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## Aerometrex Pty Ltd For the year ended 30 June 2019

For the year ended 30 June 2019

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For the year ended 30 June 2019

## DIRECTOR'S REPORT

The Directors of the Aerometrex Pty Ltd present their report together with the financial statements of the Consolidated Entity, being Aerometrex Pty Ltd (the Company) and its controlled entities (the Group) for the year ended 30 June 2019 and the Independent Audit Report thereon.

### Director Details

The following persons were Directors of Aerometrex Pty Ltd during or since the end of the financial year:

**Glenn Davis**  
**B.Eco, B.Law, FAICD**

Independent Non-Executive Chairman  
Director appointed 31 May 2019

Glenn is a solicitor with over 30 years' experience practicing in risk and corporate law. Glenn provides advice to public and private entities throughout Australia on a full range of corporate and business law issues. Glenn is also the current Non-Executive Chairman of Beach Energy Limited (BPT.ASX)

**Mark Deuter**  
**B.Sc (Maths)**

Managing Director  
Director since 2011

Mark has over 40 years' experience in Mapping Sciences, including substantial knowledge in photogrammetry and aerial photography, airborne geophysical surveying and data processing. As well as achieving a Bachelor of Surveying from the University of Adelaide, Mark has also achieved a Cartography Certificate from the University of South Australia.

**Matthew White**  
**B.Acc, ACA, FBAA, FPA, NTAA**

Finance Director  
Director since 2011

Since 2008, Matthew has been the Financial Controller for the Aerometrex Group. Matthew has over 27 years' experience as an accountant, establishing his own Chartered Accountancy firm in June 1997. Matthew is also a financial planner and mortgage broker. Matthew has achieved a Bachelor of Accounting from the University of South Australia, is a MFAA registered Mortgage Broker and registered Financial Planner. Matthew is also a registered Tax Agent, associate of the NTAA and Accredited SMSF Advisor.

**David Byrne**  
**B.Sc (Honours)**

Technical Director  
Director since 2011

David's experience with Aerial Mapping and Imagery is quite broad, having spent 18 years as Chief Photogrammetrist and Production Manager at Aerometrex. He also has 22 years' experience in Digital Photogrammetry, 2 years as Digital Photogrammetric Engineer and 4 years' experience in Photogrammetry research/commercial work. David achieved a Bachelor of Surveying (Honours) at the University of South Australia.

**Scott Tomlinson**

Aviation Director  
Director since 2011

Scott has an extensive 28 years' experience in aerial surveyance. He has also achieved 2 years' experience as an aerial laboratory assistant, 8 years' experience performing aerial navigation / camera duties and 13 years' experience as a Senior Pilot. Scott holds a Commercial Pilots License, of which he achieved in 1990 and an Airline Transport license, achieved in 1994. Scott has expansive operational use and understanding of the following camera types; RC10, RC20, RC30, UltraCamD, UltraCamX.

**Beata Serafin**

Human Resources Director  
Director since 2011

Beata has 18 years' experience in digital photogrammetry, DEM editing, orthophoto mosaic, and detailed imagery retouching. She also has 2 years teaching experience in digital imagery and 3D modelling both locally and overseas. Bea has achieved a Degree in Design at the University of South Australia. Furthermore, Bea has 6 years' experience in in-house staff training and development management, project management and as a team leader (both locally and overseas).

For the year ended 30 June 2019

**Mark Lindh**

Independent Non-Executive Director  
Director appointed 20 May 2019

Corporate advisor with significant experience in advising predominantly listed companies encompassing a range of industries including energy and resources, infrastructure and utilities, equity and debt markets

Mark is the founding director of Adelaide Equity Partners Limited, an investment and advisory company. In addition, he is a non-executive board member of ASX listed companies Bass Oil (BAS.ASX) and Advance Braking Technology (ABV.ASX).

For the year ended 30 June 2019

## Company Secretary

The Company Secretary is Matthew White.

## Principal activities

During the year, the principal activities of the Group were:

- The production and sale of digital aerial photographic images and mapping data sets on a project by project basis;
- The production and sale of digital aerial photographic images and mapping data sets on a subscription basis;
- The production and sale of survey and mapping data sets using LIDAR technology; and
- The production and sale of high resolution, three-dimensional (3D) data sets, 3D models and reality mesh.

## Review of operations and financial results

The Group is a key participant in the aerial photography and mapping services industry, holding varying market share across its differing product lines.

On 31 March 2019, the company merged the business of Atlass-Aerometrex Pty Ltd into its parent company, Aerometrex Pty Ltd, to reduce administration and operating costs and take further advantage of cross selling opportunities.

During the financial year, the Group successfully completed a pre-IPO capital raise by issuing convertible notes. The offer was oversubscribed and \$ 7,000,000 was committed to from various institutions, brokers and sophisticated investors. As at 30 June 2019, \$ 5,500,500 of these funds had been received.

Following the capital injection, the Group has commenced its ongoing Metromap capture program and has been rewarded with an immediate increase in major subscription sales from key corporate and government clients.

The Group has continued to invest significantly in new equipment during the 2019 financial year to further increase production capacity, take advantage of new technology and reduce operating costs. This investment is also helping to drive the ongoing increase in sales and market share.

As a further indicator of growth, the number of employees increased from 72 to 80 over the course of the financial year. The Group is constantly seeking further staff as it continues to grow.

Investment in research and development also increased with the Group undertaking a program to design and manufacture its own camera system. The system is in production and, once operational, will further reduce costs and increase capture efficiencies.

The Group's Services and Retail segments continue to have a diverse and increasing customer base. The single largest client of the business accounts for 9.8% of revenue.

The operating profit result before tax of the Group has increased to \$ 2,866,126 (2018: \$ 2,753,011) mainly due to the increased sales at relatively steady gross and net profit margins.

Revenue from operations increased on last year by 22.7%. All sales divisions showed an improvement in revenues excluding photo contracting. The market continues to recognise the Group's high-quality product lines and diverse range of niche services. The ongoing investment in improved technology and systems has further improved workflow capacity.

The Group's net assets increased by 19.9% compared to the previous year, largely due to a combination of improved profitability, increased work pipeline and additional plant and equipment.

For the year ended 30 June 2019

## Significant changes in the state of affairs

During the year, the following changes occurred within the Group:

- Merging of Atlass-Aerometrex Pty Ltd:
  - On 31 March 2019 the business of Atlass-Aerometrex Pty Ltd was merged with the holding company, Aerometrex Pty Ltd. The trading business, staff and intangible assets were transferred. All tangible assets and associated debt remain in Atlass-Aerometrex Pty Ltd at this stage.
- Raised pre IPO funding with a return of capital to founding shareholders; and
- The Group resolved at general meeting to, pending a successful pre-IPO capital raising, convert Aerometrex Pty Ltd into a public company.

## Dividends

In respect of the current year, fully franked dividends of \$ 680,120 (38.1 cents per share) were paid over the course of the financial year. The company paid regular monthly dividends and special dividends as determined by the directors.

As at 30 June 2019, dividend payments have ceased under the terms of the convertible note deed poll and in line with the company's plan to reinvest all cash back into growth assets.

## Events arising since the end of the reporting period

On 2 July 2019, a further \$ 1,500,000 in pre-IPO funding was received and the corresponding convertible notes were issued.

Other than noted above, no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the entity's operations in future financial years;
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial years.

## Likely developments

The Group has an expectation of continued growth across all product lines and has implemented several strategies to ensure this occurs including:

- embarking on a regular mapping program of Australia's capital cities and major regional areas
- Expanding its sales force in all product areas
- Continually upgrading its online sales portal
- Establishing a base overseas to take advantage of more regular international opportunities
- Investing further in research and development
- Further reducing acquisition and processing costs
- Investing in further state-of-the-art technology to enable it to further increase market share; and
- engaging a professional marketing agency to further improve its branding, image and market awareness

Capital investment is set to increase during the 2020 financial year.

Additional aircraft are being purchased to help modernise the fleet, increase reliability and reduce operating costs.

The Group is developing its own proprietary hardware that will further save costs and increase efficiencies going forward.

For the year ended 30 June 2019

The company has set a target of listing on the Australian Securities Exchange before calendar year end via an initial public offering.

The Directors are continually monitoring the Group's costs and adjusting where necessary to maintain and improve profit margin.

The material business risks faced by the Group that are likely to have an effect on the financial prospects of the Group and how the Group manages these risks include:

- 1 Technological obsolescence:** given the rapidly changing environment in which the Group operates, this could have a very significant impact on our financial results. We address this risk through investment in the latest technology, spending on targeted research and development programs and by constantly monitoring the market. We are also developing our own technology to help mitigate third party risk
- 2 Aviation operations:** air traffic congestion is becoming an issue over major Australia cities. We are resolving this issue by developing longer focal camera systems to ensure we can fly our surveys above the congestion around capital city airports.
- 3 Increased competition:** competitors have started marketing campaigns which are confusing clients regarding the range of services available in the sector. We will reduce this risk with client education, conferences, seminars, website and messaging through various digital and social media.

## Directors' meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director is as follows:

Board Member	Board Meetings	
	A	B
Mark Deuter	12	12
Matthew White	12	12
David Byrne	12	12
Beata Serafin	12	9
Scott Tomlinson	12	4
Mark Lindh	2	2
Glenn Davis	1	1

Where:

- column A:** is the number of meetings the Director was entitled to attend
- column B:** is the number of meetings the Director attended

There were no meetings of Director Committees held during the year.

For the year ended 30 June 2019

## Unissued shares under option

There are no unissued ordinary shares of the Aerometrex Group under option at the date of this report are.

## Shares issued during or since the end of the year as a result of exercise

During or since the end of the financial year, the Group issued no ordinary shares as a result of the exercise of options or conversion of notes.

## Environmental legislation

Aerometrex Group operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

## Indemnities given to, and insurance premiums paid for, auditors and officers

### Insurance of officers

During the year, Aerometrex Group paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has agreed to indemnify current officers of the Group against a liability incurred as such by an officer.

### Indemnity of auditors

No indemnity has been provided.

## Proceedings of behalf of the Company

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

## Rounding of amounts

Aerometrex Group is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Directors.



Matthew White  
Director  
26 August 2019

For the year ended 30 June 2019

For the year ended 30 June 2019

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	2019 \$'000	2018 \$'000
Revenue	5	16,109	13,129
Other income		182	38
Cost of sales		(4,512)	(2,738)
Employee benefits expense	17	(4,712)	(4,264)
Depreciation of property, plant and equipment	11	(1,502)	(990)
Amortisation of intangible assets	14	(479)	(141)
Travel & accommodation		(740)	(693)
Other expenses		(1,292)	(1,360)
Finance costs	6	(191)	(231)
Finance income	6	3	3
<b>Profit before income tax</b>		<b>2,866</b>	<b>2,753</b>
Income tax expense	7	(296)	(925)
<b>Profit for the year after income tax</b>		<b>2,570</b>	<b>1,828</b>
Profit attributable to:			
Equity holders of the parent		2,562	1,836
Non-controlling interests		8	(8)
<b>Profit for the year after income tax</b>		<b>2,570</b>	<b>1,828</b>
<b>Earnings per share:</b>			
Basic, profit for the year attributable to ordinary equity holders of the parent		\$ 1.44	\$1.02
Diluted, Profit for the year attributable to ordinary equity holds of the parent		\$ 1.44	\$1.02

This statement should be read in conjunction with the notes to the financial statements.

For the year ended 30 June 2019

# Consolidated Statement of Financial Position

As of 30 June 2019

	Notes	2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	8	5,110	974
Trade and other receivables	9	2,759	2,860
Contract Assets	9	1,276	797
Other Assets	10	97	-
<b>Total current assets</b>		<b>9,242</b>	<b>4,631</b>
<b>Non-current</b>			
Property, plant and equipment	11	9,800	8,761
Goodwill	13	1,785	1,785
Intangible assets	14	1,317	162
Deferred tax assets	18	349	225
<b>Total non-current assets</b>		<b>13,251</b>	<b>10,933</b>
<b>Total assets</b>		<b>22,493</b>	<b>15,564</b>
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables	15	1,103	464
Current tax liabilities		293	553
Contract liabilities	16	522	138
Financial liabilities	12	8,520	3,575
Employee benefits	17	890	689
<b>Total current liabilities</b>		<b>11,328</b>	<b>5,419</b>
<b>Non-current</b>			
Financial liabilities	12	3,112	3,406
Employee benefits	17	93	58
Deferred tax liabilities	18	1,091	952
<b>Total non-current liabilities</b>		<b>4,296</b>	<b>4,416</b>
<b>Total liabilities</b>		<b>15,624</b>	<b>9,835</b>
<b>Net assets</b>		<b>6,869</b>	<b>5,729</b>
<b>Equity</b>			
Equity attributable to owners of the parent:			
Share capital	19	2,377	3,127
Retained earnings		4,122	2,240
Non-controlling interest		370	362
<b>Total equity</b>		<b>6,869</b>	<b>5,729</b>

This statement should be read in conjunction with the notes to the financial statements.

For the year ended 30 June 2019

## Consolidated Statement of Changes in Equity

### For year ended 30 June 2019

	Notes	Share capital \$'000	Retained earnings \$'000	Total attributable to owners of parent \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2018		3,127	2,240	5,367	362	5,729
Profit for the year		-	2,562	2,562	8	2,570
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	2,562	2,562	8	2,570
Dividends	20	-	(680)	(680)	-	(680)
Return of Capital		(750)	-	(750)	-	(750)
<b>Balance at 30 June 2019</b>		<b>2,377</b>	<b>4,122</b>	<b>6,499</b>	<b>370</b>	<b>6,869</b>

### For year ended 30 June 2018

	Notes	Share capital \$'000	Retained earnings \$'000	Total attributable to owners of parent \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2017		3,127	769	3,896	-	3,896
Profit for the year		-	1,836	1,836	(8)	1,828
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	1,836	1,836	(8)	1,828
Non-controlling interest arising from acquisition of subsidiary	23	-	-	-	370	370
Dividends	20	-	(365)	(365)	-	(365)
<b>Balance at 30 June 2018</b>		<b>3,127</b>	<b>2,240</b>	<b>5,367</b>	<b>362</b>	<b>5,729</b>

This statement should be read in conjunction with the notes to the financial statements.

For the year ended 30 June 2019

For the year ended 30 June 2019

## Consolidated Statement of Cash Flows

	Notes	2019 \$'000	2018 \$'000
<b>Operating activities</b>			
Receipts from customers		16,115	11,484
Payments to suppliers and employees		(10,291)	(8,888)
Income taxes paid		(541)	-
Interest received	6	3	3
Interest paid	6	(191)	(231)
<b>Net cash from operating activities</b>		<b>5,095</b>	<b>2,368</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(2,615)	(4,717)
Units acquired in AMX Capital	23	-	(670)
Purchase of other intangible assets		(1,564)	(22)
<b>Net cash used in investing activities</b>		<b>(4,179)</b>	<b>(5,409)</b>
<b>Financing activities</b>			
Net (repayments)/ proceeds from bank loans		(430)	3,435
Net proceeds from convertible note issue		5,080	-
Return of capital		(750)	-
Dividends paid	20	(680)	(365)
<b>Net cash from / (used in) financing activities</b>		<b>3,220</b>	<b>3,070</b>
Net change in cash and cash equivalents		4,136	29
Cash and cash equivalents, beginning of year	8	974	945
<b>Cash and cash equivalents, end of year</b>		<b>5,110</b>	<b>974</b>

This statement should be read in conjunction with the notes to the financial statements.

For the year ended 30 June 2019

## 1 Nature of operations

# Notes to the Consolidated Financial Statements

Aerometrex Pty Ltd and subsidiaries' (the Group) principal activities include the production and sale of digital aerial photography and mapping products.

These activities are grouped into the following service lines:

- **Project photocontracting:** flying, processing and delivering two dimensional digital maps on a project basis
- **3DPro:** flying, processing and delivering high resolution 3D models on a project basis
- **Metromap:** online aerial imagery delivery service
- **LiDAR:** flying, processing and delivering full waveform LiDAR products on a project basis

## 2 General information and statement of compliance

The Group has elected to adopt the Australian Accounting Standards – Reduced Disclosure Requirements (established by AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*).

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements. Aerometrex Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

Aerometrex Pty Ltd is a Private Company incorporated and domiciled in Australia. The address of its registered office is 20d William Street, Norwood SA 5067 and its principal place of business is 51-53 Glynburn Road, Glynde SA 5070.

The consolidated financial statements for the year ended 30 June 2019 were approved and authorised for issue by the Board of Directors on 13 September 2019.

## 3 Changes in accounting policies

### 3.1 Changes in accounting policies effective for these financial statements

#### Metromap capture costs

In accordance with AASB 138 *Intangible Assets*, the Group has re-assessed the accounting treatment associated with the capture costs for Metromap data sets. Once captured and processed, the resultant datasets are served online to client subscribers. The datasets are a resource owned and controlled by the Group from which future economic benefits are expected to flow. The datasets are identifiable, distinguishable and the cost of capture can be reliably measured.

In the past, the Group has received economic benefit from historical datasets in the areas of legal disputes, mine rehabilitation and native vegetation clearance.

It is acknowledged that most of the demand for aerial imagery is for recent coverage, with change detection typically assessed over the most recent 1-2 years.

On this basis, for the 2019 financial year, capture costs have been capitalised to the statement of financial position and will be amortised over a period of 2 years from the completed date of capture.

In previous financial years, the Group expensed such costs as they were incurred as internal systems and reporting for data capture were not sufficient to specifically capture.

For the year ended 30 June 2019

### 3.2 Changes in accounting policies and disclosures

#### New and amended standards and interpretations

##### **AASB 15 Revenue from contracts with customers (effective for periods commencing on or after 1 January 2018)**

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction contracts and some revenue-related Interpretations. The new standard seeks to:

- Establish a new revenue recognition model;
- Change the basis for deciding whether revenue is to be recognised over time or at a point in time;
- Provide new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return warranties and licensing); and
- Expand and improve disclosures about revenue.

This process confirmed that no material change in revenue recognition would be required. This standard has been adopted from 1 July 2018. The standard has not been applied to comparatives, as the financial effect thereon is immaterial. There are no new accounting policies as a result of the new standard.

Revenue arises mainly from accounting and financial planning services.

To determine whether to recognise revenue, the Group follows a 5-step process:

- 1 Identifying the contract with a customer;
- 2 Identifying the performance obligations;
- 3 Determining the transaction price;
- 4 Allocating the transaction price to the performance obligations; and
- 5 Recognising revenue when / as performance obligation(s) are satisfied.

#### **Project Revenue**

Project revenue relates to revenue to be recognised over time as the project is being completed. The Group recognises revenue from aerial mapping and digital imagery services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

#### **Subscription Services**

Revenue from the Group's subscription services is recognised over time, over the contract term beginning on the date the Group's services are made available to the customer. Subscription periods are typically annual, or multiyear in duration and are billed in advance and are usually non-refundable.

Revenue from the Group's subscription services represents a single promise to provide continuous access to its digital aerial imagery. As each day of providing access to the software is substantially the same and the customer simultaneously receives and consumes the benefit as access is provided, the Group has determined that its subscription service arrangement include a single performance obligation comprised of a series of distinct services.

The majority of the Group's customers access images online through an annual subscription. Revenue recognition for these products remained unchanged as a result of the adoption of AASB 15.

AASB 15 principally affects the timing of revenue recognition for the Group's multi-year contracts. Prior to the adoption of AASB 15, the revenue for these contracts mirrored the billing cycle and was recognised over the duration of the contract. Applying AASB 15, revenue continues to be recognised over time and is calculated as the total contract value amortised over the contract period.

For the year ended 30 June 2019

## **AASB 9 Financial Instruments**

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, this has not had a material impact on the Group and therefore the adoption of the new standard did not impact the Group.

## **Impairment of trade receivables and contract assets**

For trade receivables and contract assets under AASB 15 the Group applies a simplified approach of recognising lifetime expected credit losses as these items do not have a significant financing component.

While this represents a change in accounting standards, the implementation of this new standard did not have a significant impact on the Group during the year or prior years.

# **4 Summary of accounting policies**

## **4.1 Overall considerations**

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

## **4.2 Basis of consolidation**

The Group's financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2019. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

## **4.3 Business combination**

The Group applies the acquisition method in accounting for business combinations.

The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

For the year ended 30 June 2019

## Business combination (continued)

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred; (b) the recognised amount of any non-controlling interest in the acquiree; and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e., gain on a bargain purchase) is recognised in profit or loss immediately.

## 4.4 Investments in associates and joint arrangements

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

## 4.5 Revenue

Revenue arises from the sale of goods and the rendering of services. It is measured by reference to the fair value of consideration received or receivable.

The Group often enters into sales transactions involving a range of the Group's products and services. The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction in order to reflect the substance of the transaction. The consideration received from these multiple-component transactions are allocated to the separately identifiable component in proportion to its relative fair value.

### Sale of goods and services – including project revenue

Sale of goods and services (data sets) is recognised in full when the Group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods or service.

Generally, for project work, the Group will invoice a component up front as a deposit to mobilise the air crew, a further component upon acquisition and the balance upon delivery of the data set.

The maximum amount of revenue to be recognised for each milestone is determined by estimating relative contract fair values of each project phase, i.e., by comparing the Group's overall contract revenue with the expected profit for each corresponding milestone. Progress and related contract revenue in-between milestones is determined by comparing input method of costs incurred to date with the total estimated costs estimated for that particular milestone (a procedure sometimes referred to as the cost-to-cost method).

The gross amount due from customers for contract work is presented as contract assets for contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings.

For the year ended 30 June 2019

#### **Sale of goods and services – including project revenue (continued)**

The gross amount due to customers for contract work is presented as contract liabilities for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

The cost value of any unbilled work-in-progress is recognised as a contract asset in the statement of financial position.

Subscriptions are recognised systematically over the period that the term of the subscription relates to.

#### **Interest and dividend income**

Interest income and expenses are reported on an accrual basis using the effective interest method. Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

#### **4.6 Operating expenses**

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

#### **4.7 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs' (see Note 6).

#### **4.8 Goodwill**

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised.

#### **4.9 Other intangible assets**

##### **Recognition of other intangible assets**

##### **Acquired intangible assets**

Acquired computer software licences are expensed as they are annual licenses.

Metromap datasets are capitalised to the statement of financial position as an asset and amortised over a 2-year period (see note 3.1)

##### **Subsequent measurement**

All intangible assets, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The following useful lives are applied:

- Metromap data sets: 2 years

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets.

Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in profit or loss within other income or other expenses.

For the year ended 30 June 2019

#### **4.10 Property, plant and equipment**

##### **Land**

Land is currently carried at cost and as no finite useful life for land can be determined. Related carrying amounts are not depreciated.

##### **Buildings, IT equipment and other equipment**

Buildings, IT equipment and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Buildings, IT equipment and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, IT equipment and other equipment. The following useful lives are applied:

- buildings: 40 years
- IT equipment: 3 years
- other equipment: 3-12 years

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

#### **4.11 Impairment testing of goodwill, other intangible assets and property, plant and equipment**

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

For the year ended 30 June 2019

## 4.12 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### i) Financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

For the year ended 30 June 2019

## Financial Instruments (continued)

### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## ii) Financial liabilities

### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

For the year ended 30 June 2019

## Financial Instruments (continued)

### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

#### Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

## 4.13 Income taxes

During the financial year, the Group registered as a consolidated tax entity with the Australian Taxation Office.

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

For the year ended 30 June 2019

### Income taxes (continued)

Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Aerometrex Pty Ltd and its wholly-owned controlled entities formed a tax consolidated group in February 2019. The head entity within the tax consolidation group for the purposes of the tax consolidation is Aerometrex Pty Ltd.

Aerometrex Pty Ltd and each of its own wholly-owned subsidiaries recognise the current and deferred tax assets and deferred tax liabilities applicable to the transaction undertaken by it, after elimination of intra-group transactions. Aerometrex Pty Ltd recognises the entire tax consolidated group deferred tax assets and liabilities.

### 4.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### 4.15 Equity, reserves and dividend payments

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits.

All transactions with owners of the parent are recorded separately within equity.

### 4.16 Employee benefits

#### Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

#### Other long-term employee benefits

The Group's liabilities for annual leave and long service leave are included in other long-term benefits as they are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows.

For the year ended 30 June 2019

## **Employee benefits (continued)**

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

Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.

### **4.17 Provisions, contingent liabilities and contingent assets**

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

### **4.18 Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

### **4.19 Rounding of amounts**

The parent entity has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest \$1,000, or in certain cases, the nearest dollar.

For the year ended 30 June 2019

#### **4.20 Significant management judgement in applying accounting policies and estimation uncertainty**

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

##### **Significant management judgement**

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

##### ***Impairment of Goodwill***

The Group has assessed impairment at 30 June 2019 by determining the recoverable amount of the CGUs with the goodwill and comparing it to the recoverable amount of the CGUs. The recoverable amount of the CGUs is based on value in use calculations using a discounted cash flow for a period not exceeding five years. The calculations are based on cash flow projections on the most recent financial budgets approved by the directors. The budgets prepared by management are based on historical data.

##### ***Useful lives of depreciable assets***

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected use of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the use of certain software and IT equipment.

##### ***Useful lives of datasets***

Management reviews its estimate of the useful life of capitalised datasets at each reporting date. Uncertainties in these estimates relate to technical obsolescence that may change the use of datasets in future periods.

For the year ended 30 June 2019

## 5 Revenue

The Group's revenue is analysed as follows for each major product and service category (excluding revenue from discontinued operations):

	2019 \$'000	2018 \$'000
Sales – Aero 3D Pro	1,952	1,505
Sales – LiDAR	6,468	3,135
Sales – Metromap	1,192	526
Sales – Photo Contracting	6,497	7,963
<b>Group revenue</b>	<b>16,109</b>	<b>13,129</b>

	Aero 3D Pro \$'000	LiDAR \$'000	MetroMap \$'000	Photo Contracting \$'000	Total \$'000
<b>Timing of revenue recognition</b>					
Transferred at a point in time	-	-	1,192	-	1,192
Transferred over time	1,952	6,468	-	6,497	14,917
<b>Total revenue from contracts with customers</b>	<b>1,952</b>	<b>6,468</b>	<b>1,192</b>	<b>6,497</b>	<b>16,109</b>

With the exception of \$119,640, for a project that was completed in the United States during the financial year all revenue was sourced in Australia for the financial year.

## 6 Finance costs and finance income

Finance costs for the reporting periods consist of the following:

	2019 \$'000	2018 \$'000
Interest expenses for chattel mortgage arrangements	147	230
Interest expenses on other facilities	44	1
<b>Total interest expense</b>	<b>191</b>	<b>231</b>

Finance income for the reporting periods consists of the following:

	2019 \$'000	2018 \$'000
Interest income from cash and cash equivalents	3	3
<b>Total interest income</b>	<b>3</b>	<b>3</b>

For the year ended 30 June 2019

## 7 Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Aerometrex Group at 27.5% (2018: 27.5%) and the reported tax expense in profit or loss are as follows:

	2019 \$'000	2018 \$'000
Profit before tax	2,866	2,753
Domestic tax rate for Aerometrex Group	27.5%	27.5%
<b>Expected tax expense/(refund)</b>	<b>788</b>	<b>757</b>
Adjustment for additional deductible expenses		
• other deductible expenses	(495)	(371)
<b>Actual tax expense / (income)</b>	<b>293</b>	<b>386</b>
Tax expense comprises:		
• current tax expense	293	386
Deferred tax expense / (income):		
• origination and reversal of temporary differences (Note 18)	16	727
• under/over provision	(13)	(188)
<b>Tax expense</b>	<b>296</b>	<b>925</b>

Note 18 provides information on deferred tax assets and liabilities.

## 8 Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash at bank and in hand:		
Australian Dollar (\$AUD)	5,110	974
<b>Cash and cash equivalents</b>	<b>5,110</b>	<b>974</b>

## 9 Trade and other receivables and contract assets

	2019 \$'000	2018 \$'000
Trade receivables, gross	2,759	2,945
Allowance for credit losses	-	(85)
<b>Trade receivables, Net</b>	<b>2,759</b>	<b>2,860</b>

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

	2019 \$'000	2018 \$'000
Contract Assets	1,276	797
Allowance for credit losses	-	-
<b>Contract Assets, net</b>	<b>1,276</b>	<b>797</b>

As at 30 June 2019, the Group has contract assets of \$1,276,000. These relate to revenue recognised over time for ongoing projects but not billed as at year end.

For the year ended 30 June 2019

## 10 Other Assets

	2019 \$'000	2018 \$'000
Prepayments	97	-
<b>Total</b>	<b>97</b>	<b>-</b>

## 11 Property, plant and equipment

Details of the Group's property, plant and equipment and their carrying amount are as follows

	Land	Buildings	Plant & Equipment	Total \$'000
<b>Gross carrying amount</b>				
<b>Balance 1 July 2018</b>	<b>794</b>	<b>2,372</b>	<b>5,595</b>	<b>8,761</b>
Additions	-	-	2,541	2,541
Disposals	-	-	-	-
Depreciation	-	(101)	(1,401)	(1,502)
<b>Carrying amount 30 June 2019</b>	<b>794</b>	<b>2,271</b>	<b>6,735</b>	<b>9,800</b>

	Land	Buildings	Plant & Equipment	\$'000
<b>Gross carrying amount</b>				
<b>Balance 1 July 2017</b>	<b>-</b>	<b>-</b>	<b>3,994</b>	<b>3,994</b>
Additions	794	2,395	2,585	5,774
Disposals	-	-	(17)	(17)
Depreciation	-	(23)	(967)	(990)
<b>Carrying amount 30 June 2018</b>	<b>794</b>	<b>2,372</b>	<b>5,595</b>	<b>8,761</b>

All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

For the year ended 30 June 2019

## 12 Financial liabilities

### 12.1 Financial Liabilities

Borrowings include the following financial liabilities:

	Current		Non-current	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Carrying amount at amortised cost</b>				
Other bank borrowings:				
Chattel mortgage liabilities	1,299	1,117	3,112	3,406
Commercial Bills	2,035	2,163	-	-
Bank Overdraft	106	295	-	-
Convertible Notes	5,080	-	-	-
<b>Total</b>	<b>8,520</b>	<b>3,575</b>	<b>3,112</b>	<b>3,406</b>

All borrowings are denominated in Australian Dollars (\$AUD).

#### Commercial Bills

Commercial bill borrowings are rolled on a monthly basis and have a maturity date of May 2021. They are secured by a registered mortgage over the land and buildings owned by the Group which are located at 51-53 Glynburn Road Glynde. Current interest rates are variable discount rates and averaged 1.83%. The carrying amount of the other bank borrowings are considered to be a reasonable approximation of fair value.

This facility has covenants in relation to the Loan to Security Value Ratio which must not exceed 70% for the period 5 May 2018 to 4 May 2020.

#### Chattel Mortgages

Where financed, the Group's equipment is held under chattel mortgage arrangements. As of 30 June 2019, the net carrying liability of equipment held under chattel mortgage arrangements is \$4,811,964 (2018: \$4,455,681).

The Group's chattel mortgage liabilities, which are secured by the related assets are classified as follows:

	2019 \$'000	2018 \$'000
Minimum payments	4,896	5,101
Less future charges	(485)	(578)
Present value of minimum payments	4,411	4,523
<b>Current Liability</b>	<b>1,299</b>	<b>1,117</b>
<b>Non-Current Liability</b>	<b>3,112</b>	<b>3,406</b>
<b>Total</b>	<b>4,411</b>	<b>4,523</b>

As part of these chattel mortgage facilities the following financial covenants are noted:

Aggregated Debt to EBITDA of the Group must not exceed 2.5 times at any point during the period of the financial year or the period of the facility agreement.

For the year ended 30 June 2019

### Convertible Notes

As at 30 June 2019, the Group had successfully raised \$5,080,000 in pre-IPO funding, net of transaction costs, via issuing convertible notes to sophisticated and institutional investors. Under the terms of the convertible note deed poll, if a successful IPO or sale event occurs prior to 30 June 2020 these notes will convert to shares based on the IPO or sale event conversion price. If this event does not take place, by 30 June 2020 there is an option to extend the maturity date of the convertible notes to 31 December 2020. The convertible notes are repayable to investors, subject to certain conditions, if this event does not take place at an interest rate between 25% to 40%.

For this reason, the convertible notes have been treated as debt and not equity in the statement of financial position.

Subsequent to balance date a further \$ 1,500,000 was received under the same terms in early July 2019.

### Other financial instruments

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- trade and other receivables
- cash and cash equivalents
- trade and other payables

## 13 Goodwill

The movements in the net carrying amount of goodwill are as follows:

	2019 \$'000	2018 \$'000
Carrying amount at 30 June	1,785	1,785

## 14 Intangible assets

Intangible assets are represented by datasets. The amortisation expense is solely attributable to the amortisation of datasets.

	Datasets	Other	Total \$'000
<b>Gross carrying amount</b>			
Balance 1 July 2018	-	162	162
Additions	1,622	12	1,634
Amortisation	(409)	(70)	(479)
Carrying amount 30 June 2019	1,213	104	1,317

	Datasets	Other	Total \$'000
<b>Gross carrying amount</b>			
Balance 1 July 2017	-	281	281
Additions	-	22	22
Amortisation	-	(141)	(141)
Carrying amount 30 June 2018	-	162	162

For the year ended 30 June 2019

## 15 Trade and other payables

Trade and other payables recognised consist of the following:

	2019 \$'000	2018 \$'000
<b>Current</b>		
Trade payables	1,103	464
<b>Total trade and other payables</b>	<b>1,103</b>	<b>464</b>

All amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

## 16 Contract Liabilities

	2019 \$'000	2018 \$'000
<b>Current</b>		
Projects billed in advance	522	138
<b>Total contract liabilities</b>	<b>522</b>	<b>138</b>

## 17 Employee benefits

### 17.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

	2019 \$'000	2018 \$'000
Wages, salaries	3,972	3,867
Superannuation	446	350
Leave Provisions	262	15
Workcover	32	32
<b>Employee benefits expense</b>	<b>4,712</b>	<b>4,264</b>

### 17.2 Employee benefits

The liabilities recognised for employee benefits consist of the following amounts:

	2019 \$'000	2018 \$'000
Non-current:		
• Leave provisions	93	58
Current:		
• Leave provisions	890	626
• other short-term employee obligations	-	63
<b>Total current provisions</b>	<b>890</b>	<b>689</b>
<b>Total employee provisions and obligations</b>	<b>983</b>	<b>747</b>

For the year ended 30 June 2019

## 18 Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows:

Deferred tax liabilities / (assets)	1 July 2018 \$'000	Recognised in profit and loss \$'000	30 June 2019 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	771	7	778
Intangible assets	-	29	29
<b>Current assets</b>			
Other assets	181	104	285
<b>Non-current liabilities</b>			
Employee obligations	(16)	(10)	(26)
<b>Current liabilities</b>			
Provisions	(22)	(56)	(78)
Employee obligations	(187)	(58)	(245)
	<b>727</b>	<b>16</b>	<b>743</b>
<b>Total deferred tax assets</b>	<b>(225)</b>	<b>(124)</b>	<b>(349)</b>
<b>Total deferred tax liabilities</b>	<b>952</b>	<b>140</b>	<b>1,091</b>

Deferred tax liabilities / (assets)	1 July 2017 \$'000	Recognised in profit and loss \$'000	30 June 2018 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	290	481	771
<b>Current assets</b>			
Other assets	108	73	181
<b>Non-current liabilities</b>			
Employee obligations	(14)	(2)	(16)
<b>Current liabilities</b>			
Provisions	-	(22)	(22)
Employee obligations	(195)	8	(187)
	<b>189</b>	<b>538</b>	<b>727</b>
<b>Total deferred tax assets</b>	<b>(209)</b>	<b>(16)</b>	<b>(225)</b>
<b>Total deferred tax liabilities</b>	<b>398</b>	<b>554</b>	<b>952</b>

All deferred tax assets (including tax losses and other tax credits) have been recognised in the statement of financial position.

For the year ended 30 June 2019

## 19 Equity

### 19.1 Share capital

The share capital of the Group consists only of fully paid A class shares, the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at any shareholders' meeting of the Group.

	2019 Shares	2018 Shares	2019 \$'000	2018 \$'000
Shares issued and fully paid:				
• beginning of the year	1,786,009	1,786,009	3,127	3,127
• return of capital	-	-	(750)	-
<b>Total contributed equity at 30 June</b>	<b>1,786,009</b>	<b>1,786,009</b>	<b>2,377</b>	<b>3,127</b>

Return of capital was to founding shareholders at an amount of \$0.42 per share

No additional shares were issued during the 2019 financial year.

## 20 Dividends

Dividends paid and proposed are as follows.

	2019 \$'000	2018 \$'000
Ordinary dividends declared during the year:		
• fully franked dividends (\$0.38 per share) – (2018 \$0.20 per share)	680	365

The tax rates applicable to the franking credits attached to all dividends paid were 27.5% (2018: 27.5%).

### 20.1 Franking credits

The amount of franking credits available for the subsequent financial year are

	2019 \$'000	2018 \$'000
The amount of the franking credits available for subsequent reporting periods are:		
• balance at the end of the reporting period	78	171
• franking credits that will arise from the payment of the amount of provision for income tax	68	147
• franking debits that will arise from the payment of dividends recognised as a liability at the end of the reporting period	-	-
<b>Total franking credits</b>	<b>146</b>	<b>318</b>

## 21 Related party transactions

The Group's related parties include its associates and joint venture, key management, post-employment benefit plans for the Group's employees and others as described below. In addition, Aerometrex Pty Ltd has a subordinated loan from its subsidiary, Atlass-Aerometrex Pty Ltd on which no interest is paid.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

For the year ended 30 June 2019

## 21.1 Transactions with key management personnel

Key management of the Group are the Executive members of Aerometrex Group's Board of Directors. Key management personnel remuneration includes the following expenses:

	2019 \$'000	2018 \$'000
Short term employee benefits:		
• salaries including bonuses	724	491
• allowances	4	5
<b>Total short-term employee benefits</b>	<b>728</b>	<b>496</b>
Long service leave	-	-
<b>Total other long-term benefits</b>	<b>-</b>	<b>-</b>
<b>Superannuation</b>	<b>69</b>	<b>46</b>
<b>Total remuneration</b>	<b>797</b>	<b>542</b>

There were no loans to key management personnel during the 2019 and 2018 financial years.

During 2019, the Group used the accounting and financial controlling services of Matthew White and the accounting firm over which he exercises significant influence. The amounts billed related to this service amounted to \$ 146,094 (2018: \$ 110,482) were based on normal market rates and was fully paid as of the reporting date.

## 22 Contingent liabilities

The Group has bank guarantees totalling \$76,000 held with the ANZ as at 30 June 2019 (2018 \$76,000).

There are no other contingent liabilities recorded as at reporting date.

## 23 Interests in subsidiaries

### 23.1 Composition of the Group

Set out below details of the subsidiaries held directly by the Group:

Name of the subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group	
			30 June 2019	30 June 2018
Atlas-Aerometrex Pty Ltd	Australia	Asset holding entity	100%	100%
AMX Capital Trust	Australia	Property	64.4%	64.4%
Aerometrex Ltd	USA	Trading entity	100%	100%

### Significant judgements and assumptions

The Group holds 100% of the ordinary shares and voting rights in Atlas-Aerometrex Pty Ltd.

### 23.2 Interests in unconsolidated structured entities

The Group has no interests in unconsolidated structured entities.

## 24 Post-reporting date events

Subsequent to 30 June 2019 the Group has received an additional \$1.5m in pre-IPO funding from sophisticated and institutional investors.

For the year ended 30 June 2019

## 25 Parent entity information

Information relating to Aerometrex Pty Ltd (the Parent Entity):

	2019 \$'000	2018 \$'000
<b>Statement of financial position</b>		
Current assets	8,869	2,952
<b>Total assets</b>	<b>18,702</b>	<b>10,691</b>
Current liabilities	8,915	2,142
<b>Total liabilities</b>	<b>13,274</b>	<b>6,218</b>
<b>Net assets</b>	<b>5,428</b>	<b>4,473</b>
Issued capital	2,377	3,127
Retained earnings	3,051	1,346
<b>Total equity</b>	<b>5,428</b>	<b>4,473</b>
<b>Statement of profit or loss and other comprehensive income</b>		
Profit for the year	2,722	857
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>2,722</b>	<b>857</b>

For the year ended 30 June 2019

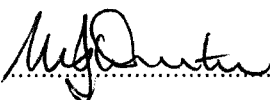
## Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes:
  - (a) comply with Australian Accounting Standards Reduced Disclosure requirements; and
  - (b) present fairly in all material respect the company's financial position as at 30 June 2019 and of its performance for the year ended on that date;
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

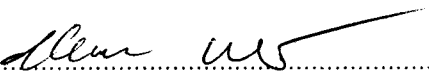
Signed in accordance with a resolution of the Directors.

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

  
.....

Mark John Deuter

Director

  
.....

Matthew Duval White

Director

Dated: 13 / 09 / 2019

For the year ended 30 June 2019

## Independent Auditor's Report

*An independent auditor's report will be prepared by the entity's auditor in accordance with Australian Auditing Standards. This publication does not include an illustrative report as the wording of the report may differ between entities.*

# Independent Auditor's Report

## To the Members of Aerometrex Pty Ltd

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Aerometrex Pty Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *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 also fulfilled our other ethical responsibilities in accordance with the Code.

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

### **Information other than the financial report and auditor's report thereon**

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

### **Responsibilities of the Directors' for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial report**

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

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/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our auditor's report.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J L Humphrey  
Partner – Audit & Assurance

Adelaide, 13 September 2019