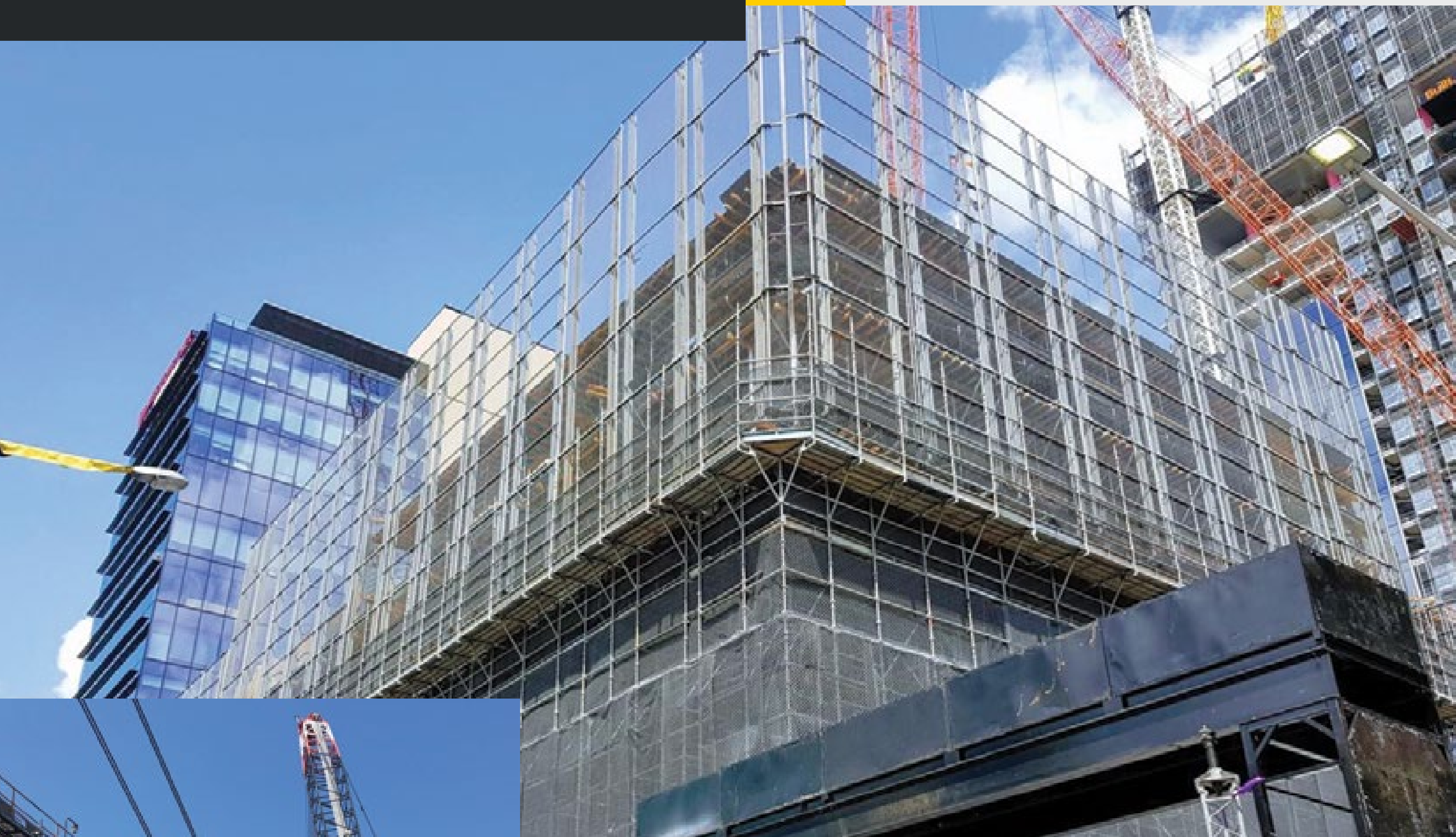
ACROW SINCE 1936

ANNUAL REPORT



2019

CORPORATE DIRECTORY

Company
Acrow Formwork and Construction Services Limited

Board of Directors
Mr Peter Lancken – Non-Executive Chairman
Mr Steven Boland – Managing Director and Chief Executive Officer
Mrs Margaret Prokop – Executive Director
Mr Gregg Taylor – Non-Executive Director
Mr Josh May – Non-Executive Director
Mr David Moffat – Non-Executive Director (appointed 19 September 2019)
Mr Mike Hill – Non-Executive Director (resigned 19 September 2019)

Chief Financial Officer
Mr Andrew Crowther

Company Secretary
Mr Lee Tamplin

Registered Office
c/- Automic Group
Level 5, 126 Phillip Street
Sydney NSW 2000

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 2019 Annual General Meeting at Automic Group, Level 5, 126 Phillip Street, Sydney NSW 2000 at 11.00am on Thursday, 14 November 2019.

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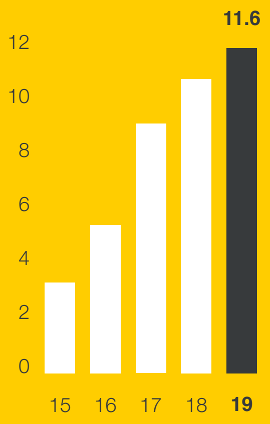
2019 HIGHLIGHTS

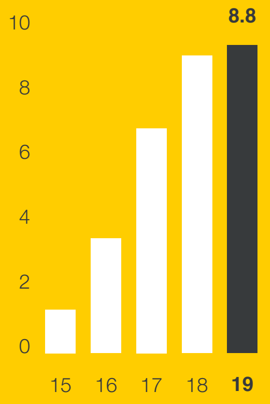
At the start of every great project since 1936.

Acrow is a leading provider of engineered formwork solutions and scaffold hire in Australia.

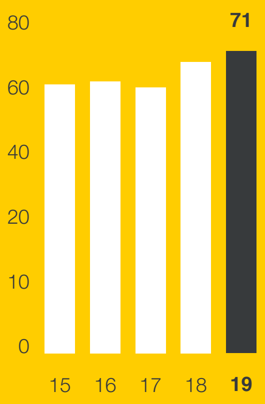
EBITDA $m



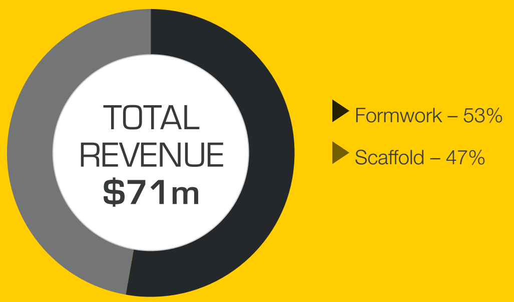
Operating Cash Profit $m



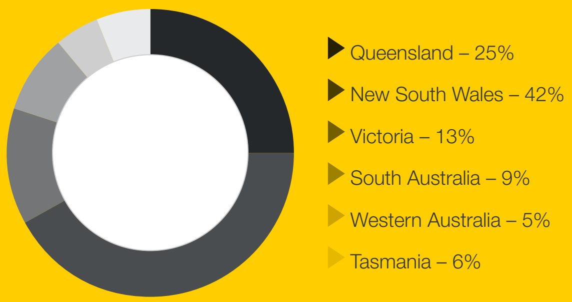
Total Revenue $m



Revenue by Business Unit*



Revenue by Geography*



*Revenue includes sale of ex hire equipment

www.acrow.com.au

CHAIRMAN'S REPORT

I'm pleased to report a solid performance in Acrow's first full year as a listed company.

We achieved a great deal, reporting record underlying earnings before interest tax and depreciation (EBITDA) of $11.6 million, up 9% from the previous year. Disciplined cost management delivered underlying EBITDA margin in line with the previous year at 16.3%. Underlying net profit of $7.5 million, which excludes the impact of share-based payments and non-recurring acquisition and finance restructuring costs, was also a record. Net profit after tax was $4.9 million.

Sales revenues for the year were $71 million, an increase of 9%, demonstrating the company's successful transition toward value-added, highly engineered civil formwork solutions.

Our successful strategy of targeting east coast civil infrastructure opportunities and increasing participation in formwork and civil infrastructure markets resulted in strong business growth, compensating for the weakness in our scaffolding business which, as expected, was impacted by the downturn in residential construction. Over the year we more than doubled capital expenditure to take advantage of new sales opportunities in the infrastructure sector.

Acrow is a leading provider of engineered formwork solutions and scaffolding hire systems, and we serve more than 1,100 customers in the Australian construction and civil engineering markets. Our national network of scaffolding and formwork branches has nine locations in six states across Australia.

We provide dry hire solutions, supplying formwork equipment that helps our customers prepare temporary moulds that support concrete structures during construction. We also supply scaffolding systems through both dry hire and wet hire models, where we supply both equipment and labour.

Increased dividend

The Board's dividend policy is to pay between 30-50% of operating cash profit, which is defined as EBITDA less maintenance capital expenditure less tax paid. This was $8.8 million for the year. Through diligent cost controls we have maintained a strong balance sheet, enabling the board to declare a final dividend of 1 cent unfranked, taking full year dividends to 2 cents per share. In the previous year the company paid a maiden dividend of 0.5 cents, reflecting three months of being listed on the ASX.

Successful Natform integration

During the year, we successfully integrated the Natform business which provides the screen-based formwork systems that support construction of civil infrastructure and commercial and residential buildings. This well-established business was founded in 1989 and has a strong east coast presence and complementary dry hire business model.

Natform's engineering capabilities help to differentiate Acrow and strengthen our capability in the formwork solutions market. In the nine months since acquisition, strong customer acceptance has led to established clients using both organisations' products and services.

We also secured new work providing integrated Acrow and Natform services in Victoria, south-east Queensland and in South Australia. This demonstrates the increased potential of the group to service large projects.

Governance

Acrow's most important assets are the integrity of its people and its reputation for being an honest, ethical and professional business. We maintain a modern, sound governance framework with well-defined policies.

Our Board

We are committed to ensuring we have a strong board and in August 2018 welcomed the founder of Natform, Margaret Prokop, whose entrepreneurial skills and infrastructure experience have benefited our growth strategy. The board will continue to review its skills and capabilities and has a succession plan that meets the strategic requirements for the future of the company.

WE ACHIEVED A GREAT DEAL, REPORTING RECORD UNDERLYING EARNINGS BEFORE INTEREST TAX AND DEPRECIATION (EBITDA) OF $11.6 MILLION, UP 9% FROM THE PREVIOUS YEAR.

Outlook

The value of Australian major transport infrastructure projects in 2019 is estimated at $14 billion, and the value of work from this sector is expected to increase by more than 50% in the next four years. Currently, we have a strongest pipeline of potential hire revenue in the company's history. We anticipate long-term growth opportunities supported by the current low interest rate environment and remain focused on increasing our participation in, and exposure to, this market.

Our future growth is founded on three pillars:

- Integration of Natform has increased our ability to participate in infrastructure construction markets and to progress growth nationally.
- Continued capital expenditure will support our growing formwork business and the strong pipeline of projects being secured on Australia's east coast.
- Expansion through earnings accretive acquisitions, where these contribute to increased scale and capability.

In closing, I would like to acknowledge the ongoing support of our shareholders. I thank my fellow Board members for their support, and would also like to recognise our dedicated staff, well led by Steven Boland.

Peter Lancken
Chairman

MANAGING DIRECTOR'S REPORT

Acrow's first full financial year as a publicly listed company was transformational, as our strategy to focus on the value-added, highly engineered formwork solutions market led to record performance and a fifth consecutive year of EBITDA growth.

Our vision to become the leading provider of engineered formwork hire equipment solutions for the Australian construction market has been significantly enhanced by the successful acquisition of Natform and its integration into Acrow's business.

Through acquisition and organic growth, we are becoming a national full-service provider of formwork hire solutions for the civil, commercial and residential construction sectors, offering the technical, high value segments of the construction industry significant engineering capability, design innovation and reliable equipment.

For the first time, formwork business revenue exceeded scaffold revenue. This represents a significant pivot in the operations of the company and ensures a strong competitive position for the future.

Health and safety

We are committed to ensuring that our employees and customers that use our equipment are safe and work in a professional environment. It was pleasing that in FY19 our lost time injury frequency rate reduced to less than a third of the previous year; and was favourable compared to the construction industry average. This improvement was attributable to an ongoing focus on safe processes and systems. Our goal remains zero injuries, and making sure all our workers come home safely every night.

Financial overview

Our key focus was to manage the business' transition from low-margin residential work to higher margin formwork hire while maintaining strict cost controls.

During the year the company focused on driving revenue from value-added formwork hire and solutions, capitalising on growth in the civil infrastructure market. This was facilitated by a $5.5 million capital expenditure program to increase our capability on Australia's east coast.

Although delays in new project starts affected performance in the second half, our formwork business, including a 10-month contribution from Natform, increased revenue 27% to $37.7 million for FY19, compared to $29.7 million in the previous corresponding year.

This demonstrates the strength of our dry hire solutions business model as formwork hire revenue increased 39% to $21.7 million, and formwork sales and consumables revenue grew 14% to $16.0 million.

The acquisition of Natform, a leading designer and hirer of screen edge protection systems for the construction industry, was a significant milestone for the group.

While project delays affected Natform trading, successful integration of the Acrow and Natform businesses broadened our business capability, leading to seven new business contracts using both sets of services. We now have a fully integrated sales team. The ability to cross-sell engineering capabilities, formwork equipment and consumables has opened up opportunities, positioning the businesses well to secure work and enter new markets.

Increased competitive pressures and softening markets, particularly in New South Wales and Queensland, impacted revenue from our scaffold business which declined 7% to $33.3 million from $35.6 million in the prior year. Scaffold hire revenue decreased 35% to $9.3 million due to a slowdown in residential construction and fierce competition. However, labour

WE ARE COMMITTED TO ENSURING THAT OUR EMPLOYEES AND CUSTOMERS THAT USE OUR EQUIPMENT ARE SAFE AND WORK IN A PROFESSIONAL ENVIRONMENT.

and cartage increased market share and revenue rose 21% to $16.5 million.

Focusing on higher margin growth markets, we took a strategic decision to exit the Melbourne residential market where price competition had eroded margins, and reallocated yard-related resources in Sydney from residential to accommodate the growth in formwork.

The changing dynamic of our business was exemplified by the sales contribution of formwork which was 64% of total sales. While group sales contribution increased 8% to $42.6 million from $39.3 million, the formwork business' sales contribution increased 40% to $27.3 million, while the scaffold business' sales contribution decreased 23% to $15.3 million.

The group contribution margin was 60.0%, in line with the previous year, as the positive effect of higher formwork margins was balanced by a 20bps margin reduction in the scaffold business.

Acrow is a cash generative company, and cash flow from operations was $11.6 million. Tight cost discipline ensured overheads increased just 8%.

National full-service capability

We provide services for the civil, commercial and residential markets in all states of Australia. Market conditions varied significantly in each state.

There was strong demand for civil infrastructure services in New South Wales, Victoria and Western Australia. Demand was stable in other markets. In commercial construction, markets in Queensland, Tasmania and Victoria were buoyant, but stable in New South Wales and South Australia and soft in Western Australia. Residential markets in New South Wales and Queensland were soft and stable in other states.

The increasing diversity of our business ensures that Acrow is well-positioned to take advantage of new opportunities, particularly in the key growth markets of New South Wales and Victoria where transport infrastructure construction is expected to grow by over 50% in the next four years.

MANAGING DIRECTOR'S REPORT (CONTINUED)

Competitive advantage

Acrow is a major Australian operator that provides both engineering formwork hire and scaffold solutions through a national network of branches and depots. This ensures we provide flexible equipment offerings in all states, and our ability to bundle formwork, screen and scaffold services allows a competitive advantage.

Strong balance sheet

During the year we secured a new $15 million financing facility with Westpac, providing greater flexibility and a strong funding platform which supports our growth strategy of pursuing earnings accretive acquisitions.

At 30 June 2019, Acrow had approximately $47.6 million of net assets, compared with $39.0 million at 30 June 2018. The replacement value of the group's high-quality hire equipment continues to exceed $100 million.

Net debt at 30 June 2019 was $3.6 million. Although not reflected on our balance sheet, the company also maintains carry forward tax losses of $40 million which are available for use against profits in Acrow's business.

Our people

In order to position the company for success we have strengthened our senior management team, increasing the company's capability and efficiency. We have attracted highly experienced talent including a new chief financial officer, Queensland general manager, national business development manager and infrastructure projects expertise. These appointments have invigorated our company, ensuring that our team is skilled, flexible and committed to achieving positive outcomes for our customers.

We are investing in our people, ensuring that Acrow has the knowledge and systems to support the company's next phase of growth. This includes the development of engineering expertise with a focus on providing commercial customer solutions, and we encourage our professional staff to strengthen skills and industry accreditations.

As the company grows, we aim to attract more experienced, qualified and like-minded talent to build our business.

Outlook

Acrow's strategy is to leverage the assets, client network and intellectual property that the company has built and developed, facilitating ongoing growth.

We have experienced positive trading in the first few months of the new financial year and maintain a record pipeline of potential new work in the civil infrastructure market – in fact, more than 60% higher than the same time last year – which remains our growth focus.

We now have a stronger, value driven service offering, with significant opportunities to win new business. The growth capital we have put in place and our broader offering incorporating Natform's screen systems provide the ability to exploit new civil, commercial and industrial construction opportunities. We are well positioned across all states of Australia.

Although residential construction activity is expected to remain soft in the medium term, our business is competing strongly in the general access scaffold market and we maintain a stable pipeline of activity.

Acrow's strong balance sheet allows further investment in our business through acquisitions. While our priority remains improving our formwork solutions, we may also seek to purchase strategically positioned scaffold businesses. Opportunities include extending Acrow's product range, enabling the group to address a greater proportion of the civil infrastructure market, particularly in NSW and Victoria. The company is also well positioned to strengthen its scaffold offering through increasing products and services for the scaffold market.

Meanwhile, our negotiations with Uni-Span Australia are continuing, and remain subject to satisfactory terms and due diligence.

Finally, I would like to acknowledge the contribution of the executive team and thank all of our people for their hard work during the year.

Steven Boland
CEO

BUSINESS SUMMARY

Acrow is a leading provider of engineered formwork solutions and scaffold hire in Australia.

Acrow Formwork

- Provides a range of wall forming panel, soffit forming and conventional systems for large and small construction equipment
- Dry hires formwork equipment and provides the product that forms the temporary mould to support concrete structures during construction
- Dry hires falsework equipment used to support suspended horizontal structures during construction
- Products are manufactured overseas and imported
- Generates revenue through dry hire agreements that are typically based on a price per tonne per week, or price per cubic metre per week

FY19 Commentary

- Continued growth focus on the buoyant east coast civil infrastructure market
- Supported by a growing project pipeline
- Revenue growth driven by deployment of new hire equipment, purchased under the company's capital investment program.
- Growth trajectory driven by higher margins
- Customer contracts in all states

FY20 Strategy

- Continued east coast infrastructure market activity
- Expansion from Queensland into opportunities in NSW and Victoria
- Further capital expenditure to support new civil and commercial opportunities

Natform

- Leading designer and hirer of screen systems for the construction industry
- Provides screen-based formwork systems which support the construction of commercial and residential high-rise buildings and civil infrastructure
- Dry-hire model offering highly-engineered solutions for a wide range of customers
- Engineering capabilities provide a key competitive advantage

FY19 Commentary

- Traditionally concentrated in NSW, ACT and Queensland markets
- Entered new markets in Melbourne and Adelaide
- Focus on commercial high-rise construction industry
- Equipment is targeted to be a superior pre-packaged solution to competitors
- Impacted by project delays in traditional markets
- Integrated sales team enabling cross-selling opportunities

FY20 Strategy

- Ongoing pipeline of opportunities in commercial high-rise industry
- Continued focus on cross-selling opportunities and expansion into new geographic markets
- Extend competitive advantage through combining engineering teams

Acrow Scaffolding

- Provides access solutions to builders and building contractors when working at heights
- Generates revenue through both dry hire and wet hire agreements
- Dry hire agreements are typically based on a price per tonne per week, over a minimum of 4 weeks
- Wet hire agreements are typically based on a contract sum encompassing equipment hire, transport, labour provisions and supply of consumables
- NSW and Victoria-based residential operations focused on providing scaffold equipment, labour and cartage services to the detached housing and small residential markets
- Solutions offered on both a wet and dry basis

FY19 Commentary

- Scaffold products Cuplok, SuperCuplok, and Surelok brands and modular multi-purpose scaffolding
- Focus on dry hire rather than wet hire continues to drive margins
- Driven principally by the demand for building construction
- Provided at all branches except Perth
- In the NSW residential market, no formal contracts are in place with major builders, however there are long term relationships with key customers
- Recent signs of market stabilising

FY20 Strategy

- Continue to increase market share
- Opportunity to cross sell formwork, scaffold and screens
- Opportunity to enter industrial scaffold market

THE ACROW DIFFERENCE

Acrow and Natform collaborated to design, engineer and dry hire a formwork solution for the Esque Apartments at 649 Chapel Street, South Yarra, Melbourne.

Commissioned by Mitraland Australia, the builder was Valeo Constructions and the structures contract given to Markscon, a leading concrete structure contractor.

Acrow delivered and supplied an engineered solution to meet Markscon's specific requirements, including complex work that was critical to the success of the project.

Acrow supplied formwork frames and accessories and Natform provided a bespoke screen solution built to match the profile of the building. The businesses designed, engineered and dry-hired a formwork solution for soffit and back-propping support combined with a screens solution for edge and fall protection. Involvement included fully engineered drawings, engineering certifications, site inspections, project management and on-site supervision.

The project used Acrow frames, Super Cuplock and Aluminium GASS Props products,14 Natform bespoke screens, and hydraulic packs.

"We know Acrow, we have worked with them before and the relationship is good. It's important we get the service in the gear supplied at competitive prices, and it helps that we are familiar with their formwork systems. The challenge for us was that there was very little laydown area on site which meant the coordination of deliveries to and from the site was critical. That was achieved with Acrow.

"We had been let down by previous supplier, but Acrow stepped right in with Natform offering a bespoke screen solution, turning the engineering and design around fully costed in three weeks. With the screen anchors cast into the slabs the installation couldn't have gone better. There was a sense of urgency with project engineer on site to assist during screen installation and revisiting to assist in the hydraulic jumping of the screens.

"I WOULD DEFINITELY BE HAPPY TO RECOMMEND AND WORK WITH ACROW AND NATFORM ON ANOTHER PROJECT." – JOSEPH MCCANN, MARKSCON

SAFETY

The safety of our people remains our top priority. We have a multi-tiered process that helps ensure that all our employees and subcontractors are trained in and follow industry-leading safe work practices.

During the year we established several key initiatives to strengthen our safety culture, including the formation of a National Work Health and Safety Committee which has taken significant steps to target management focus on the company's safety agenda.

This has resulted in improved safety performance and management and our Lost Time Injury Frequency Rate (LTIFR) for the financial year was 6.0, a significant reduction on a LTIFR of 19.7 for FY18 and of 15.9 for FY17.

Compared to the industries that we serve this continues to be better than the industry average. It was pleasing that there were no serious injuries and the company's serious indecent frequency rate (SIFR) of 0 was below the construction industry SIFR of 8.1[1].

Several factors contributed to this improvement, including:

- Safety leadership activities improving post-incident awareness and appointment of medical support providers
- A comprehensive and collaborative review of safe operating procedures
- Heightened reporting requirements and auditing programs.

We are continuing our focus on the revision of transport and storage guidelines which detail loading requirements to reflect the increased diversity of products resulting from acquisitions. In addition, we are improving our quality systems to ensure that all Acrow equipment sent to construction sites are fit and safe for purpose.

1 Safe Work Australia 2016/17.

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 $380 million 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 Crimestoppers NSW and was Non-Executive Chairman of Propertylink Group (ASX:PLG) prior to its acquisition in April 2019.

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 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.

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 has a Masters in Civil Engineering and has successfully led Natform for 30 years. Natform is now the leading designer and hirer of screen systems for the construction industry.

Mr David Moffat

Non-Executive Director

Appointed 19 September 2019

David has a career spanning over 35 years in the construction industry, most recently with Lipman for 29 years, prior to his resignation in December 2018. From 2013-2018, David was the Managing Director of the Lipman Group of Companies.

In 2019 David founded Cornerstone (NSW) Pty Ltd, whereas Managing Director, he provides strategic business planning and advisory services to Subcontractors, Head Contractors and Clients within the construction industry.

David brings with him key competencies in Leadership, Construction Management, Innovation and Safety. He holds a Bachelor of Engineering Degree (Civil) from The University of Technology, Sydney ("UTS").

Mr Michael Hill

Non-Executive Director

Resigned 19 September 2019

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.

KEY MANAGEMENT TEAM

Steven Boland

Chief Executive Officer

As above.

Andrew Crowther

Chief Financial Officer

Andrew joined Acrow in July 2019. He has more than 20 years' experience having held senior financial and chief financial officer roles at Thorn Group, SFG Ltd, BT Financial Group and Colonial First State. He brings a breadth of industry and property infrastructure finance expertise to Acrow, including work in the property funds and asset management, superannuation and financial advice, consumer finance and leasing and business finance industries.

Robert Caporella

General Manager National Formwork and State Manager (VIC)

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

Colin Fisher

General Manager Operations and State Manager (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.

KEY MANAGEMENT TEAM (CONTINUED)

Bill Goodall

General Manager (NSW)

Bill joined Acrow in 2016 and is currently the General Manager in our NSW branch having recently been our State Manager South Australia. Bill has worked in management roles within the Formwork and Scaffolding industry over the last 12 years, successfully completing projects in SA, NT and WT.

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.

Nicolas Dunn

National General Manager, Business Development

Nicolas joined Acrow in 2019. He has more than 20 years' sales management experience within the construction industry. His previous roles include Managing Director for PERI Asia, based in Singapore, and National Sales Manager for PERI Australia for over 10 years. Nicolas has a Diploma in Business Management.

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.

Matthew Caporella

National Manager – Engineering Operations

Matthew joined Acrow in 2012 and is currently the National Manager – Engineering Operations.

Mr Caporella holds a Bachelor of Engineering (Civil) and Bachelor of Business (Management) from the Queensland University of Technology. He is a Chartered Professional Engineer with the Institute of Engineers Australia and a Registered Professional Engineer Queensland.

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.

Jan Pienaar

General Manager, QLD

Jan joined Acrow in December 2018 as General Manager, Queensland. He has more than 10 years' management experience and was previously National Sales manager at Doka Formwork Australia, and before that as General Manager (Formwork) at Waco Kwikform.

Jan holds a BComm Hons degree from the University of Stellenbosch, South Africa.

FINANCIAL REPORT

Directors' Report

for the year ended 30 June 2019

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 2019, and the Auditor's Report thereon.

DIRECTORS

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

Peter Lancken (Chairman): appointed 27 March 2018
Steven Boland (Chief Executive Officer): appointed 27 March 2018
Gregg Taylor: appointed 11 August 2017
Joshua May: appointed 27 March 2018
Margaret Prokop: appointed 31 August 2018
David Moffat: appointed 19 September 2019
Michael Hill: appointed 24 December 2015, resigned 19 September 2019

Information on the current directors is presented in the Annual Report on pages 12 and 13. This information includes the qualifications, experience and special responsibilities of each director.

DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year 2019 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)	11	11	1	1	3	2
Steven Boland (Chief Executive Officer)	11	11	1	1	3	3
Gregg Taylor	11	11	1	0	3	3
Joshua May	11	11	1	1	3	2
Margaret Prokop	9	8	–	–	–	–
David Moffat	–	–	–	–	–	–
Michael Hill	11	8	1	1	3	3

Mr Michael Hill was the Chair of the Remuneration and Nomination Committee up to his date of resignation on 19th September 2019 being replaced on that day by Mr Gregg Taylor. Mr Joshua May is the Chairman of the Audit and Risk Committee.

COMPANY SECRETARY

Mr Lee Tamplin of Automic Group is the Company Secretary, he has over 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.

PRINCIPAL ACTIVITIES

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

The Formwork operation involves the supply of the temporary mould that supports concrete structures in their construction. Since the acquisition of the Natform companies, a provider of screen-based formwork systems, the formwork operation now includes all Natform's activities.

The Scaffolding operation supplies scaffolding equipment and access solutions to builders and building contractors when working at heights.

OPERATING AND FINANCIAL REVIEW

The Acrow business continued to perform strongly for the 12 months to 30 June 2019, with the inclusion of 10 months of the acquired Natform business.

The business continued to re-base from the highly fragmented and price sensitive residential scaffold market towards value added, highly engineered civil formwork solutions market.

Financial performance:

The company achieved a net profit after tax of $4.9m being lower than the 2018 profit of $10.5m. The comparative year included only 3 months profit and included the profit of a one-off non-cash significant item being a bargain purchase gain of $10.8m.

On an underlying basis (refer table below), assuming a full comparative 12 months results of Acrow, the key highlights for the year included:

- Sales revenue of $69m, up 6% on the prior year reflecting solid growth in the Formwork business and the contribution from the Natform acquisition.
- Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $11.6m, was up 9% and EBITDA margin to revenue was consistent with previous year.
- Underlying net profit after tax of $7.5m after adding back share-based payments and significant one off items of acquisition and integration costs.

Basic earnings per share was 2.88cps statutory or 4.36cps on an underlying net profit basis.

A final dividend of 1.0cps (unfranked) was declared, up from a maiden final dividend of 0.5cps in FY18. Full 2019 dividends paid and declared was 2.0cps.

Financial Performance Table

	$'000
Statutory Net Profit after tax	**4,948**
Add back share-based payments	1,420
Add back acquisition and integration costs	897
Add back refinancing and break costs*	241
Underlying net profit before tax	**7,506**
Add back depreciation	3,262
Add back interest*	723
Add back tax expense	59
EBITDA	**11,550**

* *Total of $964k being net financing costs. Refer note 7 in the financial statements.

Directors' Report

for the year ended 30 June 2019

Financial position:

Net debt increased from a $4.9m cash position in 2018 to a $3.6m net debt position, being cash $3.3m less debt of $6.9m. This was predominantly due to both the acquisition of Natform which included an upfront $7m debt funded payment and significant capital expenditure during the year.

Property plant and equipment increased from $31.7m to $47.0m due to the acquisition of Natform ($9.5m) and large capital expenditure (9.6m) offset by depreciation.

The Group entered into a $15.0m secured loan agreement in October 2018 for a period of 4 years. The facility consists of four sub-facilities; a $7.0m amortising business loan paying variable rates (balance of $6.0m at 30 June 2019) with a monthly principal repayment obligation of $146k; a $5.0m 3-year revolving equipment finance facility (balance of $1.0m at 30 June 2019); and a $3.0m flexible working capital / overdraft facility inclusive of bank guarantee commitment of $592k and undrawn balance of $2.4m.

The loans are secured by interlocking guarantees across all Group companies. Interest on the business loan facilities is variable and charged at the prevailing market rates.

The balance sheet remains strong with net gearing, being cash less bank debt at 8%.

Acquisition:

On 31 August 2018 Acrow acquired all the shares of Natform, a provider of screen-based formwork systems which supports the construction of commercial and residential high-rise buildings and civil infrastructure in the NSW, ACT and QLD markets. The acquisition was financed through the issue of 10,000,000 shares in Acrow Formwork and Construction Services Limited, $7.1m of debt and existing cash reserves. Two additional instalments of $2.25m are payable in September 2019 and 2020 and a further $2.0m payable if certain performance targets are met.

Further information on the operating and financial review is contained in the Chairman and Managing Director's Review on pages 2 to 6 of this Annual Report.

Operating results:

Refer to the Managing Directors Review on pages 4 to 6 of this Annual Report.

DIVIDENDS

A final unfranked dividend of $864,917 for the year ended 30 June 2018 was paid on 22 October 2018 at 0.5 cent per share, with 380,348 new shares issued at 50.51 cents per share each as part of the Dividend Reinvestment Plan (DRP).

An interim unfranked dividend of $1,741,130 for FY 2019 was paid on 12 April 2019 at 1.0 cent per share, with 893,491 new shares issued at 34.35 cents each also as part of the DRP.

Subsequent to balance date the Directors declared an unfranked dividend of 1.0 cent per share on 29 August 2019.

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

KPMG is the auditor of the listed entity. It 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 during the year are set out below:

	2019	2018
Audit of the financial report – KPMG	318,198	172,838
– Stanton's International	–	57,468
Taxation & advisory services – KPMG	107,368	27,598
Total amount paid or payable	**425,566**	**257,904**

SIGNIFICANT CHANGES TO THE STATE OF AFFAIRS

Acrow acquired 100% of Natform Pty Ltd and Natform (QLD) Pty Ltd on the 31 August 2018, a leading 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 QLD markets.

The consideration comprised of $7.1m in cash, 10,000,000 Acrow shares valued at $0.475 each, escrowed for 12 months from 31 August 2018, two instalments of deferred consideration of $2.25m due and paid in September 2019 and due on 7 September 2020 respectively, and contingent payments of $1.0m cash or an equivalent number of shares based on a price of $0.40 per share should Natform EBITDA reach $4.5m between 1 September 2018 and 31 August 2019 and a further $1.0m cash or an equivalent number of shares based on a price of $0.60 per share should EBITDA reach $5.0m between 1 September 2019 and 31 August 2020. As the contingent consideration EBITDA target was not considered probable, no amounts have been included in the consideration.

At reporting date, there is no new information about the facts and circumstances that existed on acquisition date. Given the 12 months provisional period concluded on 31 August 2019, Acrow does not anticipate any changes to the following amounts recognised for assets acquired and liabilities assumed at the date of acquisition.

Valuation of the assets was $8.7m, resulting in goodwill of $7.3m predominately attributable to the key management who have been operating Natform for thirty years, their team of experienced workforce and qualified engineers, established customer base and competitive advantage in service offerings that do not meet the recognition criteria as an intangible asset at the date of acquisition.

Acrow entered a new financing arrangement in October 2018, for details refer to the Financial Positions of this report or note 18 of the Annual Report.

REMUNERATION REPORT

Information on Acrow's remuneration framework and the outcomes for FY19 for the Group is included in the Remuneration Report section of this Annual Report.

During FY19, 5,460,000 options have been issued under the Employee Share Option Scheme (approved at the Annual General Meeting in November 2018) to selected employees.

No new share rights or options have been issued to Key Management Personnel or Non-executive directors during the year.

Directors' Report

for the year ended 30 June 2019

SHARE RIGHTS

At the date of this report, Acrow had 23,210,001 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 March 2024. 250,000 options have vested but as yet were not exercised. Refer to note 28 for details of outstanding share options and rights.

The remaining options and rights are unvested as holders are yet to complete a two-year continuous service condition due by March 2020.

Vesting of these rights is highly probable as for options market conditions have been met and for performance rights the EBITDA hurdle of $11m has been achieved.

Balance of outstanding options:

	Quantity outstanding	Weighted average exercise price	Expiry date
Options	8,360,001	$0.40	23 November 2019 to 4 March 2024
Loan funded options	2,475,000	$0.20	26 March 2023
Performance rights	12,375,000	Nil	26 March 2020

For details, refer to note 28 of this Annual Report.

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 6 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.

The Group has not made any indemnity payment during the year.

INSURANCE PREMIUMS

During the financial year, the Company paid a premium of $85,776 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.

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year and can be referred to on the Acrow Group website https://www.acrow.com.au/wp-content/uploads/2018/10/ACF-2018-CGS-FINAL.pdf

EVENTS SUBSEQUENT TO THE REPORTING DATE

Subsequent to balance date on 29 August 2019, the Directors declared an unfranked dividend of 1.0 cent per share. Payment date is set for 15 November 2019, DRP participation is available for election.

The Group entered into a legal sale and lease-back transaction with a trade debtor owing $0.9m included in the 30 June 2019 trade receivables balance. This transaction resulted in the extinguishment of the unsecured trade receivable balance and the realisation of a secured receivable.

Equipment loans of $1.8m were drawn down subsequent to balance date under the existing Equipment Finance facility.

Share-based payments in the form of 1,200,000 options have been issued under the Employee Share Option Plan issued to a Key Management Personnel subsequent to reporting date.

Other than the matters 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 22 and forms part of the Directors' report for the financial year ended 30 June 2019.

Dated at Sydney this 27 September 2019.

Signed in accordance with a resolution of the directors:

Peter Lancken
Chairman

Steven Boland
Director, Chief Executive Officer

Auditor's Independence Declaration

for the year ended 30 June 2019

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 2019 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

Marcus McArdle

KPMG

Marcus McArdle

Partner

Sydney

27 September 2019

Remuneration Report – Audited

for the year ended 30 June 2019

1 LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE

I am delighted to bring you this Remuneration Report after the first anniversary of the listing of the Acrow Group. 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.

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 FY2019 reporting period, the Remuneration Committee has focussed on the performance of executives in delivering expected outcomes. We have also engaged external advisors to support the committee to identify those areas of remuneration policies, procedures and practices that will require ongoing change and improvement.

Gregg Taylor

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 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 and Chair of the Rem & Nom Committee, since 27 March 2018 through to resignation on 19 September 2019,
- Mr Josh May, independent non-executive director since 27 March 2018, Chair of the Audit & Risk Committee,
- Mr Gregg Taylor, independent non-executive director since 11 August 2017, Chair of the Rem & Nom Committee since 19 September 2019, and
- Mr David Moffat, independent non-executive director since 19 September 2019.

Senior Executives Classified as KMP During the Reporting Period

- Mr Steven Boland, Chief Executive Officer (CEO) & Executive Director since 27 March 2018,
- Ms Margaret Prokop, Executive Director since 31 August 2018,
- Mr David Williams, Chief Financial Officer (CFO) since 27 March 2018, retired 29 June 2019, and
- Mr Andrew Crowther, Chief Financial Officer (CFO) since 8 July 2019,

3 CONTEXT OF KMP REMUNERATION FOR FY2019 AND INTO FY20 – UNAUDITED

3.1 Relevant Context for Remuneration Governance during FY2019

The KMP remuneration structures that appear in this report are largely those that prevailed over FY2019, as is required by regulation, but also address expectations for FY20, to some extent.

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 business matures. The following outlines important context for the decisions that were made in relation to remuneration for/during FY2019, the outcomes of which are presented in this report.

- The Company acquired Natform Pty Ltd and Natform (QLD) Pty Ltd on 31 August 2018. 10,000,000 shares under 12-month escrow were issued to Margaret Prokop (9,999,700 shares) and Richard Prokop (300 shares) as consideration under the Sale Purchase Agreement of Natform.
- An Employee Share Option Plan (ESOP) was approved at the Annual General Meeting held on the 20 November 2018. A total of 5,460,000 options were issued to eligible participants since the adoption. The purpose and intention of the ESOP is to give eligible participants the opportunity to share in the future growth and profitability of the Company by aligning their interests with that of shareholders, as well as providing a greater incentive for participants to have a greater involvement with, and to focus on the longer term goals of the company.
- The Company is focussed on delivering value for shareholders by executing on strategy including:
  - Seeking to replicate the Group's Queensland civil infrastructure success through other states;
  - Select capital expenditure to acquire equipment for deployment in civil infrastructure market;
  - Actively pursuing strategically sensible acquisitions to accelerate profitable growth.

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).

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)
- Remuneration will be managed within the aggregate fee limit (AFL) or fee pool approved by shareholders of the Company, 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),
- 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 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 2019, the measurement period was from 1 July 2018 to 30 June 2019 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 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. 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.

Short Term Incentive Plan (STIP)	
Aspect	**Plan, Offers and Comments**
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). Currently the Company operates a Rights, Options and Loan funded shares for the purposes of the LTIP.

Long Term Incentive Plan (LTIP)	
Aspect	**Plan, Offers and Comments**
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: - Share Awards, - 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, - 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 - 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. No dividends accrue to unvested Rights or Options, and no voting rights are attached, however dividends do accrue to vested 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.

Remuneration Report – Audited

for the year ended 30 June 2019

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. **FY2019 Invitations** Eligible employees were granted the following under the Employee Share Option Plan: ❯ Options: 5,460,000 units with a total fair value of $652,781 No other form of LTI are have been granted during the year. **FY2020 Invitations** No decision in regard to changing the LTIP or extending invitations to other staff have been made for FY20.
Measurement Period	The Measurement Period is determined by the Board as part of each grant. No new LTI's have been granted to executives and non-executives during FY2019. However, they will be reviewed in respect of FY2020 and going forward, to gauge alignment with broader market practices. 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. **Comments** 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. **FY2019 Invitations** 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. The following conditions apply to the grants of FY2019 made to eligible employees as noted above: › Options: vesting is subject to continued service over four years across four equal tranches measured at end of each anniversary from the grant date, and a hurdle of the 20-day volume weighted average price of the Company's shares trading on the ASX exceeding 50 cents at any time from grant date. **FY20 Invitations** 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. **Comments** 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). For the FY2018 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. No new Loan Funded Shares were granted in FY2019.

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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 FY2019 grants, the exercise price is 50c. Performance Rights will be automatically exercised on the date of the Vesting Notification which will be issued if the 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. 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; 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, b) Options may be subject to accelerated vesting in the sole discretion of the Board, and 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 FY2019 (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 FY2019. 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	$500,482	$250,000	–	$750,482
Director	Margaret Prokop	$220,531	–	–	$220,531
Chief Financial Officer (retired 29 June 2019)	David Williams	$315,662	$57,000	–	$372,662

6 VESTED/AWARDED INCENTIVES AND REMUNERATION OUTCOMES IN RESPECT OF THE COMPLETED FY2019 PERIOD (NON-STATUTORY DISCLOSURE) – UNAUDITED

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 including super**	**Actual STI****	**STI vested %**	**STI forfeited %**	**LTI value*****	**Total value of package**
Executive Director and Chief Executive Officer	Steven Boland	$500,482	–	0%	100%	No vesting in terms of FY2019	$500,482
Director	Margaret Prokop*	$183,776	–	0%	100%	Non-applicable	$183,776
Chief Financial Officer (retired 29 June 2019)	David Williams	$315,662	–	0%	100%	No vesting in terms of FY2019	$315,662

* For Margaret Prokop, the remuneration is from 1 September 2018 to 30 June 2019; full year for others.

** This is the value of the total STI award calculated following the end of the FY2019.

*** No LTI vested in relation to FY2019 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 David Williams (CFO) STI's were 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 FY2018 are given below.

7 PERFORMANCE OUTCOMES FOR FY2019

7.1 Company Performance

The following outlines the performance of the Company over the FY16 and FY2019 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	Total dividend per share	Amount	%
30 June 2019	$68,858,910	$4,948,715	$0.300	$0.010	$0.015	$0.025	9%
30 June 2018	$15,478,995	$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 FY2019 was paid after the end of the period (i.e. during FY20). 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 FY2019, 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 FY2019. 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.

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During the reporting period, grants of equity were made in relation to the LTI scheme as part of remuneration for FY2019 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. No LTI's have been granted to executives and non-executives during FY2019.

Executives:

		Number held at 1 July 2018	Granted FY19		Forfeited	Vested and exercised	Purchased/ other	Number held at 30 June 2019
Name	**Instrument**	**Number**	**Date granted**	**Number**	**Number**	**Number**	**Number**	**Number**
Steven Boland	Escrowed Shares	1,000,000		–	–	–		1,000,000
	Loan Shares	510,000			–	–	–	510,000
	Options	340,000			–	–	–	340,000
	Performance Rights	2,550,000			–	–	–	2,550,000
	Unrestricted Shares	–			–	–	302,000	302,000
David Williams	Escrowed Shares	–			–	–	–	–
	Loan Shares	165,750			–	–	–	165,750
	Options	110,500			–	–	–	110,500
	Performance Rights	828,750			–	–	–	828,750
	Unrestricted Shares	75,000			–	–		75,000
Margaret Prokop	Escrowed Shares	–	31-Aug-18	9,999,700	–	–	–	9,999,700
	Loan Shares	–			–	–	–	–
	Options	–			–	–	–	–
	Performance Rights	–			–	–	–	–
	Unrestricted Shares	–			–	–	392,981	392,981
TOTALS		**5,580,000**		**9,999,700**	**–**	**–**	**694,981**	**16,274,681**

* Escrowed shares: A total of 10,000,000 units of escrowed shares were issued to Margaret Prokop (9,999,700 units) and Richard Prokop (300 units) as part of the consideration of Natform acquisition. These shares are restricted from selling until 31 August 2019.

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

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NEDS:

Name	Instrument	Number held at 1 July 2018	Granted FY19		Forfeited	Vested and exercised	Purchased/ other	Number held at 30 June 2019
		Number	Date granted	Number	Number	Number	Number	Number
Peter Lancken	Escrowed Shares	5,000,000			–	–		5,000,000
	Loan Shares	525,000			–	–	–	525,000
	Options	350,000			–	–	–	350,000
	Performance Rights	2,625,000			–	–	–	2,625,000
	Unrestricted Shares	–			–	–	1,633,963	1,633,963
Michael Hill	Escrowed Shares	750,000			–	–		750,000
	Loan Shares	90,000			–		–	90,000
	Options	443,334			–	(191,667)	–	251,667
	Performance Rights	450,000			–		–	450,000
	Unrestricted Shares	2,664,159			–	191,667	124,000	2,979,826
Gregg Taylor	Escrowed Shares	250,000			–	–		250,000
	Loan Shares	90,000			–		–	90,000
	Options	400,000			–	–	–	400,000
	Options	60,000			–	–	–	60,000
	Performance Rights	450,000			–		–	450,000
	Unrestricted Shares	26,250			–	–	–	26,250
Joshua May	Escrowed Shares	750,000			–	–		750,000
	Loan Shares	450,000			–	–	–	450,000
	Options	300,000			–	–	–	300,000
	Performance Rights	2,250,000			–	–	–	2,250,000
	Unrestricted Shares	–			–	–	–	–
TOTALS		**17,923,743**		**–**	**–**	**–**	**1,757,963**	**19,681,706**

8.2 Value of equities granted as remuneration

No new LTI rights and options have been granted to executives and non-executives during FY2019. Only selected employees have been granted options under the Employee Share Option Plan during the year.

9 NED FEE POLICY RATES FOR FY2019 AND FY20, 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 since re-listing in April 2018.

The following table outlines the NED fee policy rates that were applicable as at the end of FY2019 unchanged since FY2018:

Director	Director fees/executive remuneration
Chairperson	$110,000
Other	$70,000

10 REMUNERATION RECORDS FOR FY2019 – 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:

FY2019

		Short term						Share based payments			
Name	Role	Salary	STI	Non-cash	Sub-total	Post employment	Other long term	Rights	Options	Total	% performance based
Steven Boland	Chief Executive Officer	$479,951	$55,000	$6,975	$541,926	$20,531	$60,231	$227,864	$36,633	$887,186	36%
Margaret Prokop	Director	$167,832	$0	$0	$167,832	$15,944	$35,077	$0	$0	$218,853	0%
David Williams	Chief Finance Officer (retired 29 June 19)	$295,131	$52,000	$15,427	$362,558	$20,531	$27,039	$74,056	$11,906	$496,089	28%
		$942,914	**$107,000**	**$22,402**	**$1,072,316**	**$57,006**	**$122,347**	**$301,920**	**$48,539**	**$1,602,128**	

FY2018

Name	Role	Short term				Post employ-ment	Other long term	Share based payments		Total	% perform-ance based
		Salary	STI	Non-cash	Sub-total			Rights	Options		
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%
Total KMP		**$190,960**	**$68,000**	**$6,686**	**$265,646**	**$10,024**	**$21,235**	**$123,895**	**$19,918**	**$440,718**	

* The above represents three-months consolidated result since Acrow's acquisition of the Acrow Holdings group in from April 18 to June 18.

10.2 NED Remuneration

Remuneration received by non-executive directors in FY2019 and FY2018 are disclosed below:

FY2019

Name	Role	Short term			Total	% performance based
		Board fees	Rights	Options		
Peter Lancken	Chairman	$109,996	$234,566	$37,710	$382,272	0%
Michael Hill	Independent NED	$70,000	$40,211	$6,465	$116,676	0%
Gregg Taylor	Independent NED	$70,000	$40,211	$6,465	$116,676	0%
Josh May	Independent NED	$70,000	$201,057	$32,323	$303,380	0%
Total NED		**$319,996**	**$516,045**	**$82,963**	**$919,004**	

FY2018

Name	Role	Board fees	Short term Rights	Options	Total	% performance based
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%
Josh 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
Total NED		**$392,079**	**$211,763**	**$65,699**	**$699,541**	

* The above represents three-months consolidated result since Acrow's acquisition of the Acrow Holdings group in from April 18 to June 18.

(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.

11 EMPLOYMENT TERMS FOR KEY MANAGEMENT PERSONNEL

11.1 Service Agreements

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

Name	Position held at close of FY19	Employing company	Duration of contract	Period of notice From company	Period of notice 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
Margaret Prokop	Director	Acrow Formwork and Construction Services Limited	Open-ended	6 months	6 months	Up to 6 months' Total Remuneration
David Williams	Chief Financial Officer (retired 29 June 2019)	Acrow Formwork and Construction Services Limited	Open-ended	6 months	6 months	Up to 6 months' Total Remuneration
Andrew Crowther	Chief Financial Officer (joined 8 July 2019)	Acrow Formwork and Construction Services Limited	Open-ended	6 months	6 months	Up to 6 months' Total Remuneration

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 on the acquisition of Natform companies. Michael Hill, Joshua May and Gregg Taylor are on the board of Bombora as well as Acrow. The Company paid Bombora $82,023 at commercial terms in 2019 (2018: $300,000).

The Company leases a number of industrial and commercial properties from Margaret Prokop's personal companies (MRP Property, MRP Property QLD & MRP Superannuation) through the Natform subsidiaries. Rental and related out-going payments to these companies amounted to $665,087 (2018: nil).

13 EXTERNAL REMUNERATION CONSULTANT ADVICE

During the reporting period, the Board engaged 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.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2019

In dollars	Note	2019	2018
Revenue	4	68,858,910	15,478,995
Other income	5	881,092	11,086,185
Personnel expenses		(22,589,627)	(6,398,775)
Sub-contract labour costs		(18,005,200)	(3,575,132)
Inventory purchased, net of changes in finished goods		(9,120,271)	(2,214,423)
Property costs		(4,203,516)	(803,862)
Depreciation		(3,261,936)	(445,754)
Other expenses	6	(6,587,715)	(2,402,890)
Results from operating activities		**5,971,737**	**10,724,344**
Finance income		11,261	34,076
Finance cost		(975,131)	(247,762)
Net finance income/(expense)	7	**(963,870)**	**(213,686)**
Profit/(loss) before income tax		**5,007,868**	**10,510,658**
Income tax expense	8	(59,153)	–
Profit/(loss) for the year		**4,948,715**	**10,510,658**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		(256)	(39)
Total comprehensive income for the year		**4,948,459**	**10,510,619**

	Notes	Cents	Cents
Earnings per share	23		
Basic earnings / (loss) per share (cents)		2.88	19.28
Diluted earnings / (loss) per share (cents)		2.69	19.28

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2019

In dollars	Note	2019	2018
Assets			
Cash and cash equivalents	9	3,289,617	4,917,837
Other financial assets	10	–	491,827
Receivables	11	13,104,919	10,477,792
Inventories	12	3,413,361	2,111,446
Prepayments and other assets	10	1,125,992	196,297
Assets held for sale	13	71,296	67,650
Total current assets		**21,005,185**	**18,262,849**
Property, plant & equipment	14	46,992,624	31,710,998
Intangibles	15	7,301,902	–
Other financial assets	10	–	311,583
Total non-current assets		**54,294,526**	**32,022,581**
Total assets		**75,299,711**	**50,285,430**
Liabilities			
Trade payables	16	10,201,225	7,298,196
Other payables	16	2,230,199	–
Employee benefits	17	2,962,801	3,095,040
Borrowings	18	2,102,006	–
Current tax liabilities		556,301	–
Liabilities held for sale	13	65,878	62,508
Total current liabilities		**18,118,410**	**10,455,744**
Other payables	16	2,128,080	–
Employee benefits	17	456,609	331,597
Borrowings	18	4,837,086	–
Provisions	19	452,474	452,474
Deferred tax liabilities	20	1,683,999	–
Total non-current liabilities		**9,558,248**	**784,071**
Total liabilities		**27,676,659**	**11,239,815**
Net assets		**47,623,052**	**39,045,615**
Share capital	21	34,814,339	29,377,927
Reserves		2,062,063	679,297
Retained earnings / (accumulated losses)		10,746,650	8,988,391
Total equity		**47,623,052**	**39,045,615**

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

In dollars	Share capital	Share based payments reserve	Foreign currency translation reserve	Retained earnings/ (accum-ulated losses)	Total equity
Balance at 1 July 2017	1,865,819	66,502	56,325	(1,522,268)	466,378
Total comprehensive income for the period					
Profit/(loss) for the period	–	–	–	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 Group					
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
Balance at 30 June 2018	**29,377,927**	**623,011**	**56,286**	**8,988,391**	**39,045,615**
Balance at 30 June 2018 as previously reported	29,377,927	623,011	56,286	8,988,391	39,045,615
Adjustment from adoption of AASB 9 net of tax*	–	–	–	(584,408)	(584,408)
Restated balance at 1 July 2018	**29,377,927**	**623,011**	**56,286**	**8,403,983**	**38,461,207**
Total comprehensive income for the period					
Profit/(Loss) for the period	–	–	–	4,948,715	4,948,715
Other comprehensive income	–	–	(256)	–	(256)
Total comprehensive income	**–**	**–**	**(256)**	**4,948,715**	**4,948,459**
Transactions with owners of the Group					
Shares issued, net of costs	5,249,027	–	–	–	5,249,027
Dividends paid to shareholders	–	–	–	(2,107,019)	(2,107,019)
Shares issued under Dividend reinvestment plan (DRP)				(499,028)	(499,028)
Equity settled share base payments	–	1,420,406	–	–	1,420,406
Options exercised	187,384	(37,384)	–	–	150,000
Balance at 30 June 2019	**34,814,339**	**2,006,033**	**56,030**	**10,746,650**	**47,623,052**

* changes made subsequent to the publication to the FY2019 interim report, details in note 3(n)

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flow

for the year ended 30 June 2019

In dollars	Note	2019	2018
Cash flows from operating activities			
Receipts from customers		73,815,600	17,341,219
Payments to suppliers and employees		(64,260,069)	(12,402,054)
Cash generated from operations		9,555,531	4,939,165
Acquisition and integration related costs		(896,610)	(968,185)
Finance income	7	11,261	34,076
Income tax paid		(114,729)	–
Net cash from operating activities	25	**8,555,453**	**4,005,056**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		2,151,417	338,154
Purchase of property, plant and equipment	14	(9,784,502)	(1,086,382)
Consideration paid for controlled entities net of cash acquired*	31	(6,729,487)	(9,576)
Net cash used in investing activities		**(14,362,572)**	**(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		150,000	750,000
Proceeds from borrowings		8,091,239	800,000
Repayment of borrowings		(1,152,147)	(25,607,095)
Dividends paid	21	(2,107,019)	–
Finance costs paid		(803,174)	(247,762)
Net cash from financing activities		**4,178,899**	**1,192,152**
Net increase/(decrease) in cash and cash equivalents		(1,628,220)	4,439,764
Effect of exchange rate fluctuations on cash held		–	(2,647)
Cash and cash equivalents at 1 July		4,917,837	480,720
Cash and cash equivalents at 30 June		**3,289,617**	**4,917,837**

* Reconciles to note 31 Acquisition of Natform companies, being cash consideration paid $7,105,341 less cash acquired $375,854.

The above statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

1. REPORTING ENTITY

Acrow Formwork and Construction Services Limited (Acrow or the Group) is a limited company whose shares are quoted on the Australian Securities Exchange under the issuer code “ACF”. The consolidated financial statements of Acrow for the year ended 30 June 2019 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’s Consolidated Annual Financial Report for previous reporting periods are available upon request from the Group’s registered office at Level 5, 126 Phillip Street, SYDNEY, NSW, AUSTRALIA, 2000 or at www.acrow.com.au.

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 27 September 2019. Details of the Group’s accounting policies are included in note 3.

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. Acrow then acquired Acrow Holdings Pty Ltd and its wholly owned subsidiary Acrow Formwork and Scaffolding Pty Ltd on 27 March 2018, and hence the consolidated annual financial statements for FY2018 include those subsidiaries results from 1 April 2018 to 30 June 2018.

Similarly, following the acquisition of Natform Pty Limited and Natform (QLD) Pty Limited on 31 August 2018, the consolidated annual financial statements for FY2019 include those subsidiaries results from 1 September 2018 to 30 June 2019.

(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 20 – 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 the transaction price 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.

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.

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 recognized initially on the

3. Significant Accounting Policies (continued)

trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortized 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.

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

AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under the former standard AASB 139.

For trade receivables, the Group has elected to apply the simplified lifetime expected credit loss approach, which includes consideration of customer specific factors and actual credit loss experience. The Group provides for a loss allowance equivalent to the lifetime expected credit losses from initial recognition of those receivables.

Losses are recognised in profit and loss and reflected in an allowance account against trade receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease is reversed through profit and 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 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.

3. Significant Accounting Policies (continued)

(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 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

With the introduction of AASB 15 Revenue from Contracts with Customers, Acrow has performed a review of its revenue recognition policies for compliance with AASB 15. The core principle of AASB 15 is that an entity recognises revenue related to the transfer of goods or services when control of the goods or services passes to the customer. AASB 15 requires the identification of discrete performance obligations within a transaction and an allocation of a portion of the transaction price to each of these obligations. The review concurs that revenue generated from the hire of equipment should still be recognised under AASB 117 Leases as previously reported which will be replaced by the newly adopted AASB 16 Leases from 1 July 2019.

Upon review, the Acrow group adopted AASB 15 Revenue from Contracts with Customers ('AASB 15') from 1 July 2018 and applied the modified retrospective approach on other forms of revenue, being Labour and cartage services and Other hardware sales. AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including AASB 118 Revenue. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, that is, the 'notion of control' replaces the existing 'notion of risks and rewards'. The impact of this change in accounting standard is not material to the Acrow group as the 'notion of control' is closely aligned to the 'notion of risks and rewards' for Acrow revenue streams. Revenue is recognised when the Group satisfies a performance obligation by transferring control of the promised good or service to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for the goods or services.

Acrow is predominately a provider of formwork and scaffolding equipment for hire with majority of the revenue generated via either "dry hire" or "project hire". "Dry hire" revenue is generated from hire of equipment only, no supply of labour and transportation services, whereas "project hire" involves the provision of scaffolding services. These form of contracts may vary in scope however all "Project hires" have one common performance obligation, being the provision of scaffolding structures to the customer which includes the scaffolding equipment, the labour on installation and dismantling, the transportation and any ancillary materials that are required to full-fill the obligation.

The adoption of AASB 15 has not impacted the timing of revenue recognition on the provision of labour and cartage services. These are recognised over time as services are rendered.

(i) Hire of equipment

Formwork and Scaffolding equipment are rented to customers under operating leases. Rental periods average around six months and usually less than one year. Rental can be arranged as "dry hire" where only equipment is provided to the customer and revenue is recognised at fixed rates over the period of hire; or as part of "project hire" where Acrow supplies labour and transportation services between warehouse and building sites. Revenue recognition on equipment hire commence once scaffolding structure has been certified to be safe and access granted to customers, it is recognised over straight-line bases over the life of the agreements.

(ii) Labour and cartage services

Revenue from providing scaffolding labour in installation and dismantling, and equipment transportation are recognised over time as services are rendered. Revenue is recognised based on the actual service provided to the end of the reporting period because the customer receives and uses the benefits simultaneously. For each of these contracts, revenue and any related sub-contractor costs are recognised as the work is completed.

(iii) Other hardware sales and services

Revenue from the sale of goods in the course of ordinary activities is measured as the transaction price 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 control been transferred to the buyer. 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. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(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

Notes to the Financial Statements

for the year ended 30 June 2019

3. Significant Accounting Policies (continued)

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.

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 accounting standards and interpretations adopted

The Group has adopted all the new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period being:

Standard	Effective for annual reporting periods beginning on	Initially applied in the financial year ending
AASB 15 Revenue from contracts with customers	1 January 2018	30 June 2019
AASB 9 Financial instruments	1 January 2018	30 June 2019

There is no impact on the adoption of AASB 15, detailed discussions are in note 3(i) Revenue.

AASB 9 Financial Instruments has replaced the previous financial instruments guidance including AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 had a date of initial application for the consolidated entity of 1 July 2018. The classification and measurement, and impairment requirements were applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The consolidated entity did not restate comparatives. AASB 9 results in an expected credit loss ('ECL') model as opposed to an incurred credit loss model under the previous standard. The ECL model requires the Acrow group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

The Group has opted for the simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and other receivables. Accordingly, the Acrow group's allowance for doubtful debts calculation applies the expected loss model and takes into consideration the likely level of bad debts (based on historical experience) as well as any known 'at risk' receivables. This resulted in an adjustment of $319,408 against the retained earnings as reported in the FY2019 interim report. As part of the year end process, it was determined that the Group should include an additional provision of $265,000 at 1 July 2018 as part of the assessed impact of implementing AASB 9 to account for deteriorating macroeconomic factors being experienced at 1 July 2018.

The new standard has had the following impacts on Acrow's consolidated financial statements:

	As reported 30 June 2018	AASB 9 Transition adjustment	AASB 9 Additional transition adjustment	Opening balance 1 July 2018
Statement of Financial Position				
Trade and other receivables	10,477,792	(319,408)	(265,000)	9,893,384
Total asset impact	10,477,792	(319,408)	(265,000)	9,893,384
Retained earnings	8,988,391	(319,408)	(265,000)	8,403,983
Total equity impact	**8,988,391**	**(319,408)**	**(265,000)**	**8,403,983**

Other financial assets held by Acrow are not expected to be impacted by the new standard.

(o) New standards and interpretations not yet adopted

AASB 16 Leases will replace the current AASB 117 Leases standard for Acrow's 2020 consolidated financial statements. Under AASB 117, leases are classified as either operating leases or finance leases based on their nature. The adoption of AASB 16 will primarily impact Acrow's accounting for leases which are currently classified as operating leases, being mainly leases over premises, forklifts, office equipment and motor vehicles.

Under AASB 117, operating leases were not recognised on the balance sheet, with payments instead recognised in profit or loss on a straight-line basis over the term of the lease. The adoption of AASB 16 will result in agreements that were previously classified as operating leases now being recognised on the balance sheet. For these agreements, this will result in the recognition of a right-of-use asset and a corresponding lease liability, being the present value of future lease payments.

Over the life of the lease, the lease liability will incur interest expense and is reduced as lease payments are made. The right-of-use asset is amortised on a straight-line basis over its useful life. As compared to AASB 117, the pattern of expense recognition changes with a higher expense at lease commencement due to a higher lease liability at that time. Acrow plans to adopt AASB 16 using the modified retrospective approach. Under this approach, the cumulative impact of adoption on 1 July 2019, will be recognised as an adjustment to opening retained earnings with no restatement of comparative periods. Acrow has elected to apply practical expedients allowed under the modified retrospective approach and not to recognise short-term or low-value leases on the balance sheet.

Based on work completed to date, it is expected that a right-of-use asset approximately $17.8million and lease liability approximately $18.5million will be recognised as of 1 July 2019 with the net impact of $0.7m reduce opening retaining earning for FY2020.

Notes to the Financial Statements

for the year ended 30 June 2019

4. REVENUE

In dollars	2019	2018
Revenue from contracts with customers		
Provision of labour and contracting services	22,075,424	4,395,244
Other hardware sales	13,642,786	2,906,916
	35,718,210	**7,302,160**
Other revenue		
Hire of equipment	33,140,700	8,176,836
	68,858,910	**15,478,995**

5. OTHER INCOME

In dollars	2019	2018
Disposal of property, plant and equipment		
Proceed	2,151,417	338,154
Written down value	(1,270,325)	(77,066)
Net gain on disposal of property, plant and equipment	**881,092**	**261,087**
Significant item – gain on bargain purchase	**–**	**10,825,098**
	881,092	**11,086,185**

6. OTHER EXPENSES

In dollars	2019	2018
Acquisition and integration related costs	(896,610)	(968,185)
Freight costs	(810,466)	(307,812)
Motor vehicle expenses	(825,575)	(225,025)
IT and telecommunication expenses	(876,211)	(245,924)
Insurance expenses	(593,153)	(160,688)
Plant & equipment operation expenses	(647,904)	(130,641)
Consumables	(318,622)	(66,592)
Travelling expenses	(425,853)	(77,636)
Doubtful debt expenses	(368,828)	(1,166)
Audit, tax and legal expenses	(363,633)	(87,027)
Others	(460,860)	(132,194)
	(6,587,715)	**(2,402,890)**

7. FINANCE INCOME AND FINANCE COSTS

In dollars	2019	2018
Recognised in profit and loss		
Interest income	11,261	7,007
Net foreign exchange gain	–	27,069
Finance income	**11,261**	**34,076**
Unwinding interest on deferred consideration	(171,957)	–
Interest expense on financial liabilities	(346,373)	(189,012)
Borrowing costs	(427,571)	(58,750)
Net foreign exchange loss	(29,231)	–
Finance costs	**(975,131)**	**(247,762)**
Net finance costs recognised in profit or loss	**(963,870)**	**(213,686)**

8. INCOME TAX (EXPENSE)/BENEFIT

In dollars	2019	2018
Profit/(loss) before income tax	5,007,868	10,510,658
Income tax (expense)/benefit using the Group's domestic tax rate (30%)	(1,502,360)	(3,153,197)
(Increase)/decrease in income tax expense due to:		
Non-deductible/(taxable) amounts	(456,930)	3,247,530
(Increase)/decrease in income tax expense due to:		
Origination and reversal of temporary differences	1,775,998	(170,995)
Tax losses not brought to account	(174,591)	–
Recognition of tax losses not previously brought to account	298,730	76,662
Income tax (expense)/benefit	**(59,153)**	**–**

9. CASH AND CASH EQUIVALENTS

In dollars	2019	2018
Cash and cash equivalents	3,289,617	4,917,837
	3,289,617	**4,917,837**

Notes to the Financial Statements

for the year ended 30 June 2019

10. PREPAYMENTS AND OTHER ASSETS

In dollars	2019	2018
Current		
Other financial assets		
Term deposits held as security	–	491,827
Prepayments and other assets		
Contract assets	259,316	70,441
Other receivables	158,013	27,819
Prepayments	708,663	98,037
	1,125,992	**688,124**
Non-current		
Term deposits held as security	**–**	**311,583**

11. TRADE AND OTHER RECEIVABLES

In dollars	2019	2018
Trade receivables	14,134,326	11,309,723
Provision for doubtful debts	(1,029,408)	(831,931)
	13,104,919	**10,477,792**

Movement in the provision for doubtful debts:

In dollars	2019	2018
At 1 July		
Opening balance	(831,931)	–
Addition through business combination	–	(870,062)
IFRS 9 adoption	(319,408)	–
IFRS 9 adoption – additional transition adjustment	(265,000)	–
Claims insured	(110,789)	–
Impairment expense recognised during the year	(345,805)	–
Receivables written off during the year as uncollectable	843,525	38,131
Balance at 30 June	**(1,029,408)**	**(831,931)**

Due to the short-term nature of current receivables, their carrying amount approximates their fair value. The ageing of trade receivables is outlined below:

In dollars	2019	2018
Current	6,395,010	5,486,863
31 to 60	4,046,059	4,072,278
61 to 90	1,144,164	935,798
90+	2,549,094	814,784
Impaired	(1,029,408)	(831,931)
	13,104,919	**10,477,792**

12. INVENTORIES

In dollars	2019	2018
Finished goods	3,688,216	3,166,431
Provision for slow moving stock	(274,855)	(1,054,985)
	3,413,361	**2,111,446**

13. ASSETS AND LIABILITIES HELD FOR SALE

In dollars	2019	2018
Assets classified as held for sale	71,296	67,650
Liabilities classified as held for sale	65,878	62,508

On 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. The option has since expired in November 2018, however the Board is still working towards a successful sale.

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14. PROPERTY, PLANT AND EQUIPMENT

In dollars	Land and buildings	Plant and equipment	Hire equipment	Total
Cost				
Balance at 1 July 2017	–	13,253	–	13,253
Acquisitions through a business combination	96,921	419,602	31,162,502	31,679,025
Additions	–	20,676	1,065,706	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**
Balance at 1 July 2018	96,921	440,278	32,149,571	32,686,770
Acquisitions through a business combination	–	118,950	9,386,173	9,505,123
Additions	–	247,862	9,536,640	9,784,502
Disposals	–	(56,315)	(1,340,230)	(1,396,545)
Balance at 30 June 2019	**96,921**	**750,775**	**49,732,154**	**50,579,850**
Depreciation and impairment losses				
Balance at 1 July 2017	–	13,253	–	13,253
Acquisition through a business combination	–	–	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**
Balance at 1 July 2018	8,861	50,390	916,521	975,772
Acquisitions through a business combination	–	–	–	–
Depreciation for the year	35,355	245,986	2,980,595	3,261,936
Disposals	–	(56,315)	(69,905)	(126,220)
Hire equipment loss adjustment	–	–	(524,262)	(524,262)
Balance at 30 June 2019	**44,216**	**240,061**	**3,302,949**	**3,587,226**
Carrying amounts				
At 1 July 2017	–	–	–	–
At 30 June 2018	88,060	389,888	31,233,050	31,710,998
At 1 July 2018	88,060	389,888	31,233,050	31,710,998
At 30 June 2019	52,705	510,714	46,429,205	46,992,624

15. INTANGIBLES

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at costs less any accumulated impairment losses.

Acrow annually tests goodwill with indefinite useful lives for impairment. An asset that does not generate independent cash flows is tested for impairment as part of a cash generating unit (CGU).

Where there is an impairment loss, it is recognised in the income statement when the carrying amount of an asset exceeds its recoverable amount. The asset's recoverable amount is estimated based on the higher of its value-in-use and fair value less costs to sell.

Impairment testing on Natform companies

Goodwill of $7,301,902 is recorded at 31 August 2018 with respect to the acquisition of Natform Pty Ltd and Natform (QLD) Pty Ltd. The recoverable amount of CGU is supported on a fair value less costs to sell basis with reference to the market price paid to acquire the business. No indicators of impairment have arisen since the acquisition date.

Allocation to CGU Groups

In dollars	2019	2018
Natform companies	7,301,902	–
	7,301,902	**–**

The recoverable amount of a CGU is determined based on a value-in-use calculation. This calculation uses discounted cash flow projections based upon management's projected EBITDA and financial budgets approved by the board of directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the cash flows for year 5 and the estimated long-term growth rates.

The discount rate used is the Group's weighted average cost of capital. The terminal growth rate reflects the management's outlook on growth.

	2019	2018
Average growth rate 1 – 5 years	13.7%	
Terminal growth rate	2.5%	–
Post-tax discount rate	10.0%	–

Sensitivity

Management have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur, the carrying value of goodwill may vary. Any reasonable change in the key assumptions on which the estimates and/or the discount rate are based would not cause the carrying amount of the CGU to exceed the recoverable amount.

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16. TRADE AND OTHER PAYABLES

In dollars	2019	2018
Current		
Trade payables	6,925,661	3,429,138
Accrued expenses	3,275,564	3,869,058
	10,201,225	**7,298,196**
Other Payables		
Current	2,230,199	–
Non-current	2,128,080	–
	4,358,279	**–**

Two equal payments in respect of the acquisition of Natform of $2,250,000 are due on 7 September 2019 and 7 September 2020. The present value of these future expected cash flows have been based on a discount rate of 4.9%.

17. EMPLOYEE BENEFITS

In dollars	2019	2018
Current		
Annual leave	1,169,722	1,155,505
Long service leave	1,068,654	1,007,659
Other employee benefits	724,425	931,876
	2,962,801	**3,095,040**
Non-current		
Long service leave	**456,609**	**331,597**

All employees are on defined contribution plans for superannuation. Expense recognised during the year was $1,465,313.

18. LOANS AND BORROWINGS

The Group entered into a $15,000,000 secured loan agreement in October 2018 for a period of 4 years. The facility consists of four sub-facilities; a $7,000,000 amortising business loan paying variable rates (balance of $5,978,000 at 30 June 2019) with a monthly principal repayment obligation of $146,000; a $5,000,000 3-year revolving equipment finance facility (balance of $961,092 at 30 June 2019); and a $3,000,000 flexible working capital / overdraft facility inclusive of bank guarantee commitment of $591,583 and undrawn balance of $2,408,417.

The loans are secured by interlocking guarantees across all Group companies. Interest on the business loan facilities is variable and charged at the prevailing market rates. All borrowing costs have been expensed during the year as incurred.

Loans and Borrowings

In dollars	2019	2018
Current	2,102,006	–
Non-Current	4,837,086	–
	6,939,092	**–**

19. PROVISIONS

In dollars	2019	2018
Make good	452,474	452,474
	452,474	**452,474**
Movements during the year were as follows:		
Balance at 1 July	452,474	–
Addition through a business combination	–	452,474
Charged to profit and loss	–	–
Amounts used during the year	–	–
Balance at 30 June	**452,474**	**452,474**

20. DEFERRED TAX BALANCES

In dollars	2019	2018
Carry forward balance	–	–
Movement during the year:		
Provisions	141,395	–
Payables	9,506	–
Property, plant and equipment	(1,834,900)	–
Balance at 30 June	**(1,683,999)**	**–**

In dollars	2019	2018
Unrecognised Deferred Tax Assets and Liabilities		
Deferred tax assets have not been recognised in respect of the following items:		
Revenue tax losses	13,654,771	13,083,920
Capital losses	202,441	202,441
Temporary differences	(2,911,668)	(1,088,873)
	10,945,544	**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 certain subsidiaries have 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 subsidiaries continue to derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

(ii) the subsidiaries continue to comply with the conditions for deductibility imposed by the law;

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

(iv) The subsidiaries pass the continuity of ownership test, or the same business test as outlined by the Australian Taxation Office.

Notes to the Financial Statements

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21. SHARE CAPITAL

In dollars	2019	2018
Number of shares		
On issue of 1 July	162,982,615	313,328,147
Issue of shares (i)	11,273,839	25,000,000
	174,256,454	338,328,147
Share consolidation (ii)	–	(321,411,654)
	174,256,454	16,916,493
Issue of shares for cash (iii)	–	136,000,000
	174,256,454	152,916,493
Issue of shares in exchange for debt (iv)	–	6,316,122
Exercise of share options (v)	750,001	3,750,000
	175,006,455	**162,982,615**

(i) 10,000,000 shares under 12 month escrow were issued on 31 August 2018 as part of the consideration for the acquisition of the Natform companies at $0.475 fair value per share; 380,348 shares were issued at 50.51 cents per share following dividend declaration on 28 August 2018 pursuant to the Dividend Reinvestment Plan (DRP); 893,491 shares were issued at 34.35 cents per share following FY2019 interim dividend declaration on 12 April 2019 also pursuant to the Dividend Reinvestment Plan (DRP);

(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) All ACFOP2 options, being 750,001 units (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 Group.

Dividends

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved prior to the reporting date.

The following dividends were declared and paid by the Group during the year:

In dollars	2019	2018
Dividends on ordinary shares declared and paid:		
Final dividend in respect of previous reporting period		
(FY18: 0.5 cent per share)		
– Paid in cash	672,803	–
– Paid via DRP	192,114	–
Interim dividend for the current reporting period		
(FY19: 1.0 cent per share)		
– Paid in cash	1,434,216	–
– Paid via DRP	306,914	–
	2,606,047	**–**

A final unfranked dividend of $864,917 for the year ended 30 June 2018 was paid on 22 October 2018 at 0.5 cent per share, with 380,348 new shares issued at 50.51 cents per share each as part of the DRP.

An interim unfranked dividend of $1,741,130 for FY 2019 was paid on 12 April 2019 at 1.0 cent per share, with 893,491 new shares issued at 34.35 cents each also as part of the DRP.

Subsequent to balance date the Directors declared an unfranked dividend of 1.0 cent per share on 29 August 2019.

Franking credit balance at 30 June 2019 was $1,958,742 (2018: nil)

Reserves

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 recognize the grant date fair value of shares issued to employees and directors that have not yet vested.

Notes to the Financial Statements

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22. 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 and less tax paid. Dividends are not expected to be franked in the near term.

23. 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 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	2019	2018
Earnings reconciliation		
Profit excluding significant items	7,507,206	653,745
Net share-based payments and significant items*	(2,558,491)	9,856,913
Net profit after tax	**4,948,715**	**10,510,658**

* includes share-based payments of $1.4m, finance restructuring costs and significant items per note 6.

Number of ordinary shares	Number of shares	
Weighted average number of ordinary shares used in the calculation of basic EPS	172,002,461	54,503,462
Weighted average number of ordinary shares used in the calculation of dilutive EPS	183,997,435	54,503,462
Basic EPS excluding significant items (cents per share)	4.36	1.20
Diluted EPS excluding significant items (cents per share)	4.08	1.20
Basic earnings / (loss) per share (cents)	2.88	19.28
Diluted earnings / (loss) per share (cents)	2.69	19.28

24. CAPITAL AND LEASING COMMITMENTS

In dollars	2019	2018
Capital commitments		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Plant and equipment	2,344,645	3,752,060

In dollars	2019	2018
Leases as lessee		
Non-cancellable operating lease rentals payable as follows:		
Less than one year	4,420,142	3,474,087
Between one and five years	13,999,409	9,005,695
More than five years	1,325,177	2,488,434
	19,744,728	**14,968,216**

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease and whether the lease is an operating or a finance lease.

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the Group, are classified as finance leases, if otherwise classified as operating leases.

At reporting date, all Acrow's leases were operating leases which are not recognised in the Consolidated statement of financial position. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of lease.

The Group leases industrial and commercial properties, forklifts, 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 2019, $4,424,644 was recognised as an expense in profit or loss in respect of operating leases (2018: $895,650).

Notes to the Financial Statements

for the year ended 30 June 2019

25. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

In dollars	2019	2018
Cash flows from operating activities		
Profit / (loss)	4,948,715	10,510,658
Adjustments for:		
Depreciation and impairment	3,261,936	445,754
Hire loss provision	(524,263)	(146,074)
(Gain)/loss on disposal	(881,092)	(261,087)
Gain on bargain purchase	–	(10,825,098)
Share based payment	1,420,406	558,384
Net changes in working capital:		
Other financial assets	803,410	(4,551)
Trade and other receivables	(2,017,311)	229,551
Inventories	(954,928)	164,414
Prepayments and other assets	(560,854)	262,927
Provisions and employee benefits	(503,672)	771,970
Trade and other payables	2,759,932	2,050,446
Cash generated from operating activities	7,752,279	3,757,294
Finance costs paid	**803,174**	**247,762**
Net cash from operating activities	**8,555,453**	**4,005,056**

26. AUDITORS' REMUNERATION

	2019	2018
Audit of the financial report – KPMG	318,198	172,838
– Stanton's International	–	57,468
Taxation & advisory services – KPMG	107,368	27,598
Total amount paid or payable	**425,566**	**257,904**

27. 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:

	2019	2018
Short term employment benefits	1,392,312	756,713
Long term employment benefits	122,347	28,931
Post-employment benefits	57,006	15,036
Share based payments	949,467	480,971
Total compensation paid to key management personnel	**2,521,132**	**1,281,651**

Other Related Party Transactions

During the year, Acrow engaged Bombora Group to provide advisory services on the acquisition of Natform companies. Michael Hill, Joshua May and Gregg Taylor are on the board of Bombora as well as Acrow. The Group paid Bombora $82,023 in 2019 (2018: $300,000).

Acrow also leases a number of industrial and commercial properties from Margaret Prokop's personal companies (MRP Property Pty Ltd & MRP Superannuation Pty Ltd) through the Natform subsidiaries. Margaret Prokop was previously a director of Natform companies, upon sale of Natform to Acrow, she has been appointed as a director of the Group. Rental and related out-going payments to her companies amounted to $665,087 (2018: nil). Terms on the leases range from 2 years to 5 years from 1 September 2018. Balance outstanding at 30 June 2019 was nil (2018: nil).

Two tranches of $2,250,000 deferred consideration are payable to Margaret Prokop on the acquisition of Natform companies, these are due on the 7 September 2019 and 7 September 2020 as detailed in note 31.

Natform engages Margaret Prokop's brother, the proprietor of Nat Pty Ltd to manufacture and assemble screens for Natform, the amount incurred was $824,349 in 2019 (2018: nil); balance outstanding at 30 June 2019 was $82,551 (2018: nil).

During the year there were no transactions between the parent entity and the subsidiaries within the group.

28. SHARE BASED PAYMENTS

At 30 June 2019 the Group had the following share-based payment arrangements.

Loan Funded Shares

No new Loan Funded Shares had been issued during FY2019. The Group carries forward only Loan Funded Shares issued in 2018 where selected employees and directors of the Group had 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 Group, 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;

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28. Share Based Payments (continued)

(iii) Interest: No interest is payable; and

(iv) Vesting hurdles: subject to being a continuous employee or director of the Group 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 Group'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 grant date fair value of rights granted in the year was $0.1071.

The model inputs for the in-substance options granted had 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 2.41%

f) Expected life 3 years

Reconciliation of outstanding loan funded share options

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

	2019		2018	
	Number	Weighted average excercise price	Number	Weighted average excercise price
Outstanding at 1 July	2,475,000	$0.20	–	–
Granted during the year	–	–	2,475,000	$0.20
Exercised during the year	–	–	–	–
Outstanding at 30 June	**2,475,000**	**$0.20**	**2,475,000**	**$0.20**

Options

During the year a total of 5,460,000 of options had been granted to selected employees under the Employee Share Options Scheme over two separate issues: 5,100,000 units on the 14 January 2019 at total fair value of $625,014 and 360,000 units on the 4 March 2019 at total fair value of $27,767. These options bear the following terms:

(i) Exercise price: 50 cents per option;

(ii) Vesting hurdles: subject to being an employee of the Group continuously over one-year, two-year, three-year and four-year periods with four equal set of tranches; no VWAP; and

(iii) Expiry date: 5 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 model inputs and fair value of options granted in the year were as follow:

Grant date	Units	Share price at grant date	Service period	Expected price volatility	Expected dividend yield	Risk-free interest rate	Fair value per option
14 January 2019	1,275,000	$0.4900	One year	50%	3.67%	1.89%	$0.0866
14 January 2019	1,275,000	$0.4900	Two years	50%	3.67%	1.87%	$0.1164
14 January 2019	1,275,000	$0.4900	Three years	50%	3.67%	1.78%	$0.1348
14 January 2019	1,275,000	$0.4900	Four years	50%	3.67%	1.82%	$0.1524
4 March 2019	90,000	$0.4050	One year	50%	3.67%	1.78%	$0.0449
4 March 2019	90,000	$0.4050	Two years	50%	3.67%	1.76%	$0.0732
4 March 2019	90,000	$0.4050	Three years	50%	3.67%	1.69%	$0.0897
4 March 2019	90,000	$0.4050	Four years	50%	3.67%	1.71%	$0.1007

Balance of all outstanding options at balanced date are as follow:

		2019		2018	
Grant date	Expiry date	Exercise price	Number of options	Exercise price	Number of options
12 April 2016	12 April 2019 & 2021	$0.20	750,001	$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	$0.20	400,000
27 March 2018	27 March 2021	$0.20	1,650,000	$0.20	1,650,000
14 January 2019	14 January 2024	$0.50	5,100,000		
4 March 2019	4 March 2024	$0.50	360,000		
Balance at 30 June			**8,360,001**		**3,650,002**

28. Share Based Payments (continued)

Reconciliation of outstanding share options

	2019		2018	
	Number	Weighted average excercise price	Number	Weighted average excercise price
Outstanding at 1 July	3,650,002	$0.20	5,350,002	$0.20
Granted during the year	5,460,000	$0.50	2,050,000	$0.20
Exercised during the year	(750,001)	$0.20	(3,750,000)	$0.20
Outstanding at 30 June	**8,360,001**	**$0.40**	**3,650,002**	**$0.20**

Performance Rights

No new performance rights have been granted during FY2019. Carried forward from previous reporting period, the Group granted 12,375,000 performance rights in March 2018 to selected 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 continuous service by an employee or a director of the Group for 2 years from the date of issue, and satisfaction of performance hurdles being FY19 EBITDA exceeding $11m, this has been achieved at reporting date, given it is probable the employees and directors will continue their service or have been granted as “good leavers”, therefore these are included as dilutive shares for the calculation of Earnings Per Shares (note 23); 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 27 March 2018.

29. 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. There were no open foreign exchange contracts at 30 June 2019.

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.

Fair value inputs are summarised as follows:

	Fair value heirarchy	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

As at 30 June 2019 the Group held no trade payables or open forward exchange contracts in Hong Kong Dollars. At reporting date, the Group does not hold any Forward exchange contracts and its currency risks (United States Dollars and Great British Pounds) at balance date are as follow:

	30 June 2019		30 June 2018	
	USD	GBP	USD	HKD
Trade payables	1,167,631	8,993	271,173	90,780
Purchase orders at 30 June	164,089	–	1,341,810	757,798
Forward exchange contracts	–	–	(870,799)	(715,492)
Net exposure	**1,331,720**	**8,993**	**742,184**	**133,086**

Notes to the Financial Statements

for the year ended 30 June 2019

29. Financial Risk Management (continued)

Foreign Currency Sensitivity

A reasonable possible strengthening/(weakening) of the USD or the Great British Pounds at 30 June would have affected 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)	121,065	(133,172)
GBP (10% movement)	818	(899)

Interest Rate Risk

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. At 30 June 2019 the Group has the following exposure to interest rates on borrowings

	2019	**2018**
Fixed rate instruments		
Financial assets	–	803,410
Loans and borrowings	(961,092)	–
Variable rate instruments		
Financial assets	–	479,234
Loans and borrowings	(5,978,000)	–

Interest Rate Sensitivity

At 30 June 2019, the Group held interest bearing loans of $6,939,092 (2018: nil) and held interest bearing cash accounts of $3,289,617 (2018: $2,417,778).

A reasonably possible change of 100 basis points in interest rates at the reporting date would have no impact on profit or loss for the year.

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	**2019**	**2018**
Classes of financial assets		
Cash and cash equivalents	3,289,617	4,917,837
Other financial assets	–	803,410
Derivative financial instruments	–	27,068
Trade and other receivables	13,104,919	10,477,792
	16,394,536	**16,226,107**

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.

The following liquidity risk disclosures reflect all contractually fixed repayments and interest resulting from recognised financial liabilities and derivatives as of 30 June 2019. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

		Contractual cash flow		
	Carrying amount	**Total**	**1 year or less**	**1 to 5 years**
2019				
Non-derivative financial liabilities				
Deferred consideration	4,358,279	(4,500,000)	(2,250,000)	(2,250,000)
Trade payables and accrued expenses	10,201,225	(10,201,225)	(10,201,225)	
Loans and borrowings	6,939,092	(6,939,092)	(2,102,006)	(4,837,086)
	21,498,596	(21,640,317)	(14,553,231)	(7,087,086)
Derivative financial liabilities				
Forward exchange contracts	–	–	–	
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)	–

Notes to the Financial Statements

for the year ended 30 June 2019

30. 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%
Natform Pty Ltd (a), (b)	NSW	100%
Natform (QLD) Pty Ltd (a), (b)	QLD	100%
Acrow Group Investments 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 Group under ASIC Corporations (Wholly Owned Companies) Instrument 2016/785.

(b) These subsidiaries, along with Acrow Formwork and Construction Services Limited (the parent entity of the Group), form the Deed of Cross Guarantee Group described further from note 34.

31. ACQUISITION OF NATFORM PTY LTD AND NATFORM (QLD) PTY LTD

On 31 August 2018 Acrow acquired 100% of the issued shares of Natform Pty Ltd and Natform (QLD) Pty Ltd (collectively Natform). Natform is a supplier of screen-based formwork systems which support the construction of commercial and residential high-rise buildings and civil infrastructure across the NSW, ACT and QLD markets.

The consideration comprised of $7,105,341 in cash, 10,000,000 Acrow shares valued at $0.475 each, escrowed for 12 months from 31 August 2018, two instalments of deferred consideration of $2,250,000 due on 7 September 2019 and 7 September 2020 respectively, and contingent payments of $1,000,000 cash or an equivalent number of shares based on a price of $0.40 per share should Natform EBITDA reach $4,500,000 between 1 September 2018 and 31 August 2019 and a further $1,000,000 cash or an equivalent number of shares based on a price of $0.60 per share should EBITDA reach $5,000,000 between 1 September 2019 and 31 August 2020. As the contingent consideration EBITDA target was not considered probable, no amounts have been included in the consideration.

At reporting date, there is no new information about the facts and circumstances that existed on acquisition date. Given the 12 months provisional period concludes on 31 August 2019, Acrow does not anticipate any changes to the following amounts recognised for assets acquired and liabilities assumed at the date of acquisition.

The goodwill is attributable predominately to the key management who have been operating Natform for thirty years, their team of experienced workforce and qualified engineers, established customer base and competitive advantage in service offerings that do not meet the recognition criteria as intangible assets at the date of acquisition. The goodwill is not deductible for tax purposes. Costs on acquisition and related items amounted to $134,487.

Natform Pty Ltd and Natform (QLD) Pty Ltd

In dollars	$
Assets	
Cash and cash equivalents	375,854
Receivables	1,194,304
Inventory	346,987
Property, plant and equipment	9,505,123
Other	368,841
Total assets	**11,791,109**
Liabilities	
Trade and other payables	257,347
Provisions	496,444
Provision for income tax	252,601
Deferred tax liabilities	2,044,875
Total liabilities	**3,051,267**
Net assets	8,739,842
Goodwill on acquisition	7,301,902
Purchase consideration transferred	**16,041,744**

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 Acrow's management following a self-assessment. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

The consolidated statement of profit and loss and comprehensive income includes the following revenue and net profit resulting from the acquisition made since 31 August 2018:

Revenue	6,318,979
Net loss after tax	(45,525)

If the acquisition had taken place at the beginning of the financial year (1 July 2018), the following revenue and net profit after tax would have been included:

Revenue	7,758,132
Net loss after tax	(54,630)

Notes to the Financial Statements

for the year ended 30 June 2019

32. OPERATING SEGMENTS

The Group manages all its construction-related operations, being all the Australian based formwork and scaffolding subsidiaries as one segment and the mining operation in Ghana as a separate segment. The executive management team (the chief operating decision makers) assesses the financial performance of the construction-related on an integrated basis only and accordingly.

All revenue is generated by external customers in Australia on formwork and construction related services and mineral exploration assets and liabilities are held for sale as detailed in note 13.

The Group has the following segments:

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

Segment Information as at 30 June 2019

In dollars	Formwork & construction	Mineral exploration	Total
Hire of equipment	33,140,700	–	33,140,700
Provision of labour and contracting services	22,075,424	–	22,075,424
Other hardware sales	13,642,786	–	13,642,786
Other income	881,092	–	881,092
Segment revenue	**69,740,002**	**–**	**69,740,002**
Segment operating profit	7,888,356	(67,532)	7,820,824
Unallocated corporate overhead costs			(1,849,086)
Finance costs	(963,870)	–	(963,870)
Profit (loss) before income tax			**5,007,868**
Income tax expense	(59,153)	–	(59,153)
Profit (loss) after income tax			**4,948,715**
Other material items:			
Goodwill on acquisition	7,301,902	–	7,301,902
Capital expenditure	9,784,502	–	9,784,502
Depreciation and amortisation	3,261,936	–	3,261,936
Segment assets	**75,228,415**	**71,296**	**75,299,711**
Segment liabilities	**27,610,781**	**65,878**	**27,676,659**

Segment Information as at 30 June 2018

In dollars	Formwork & construction	Mineral exploration	Total
Hire of equipment	8,176,836		8,176,836
Provision of labour and contracting services	4,395,244		4,395,244
Other hardware sales	2,906,916		2,906,916
Other income	261,087		261,087
Segment revenue	**15,740,083**		**15,740,083**
Segment operating profit	2,301,505	(59,764)	2,241,741
Unallocated corporate overhead costs			(2,342,497)
Finance costs	–	–	(213,685)
Gain on bargain purchase			10,825,099
Profit (loss) before income tax			**10,510,658**
Other material items:			
Capital expenditure	1,086,382	–	1,086,382
Depreciation and amortisation	445,754	–	445,754
Segment assets	**50,217,780**	**67,650**	**50,285,430**
Segment liabilities	**11,177,228**	**62,508**	**11,239,736**

Geographical Information

The Group's Mineral Exploration segment operates in Ghana.

Construction related segment operates in Australia.

Notes to the Financial Statements

for the year ended 30 June 2019

33. PARENT ENTITY DISCLOSURES

In dollars	2019	2018
Results of parent entity		
Loss for the period	(1,781,830)	(2,536,859)
Other comprehensive income	–	10,825,098
Total comprehensive income for the period	**(1,781,830)**	**8,288,239**
Financial position of parent entity at year end		
Current assets	6,709	397,909
Non-current assets	39,527,860	36,483,511
Total assets	**39,534,569**	**36,881,420**
Current liabilities	288,349	66,758
Total liabilities	288,349	66,758
Net assets	**39,246,220**	**36,814,662**
Total equity of parent entity comprising:		
Share capital	34,814,339	29,377,927
Reserves	2,006,033	11,448,110
Accumulated profits/(losses)	2,425,848	(4,011,375)
Total equity	**39,246,220**	**36,814,662**

In dollars	2019
Movement to Accumulated profits/(losses)	
FY 2019 opening balance	(4,011,375)
Transfer from Reserves for gain on bargain purchase of the Acrow Holdings Pty Ltd and Acrow Formwork and Scaffolding Pty Ltd	10,825,098
Dividend paid and reinvested through DRP	(2,606,047)
Loss for the period	(1,781,830)
FY 2019 closing balance	**2,425,848**

34. 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 Acrow Formwork and Scaffolding Pty Ltd and Acrow Holdings Pty Ltd, then on 19 December 2018, an Assumption Deed was executed to include newly formed entity Acrow Group Investments Pty Ltd and newly acquired companies, Natform Pty Ltd and Natform (QLD) Pty Ltd.

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 2019

In dollars	2019	2018
Revenue	68,858,910	15,478,994
Other income	881,092	11,086,186
Personnel expenses	(22,589,627)	(6,398,778)
Sub-contract labour costs	(18,005,200)	(3,575,132)
Inventory purchased, net of changes in finished goods	(9,120,271)	(2,214,423)
Property costs	(4,203,517)	(796,006)
Depreciation	(3,261,936)	(445,754)
Other expenses	(6,587,964)	(2,379,383)
Results from operating activities	**5,971,488**	**10,755,704**
Finance income	11,261	34,076
Finance cost	(975,131)	(247,762)
Net finance income/(expense)	**(963,870)**	**(213,686)**
Profit/(loss) before income tax	**5,007,618**	**10,542,018**
Income tax expense	(59,153)	–
Profit/(loss) for the year	**4,948,465**	**10,542,018**
Total comprehensive income for the year	**4,948,465**	**10,542,018**

Notes to the Financial Statements

for the year ended 30 June 2019

34. Deed of Cross Guarantee (continued)

Statement of Financial Position

As at 30 June 2019

In dollars	2019	2018
Assets		
Cash and cash equivalent	3,289,503	4,917,429
Other financial assets	–	491,827
Receivables	13,104,919	10,477,792
Inventories	3,413,361	2,111,446
Prepayments and other assets	1,125,992	196,297
Assets held for sale	–	–
Total current assets	**20,933,774**	**18,194,790**
Property, plant & equipment	46,992,624	31,710,998
Intangibles	7,301,892	–
Other financial assets	–	311,583
Total non-current assets	**54,294,516**	**32,022,581**
Total assets	**75,228,291**	**50,217,371**
Liabilities		
Trade payables	10,201,225	7,298,195
Other payables	2,230,199	–
Employee benefits	2,962,801	3,095,040
Borrowings	2,102,006	–
Current tax liabilities	556,301	–
Liabilities held for sale	–	–
Total current liabilities	**18,052,532**	**10,393,234**
Other payables	2,128,080	–
Employee benefits	456,609	331,597
Borrowings	4,837,086	–
Provisions	452,474	452,474
Deferred tax liabilities	1,683,999	–
Total non-current liabilities	**9,558,249**	**784,071**
Total liabilities	**27,610,781**	**11,177,305**
Net assets	**47,617,510**	**39,040,066**
Share capital	34,814,339	29,377,927
Reserves	2,006,033	623,012
Retained earnings / (accumulated losses)	10,797,137	9,039,127
Total equity	**47,617,510**	**39,040,066**

35. SUBSEQUENT EVENTS

On 29 August the Directors declared an unfranked dividend of 1.0 cent per share to be paid on Friday 15th November 2019. Dividend Reinvestment Plan is available for election. The dividend has not been provided for in this financial report as it was not declared until after 30 June 2019.

Subsequent to year end, the Group entered into a legal sale and leaseback transaction with a trade debtor owing $0.9m included in the 30 June 2019 trade receivables balance. This transaction resulted in the extinguishment of the unsecured trade receivable balance and the realisation of a secured receivable.

Equipment loans of $1,819,415 were drawn down subsequent to balance date under the existing Equipment Finance facility.

Share-based payments in the form of 1,200,000 options have been issued under the Employee Share Option Plan issued to a Key Management Personnel subsequent to reporting date.

Mr Michael Hill was the Chair of the Remuneration and Nomination Committee up to his date of resignation on 19th September 2019 being replaced on that day by Mr Gregg Taylor. Mr Joshua May is the Chairman of the Audit and Risk Committee.

Other than the above matters there has not otherwise arisen between the end of the year end period 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 2019

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

(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 2019 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 Group 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 30 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 2019.

Signed in accordance with a resolution of the directors:

Peter Lancken
Chairman

Steven Boland
Director, Chief Executive Officer

Sydney
27 September 2019

Independent Auditor's Report

for the year ended 30 June 2019

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 2019 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:

- Consolidated statement of financial position as at 30 June 2019
- 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
- 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.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisition of Natform Pty Ltd and Natform (QLD) Pty Ltd - $16.0 million	
Refer to Note 31 Acquisition of Natform companies	
The key audit matter	**How the matter was addressed in our audit**
The Group's acquisition of Natform Pty Ltd and Natform (QLD) Pty Ltd for consideration of $16.0 million on 31 August 2018 represents a significant single acquisition. 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 required significant audit effort and senior team involvement. At the reporting date no new information has been obtained about the facts and circumstances that existed on the acquisition date. The Group does not anticipate any changes to the assets acquired and liabilities assumed at the date of acquisition. We focussed on the following key judgements made by the Group in determining the fair value of net assets acquired in the purchase price allocation (PPA): • the replacement cost of the hire equipment • the useful lives of the hire equipment • the methodologies applied in the valuation of the hire equipment.	Our procedures included: • Reading the acquisition contract to: - understand the key terms - assess the acquisition against the criteria of a business combination in the accounting standards; - assess the Group's identification of the relevant assets acquired and liabilities assumed; • We challenged the key inputs and the valuation methodologies applied in the PPA to hire equipment. This included. - evaluating the Group's determination of replacement cost of the hire equipment by comparing to the original cost in the acquiree's accounting records; - assessing the Group's useful lives of the hire equipment using the acquirees's underlying accounting records, our understanding of the nature and condition of the assets required and the industry; • We compared the acquired company's accounting policies against the Group's policies; and • We assessed the adequacy of the Group's disclosures in respect to the business acquisition, by comparing these disclosures to our understanding of the acquisition, and against the requirements of accounting standards.

<table>
<tr><th colspan="2">Recoverability of Trade receivables - $13.1 million</th></tr>
<tr><td colspan="2">Refer to Note 11 Trade and Other Receivables</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 credit exposure is concentrated in customers in the construction sector, which is subject to business cycles.

The recovery of trade receivables is dependent on the ability of customers operating in this industry to remain solvent while facing these operational and macroeconomic risks.

Recoverability of trade debtors was considered to be a key audit matter due to:

• Trade receivables past due at the reporting date which have certain risk characteristics and therefore have a greater inherent risk of not being recovered.

• The inherent subjectivity involved in the Group making forward-looking judgements in relation to the recovery of credit risk exposures; and

• The Group’s adoption of AASB 9 Financial Instruments requiring the use of an expected credit loss model

These conditions gave rise to additional audit effort, including:

• Greater involvement by our senior team members to gather evidence across the various customer profiles and their trade receivables; and

• To challenge the forward-looking judgements made by the Consolidated Entity.</td><td>Our procedures included:

• Testing the trade receivables ageing profile prepared by the Group for the purpose of placing reliance on the trade receivables ageing profile for our analysis;

• Assessing the Group’s identification of credit-impaired trade receivables including the bases adopted by the Group in the identification;

• We challenged the identified trade receivables by taking into account past payment trends, industry data and observable data specific to the relevant customers;

• We evaluated the Group’s assessment of the recoverability of individually significant credit-impaired trade receivables by challenging the Group’s estimates taking into account historical payment records and subsequent receipts after year-end. We:

- agreed cash received subsequent to year-end to the Group’s bank statements to assess its effect in reducing amounts outstanding for the related customer balances at year-end

- evaluated other evidence including customer correspondence; and

- assessed the Group’s knowledge of future conditions for individual customers which may impact expected customer receipts based on consistency with the results of the procedures performed above; and

• We assessed the Group’s expected credit loss model against the requirements of the accounting standards; and

• We assessed the Group’s disclosures of the quantitative and qualitative considerations in relation to trade receivable credit risk, by comparing these disclosures to our understanding of the matter and the requirements of the accounting standards.</td></tr>
</table>

Independent Auditor's Report

for the year ended 30 June 2019

KPMG

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 will 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
- 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.

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 2019, 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 23 to 42 of the Directors' report for the year ended 30 June 2019.

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

KPMG

KPMG

Marcus McArdle

Marcus McArdle

Partner

Sydney

27 September 2019

Shareholder Information

for the year ended 30 June 2019

The shareholder information set out below was applicable as at 23 September 2019.

SUBSTANTIAL SHAREHOLDERS

Top holders	Securities	%
IOOF Holdings Pty Ltd	25,071,559	14.126
Schroder Investment Management Australia Limited	14,792,872	8.335
Keneco Property Pty Ltd	11,920,000	6.716
Margaret Anna Prokop	10,392,681	5.856

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	184	17	11
10,001 to 100,000	603	9	–
5,001 to 10,000	167	–	–
1,001 to 5,000	252	–	–
1 to 1,000	1,569	–	–
Total	**2,775**	**26**	**11**

There are 1,647 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).
- 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: 4,569,001 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

for the year ended 30 June 2019

TOP HOLDERS

Twenty largest quoted equity security holders

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

As at 23 September 2019

Rank	Holder name	Holding	% IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	19,370,103	10.91
2	NATIONAL NOMINEES LIMITED	14,407,548	8.12
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	10,481,863	5.91
4	KENECO PROPERTY PTY LTD <FAMIGLIA A LTD PARTNER A/C>	10,420,000	5.87
5	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	6,459,021	3.64
6	MARGARET ANNA PROKOP	6,235,484	3.51
7	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	5,176,671	2.92
8	BNP PARIBAS NOMS PTY LTD <DRP>	4,654,824	2.62
9	MRP PROPERTY PTY LTD <MRP GROUP FAMILY A/C>	4,157,197	2.34
10	JARUMITO PTY LIMITED <THE JARUMITO FAMILY A/C>	2,727,050	1.54
11	WHOOSHKA NOMINEES <WALLY WHOOSHKA A/C>	2,586,278	1.46
12	JOSAMBA PTY LTD <WR&P GIBSON SUPER FUND A/C>	2,500,000	1.41
13	TOTAL CONSTRUCTION PTY LIMITED	2,010,492	1.13
14	DR DAVID JOHN RITCHIE & DR GILLIAN JOAN RITCHIE <D J RITCHIE SUPER FUND A/C>	2,000,000	1.13
15	DRACKA PTY LTD <THE DRACKA A/C>	1,880,000	1.06
16	MR STEPHEN JAMES TAYLOR	1,805,000	1.02
17	KENECO PROPERTY PTY LTD <FAMIGLIA A LTD PARTNER A/C>	1,500,000	0.85
18	BREBEC PTY LTD <CHENOWETH FAMILY A/C>	1,277,058	0.72
19	BRUNDEE INVESTMENTS PTY LTD <KIRRA FAMILY A/C>	1,275,946	0.72
20	W H FRANKS CONSTRUCTIONS PTY LTD <W H FRANKS CONSTRUCT SF A/C>	1,250,000	0.70
20	KENNARD FAMILY SUPER FUND	1,250,000	0.70
	Totals	**103,424,535**	**58.27**
	Total Issued Capital	**177,481,455**	**100.00**

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