Alfabs Group of Companies (Aggregated)

Annual Financial Report
for the year ended 30 June 2022

Alfabs Group of Companies
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Contents

These financial statements are the financial statements of Alfabs Group of Companies together referred to as the Aggregate Group. The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the Director on 5 March 2024. The Director has the power to amend and reissue the financial statements.

PITCHER PARTNERS

Auditor's independence declaration

To the Director of Alfabs Group of Companies
In accordance with the requirements of APES 110 Code of Ethics for Professional Accountants (including Independence Standards), as lead auditor for the audit of Alfabs Group of Companies for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements as set out in the APES 110 Code of Ethics for Professional Accountants (including Independence Standards) in relation to the audit; and;

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Shaun Mahony - Partner

PitcherPartnersNHPartnership

Pitcher Partners NH Partnership
Chartered Accountants

Dated: 5 March 2024
Newcastle West, NSW

Alfabs Group of Companies

Aggregated statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Notes	2022 $
Revenue from continuing operations	2	**75,482,193**
Other income	3	**2,449,537**
Cost of Sales		**(61,336,737)**
Administrative Expenses		**(11,433,082)**
Finance costs		**(675,762)**
		(73,445,581)
Profit / (loss) before income tax		**4,486,149**
Income tax expense	4	**(1,311,245)**
Profit / (loss) for the year		**3,174,904**
Net result for the year		**3,174,904**
Other comprehensive income for the year, net of tax		**-**
Total comprehensive income / (loss) for the year		**3,174,904**
Total comprehensive income / (loss) attributable to:		
Members of the Parent entity		2,958,764
Non-controlling interest	19	216,140
		3,174,904

The above *aggregated statement of profit or loss and other comprehensive income* should be read in conjunction with the accompanying

Alfabs Group of Companies

Aggregated statement of financial position

As at 30 June 2022

	Notes	2022 $	2021 $
ASSETS			
Current assets			
Cash and cash equivalents	5	**3,871,286**	1,801,913
Trade receivables	6	**16,199,880**	14,568,800
Inventories	7	**8,541,647**	6,594,236
Financial assets at amortised cost	8	**4,865,883**	5,182,894
Current tax asset	4	**-**	478,072
Total current assets		**33,478,696**	28,625,915
Non-current assets			
Property, plant and equipment	9	**26,256,773**	16,396,679
Intangible assets	10	**240,234**	240,384
Lease asset	11	**3,122,282**	3,231,524
Deferred tax assets	12	**3,022,786**	1,979,134
Total non-current assets		**32,642,075**	21,847,721
Total assets		**66,120,771**	50,473,636
LIABILITIES			
Current liabilities			
Current tax liabilities	4	**315,373**	-
Lease liabilities	11	**534,256**	410,311
Trade and other payables	13	**14,403,032**	11,270,173
Financial liabilities	14	**8,919,139**	5,331,427
Provisions	15	**1,941,580**	1,688,674
Other liabilities	16	**4,771,871**	2,691,364
Total current liabilities		**30,885,251**	21,391,949
Non-current liabilities			
Lease liabilities	11	**2,953,691**	3,067,913
Deferred tax liabilities	12	**3,529,037**	1,862,684
Financial liabilities	14	**7,856,013**	6,068,963
Provisions	15	**217,392**	177,644
Total non-current liabilities		**14,556,133**	11,177,204
Total liabilities		**45,441,384**	32,569,153
Net assets		**20,679,387**	17,904,483
EQUITY			
Share capital	17	**396,972**	396,972
Retained profits		**19,615,021**	17,056,257
Non-controlling interest	19	**667,394**	451,254
Total equity		**20,679,387**	17,904,483

The above *aggregated statement of financial position* should be read in conjunction with the accompanying notes

Aggregated statement of changes in equity

For the year ended 30 June 2022

	Share Capital $	Retained Profits $	Parent Entity Total $	Non-Controlling Interest $	Total $
Balance at 1 July 2021	396,972	17,056,257	**17,453,229**	451,254	**17,904,483**
Profit/(loss) for the year	-	2,958,764	**2,958,764**	216,140	**3,174,904**
Declared final dividend	-	(400,000)	**(400,000)**	-	**(400,000)**
Total comprehensive income for the year	-	2,558,764	**2,558,764**	216,140	**2,774,904**
Balance at 30 June 2022	396,972	19,615,021	**20,011,993**	667,394	**20,679,387**

The above *aggregated statement of changes in equity* should be read in conjunction with the accompanying notes

Alfabs Group of Companies

Aggregated statement of cash flows

For the year ended 30 June 2022

	Notes	2022 $
Cash flows from operating activities		
Receipts from members and customers		83,565,439
Payments to suppliers and employees		(74,284,641)
Interest received		172,941
Interest paid		(675,762)
Government grant funding received		1,597,734
Income tax (paid)/refunded		104,901
Net cash inflow (outflow) from operating activities		**10,480,612**
Cash flows from investing activities		
Payments for property, plant and equipment		(13,913,523)
Proceeds from trust distributions		1,742,560
Proceeds from sale of property, plant and equipment		263,178
Net cash inflow (outflow) from investing activities		**(11,907,785)**
Cash flows from financing activities		
Dividends paid		(400,000)
Proceeds from borrowings		2,000,000
Proceeds from asset finance		9,039,268
Movement from / (to) related party loans		(753,071)
Repayment of asset finance		(4,767,543)
Repayment of lease liabilities		(495,297)
Net cash inflow (outflow) from financing activities		**4,623,357**
Net increase in cash and cash equivalents		3,196,184
Cash and cash equivalents at the beginning of the financial year		529,346
Cash and cash equivalents at the end of the financial year	18	**3,725,530**

The above *aggregated statement of cash flows* should be read in conjunction with the accompanying notes

1 Summary of significant accounting policies

(a) Information about the entity

- Alfabs Group of Companies is a for profit entity primarily involved in providing mining and engineering goods and services.
- The principal place of business of the Alfabs Group of Companies is 152 Mitchell Avenue, Kurri Kurri, NSW 2327.

(b) Basis of preparation

The Financial Report is a special purpose financial report that has been prepared in accordance with Australian Accounting Standards - Simplified Disclosures and other authoritative pronouncements of the Australian Accounting Standards Board except for AASB10 Consolidated Financial Statements and AASB 101 Presentation of Financial Statements. The financial report has been prepared in order to meet the requirements of the Director. The financial statements are for the Aggregate Group of Companies consisting of the Alfabs Mining Equipment Pty Ltd Group and other related Companies as determined by the Director (the Aggregate Group). Refer to Note 22 for details of the Companies included in the Aggregate Group.

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

(d) Principles of aggregation

The Aggregate Group (referred to as the "Alfabs Group of Companies") comprises Alfabs Mining Equipment Pty Limited and its controlled subsidiaries along with other related entities as determined by the Director.

Where entities have entered or left the Aggregate Group during the year, the financial performance of those entities is included only for the period that they were considered to be part of the Agggregate Group by the Director. A list of the entities included in the Aggregate Group is contained in Note 22 of the financial statements. All aggregated entities have a June financial year-end.

All intercompany balances and transactions between entities in the Aggregate Group, including any unrealised profits or losses, have been eliminated.

(e) Rounding of amounts

The Aggregate Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest dollar.

2 Revenue

(a) Disaggregation of revenue from contracts with customers

The Aggregate Group derives revenue from customers for the following significant classes:

2022	Equipment hire $	Rendering of services $	Sale of goods $	Total $
Revenue from contracts with customers	14,583,156	54,220,772	6,678,265	75,482,193
	14,583,156	54,220,772	6,678,265	75,482,193
Timing of revenue recognition				
At a point in time	-	12,061,486	6,678,265	18,739,751
Over time	14,583,156	42,159,286	-	56,742,442
	14,583,156	54,220,772	6,678,265	75,482,193

(b) Accounting policies and significant judgements

The Aggregate Group recognises revenue related to the transfer of promised goods or services when a performance obligation is satisfied and when control of the goods or services passes to the customer. The amount of revenue recognised reflects the consideration to which the Aggregate Group is or expects to be entitled in exchange for those goods or services.

The Aggregate Group considers whether there are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods or services, the Aggregate Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(i) Equipment Hire

The Aggregate Group generates equipment hire revenue primarily from the hire of underground mining and other equipment.

Equipment hire contracts are generally entered for a fixed term rental period and the revenue is recognised on a straight line basis over the term of the rental agreement.

(ii) Rendering of Services

The Aggregate Group primarily generates service revenue from the following activities:
- Maintenance, repairs, outages/shutdowns and critical maintenance projects;
- Diesel overhauls and repairs for underground mining equipment;
- Fabrication and installation services in the infrastructure, resources, rail and water industries;

Services contracts are generally entered under a formal contract arrangement or Purchase Order.

The contractual terms and the way in which the Aggregate Group operates its services contracts result in the recognition of revenue as follows:

(a) Maintenance Services - The performance obligations of service contracts, generally result in the customer consuming and receiving the benefit of the service as it is provided. As such, service revenue is recognised over time as the services are provided.

2 Revenue (cont.)

(b) Accounting policies and significant judgements (cont.)

(ii) Rendering of Services (cont.)

(b) Projects - The revenue from projects is predominantly derived from projects containing one performance obligation, however some contracts may contain multiple performance obligations.

The Aggregate Group recognises revenue from projects over time based on the stage of completion of the contract where the following criteria are met:

- performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or;
- performance does not create an asset with an alternative use to the Aggregate Group and the Aggregate Group has an enforceable right to payment for performance completed to date.

Where the above criteria are not met the project revenue is recognised at a point in time, being completion of the project.

The Aggregate Group recognises revenue using the measure of progress that best reflects the Aggregate Group's performance in satisfying the performance obligation over time and this is generally the costs incurred method.

(iii) Sale of goods

Revenue from the sale of products is recognised when control of the product has transferred to the customer. For such transactions, this occurs when the products are delivered to the customer as this is when the performance obligation has been satisfied.

3 Other income and expense items

(a) Other income

	2022 **$**
Other income	58,566
Interest received	172,941
Insurance recoveries	435,000
Government stimulus funding - Jobsaver	1,597,734
Gain on disposal of property, plant and equipment	185,296
	2,449,537

(i) Other income
Other income is recognised on an accruals basis.

(ii) Interest income
Interest income is recognised on an accruals basis.

(iii) Insurance recoveries
The Aggregate Group recognises income from insurance claims when an insured event has occurred and the realisation of the insurance recovery is virtually certain.

(iv) Government stimulus funding

The Aggregate Group recognises government stimulus funding when considered to be receivable.

(v) Gain on disposal of property, plant and equipment
The Aggregate Group recognises gains on disposals of property, plant and equipment when it is considered to be receivable.

(b) Other expenses

Depreciation - property, plant and equipment	3,975,547
Depreciation - right-of-use assets	614,262
Amortisation - intangibles	150
Electricity and gas	583,551
Employee benefits	23,845,387
Interest	675,762
Repairs and maintenance	2,474,844

(c) Earnings before interest, income tax, depreciation and amortisation

The Aggregate Group Earnings before interest, income tax, depreciation and amortisation, excluding the portion attributable to non-controlling interests for 2022 is $9,002,744

4 Income tax expense

(a) Numerical reconciliation of income tax expense to prima facie tax payable

The amount set aside for income tax in the statement of profit or loss and other comprehensive income has been provided on a taxable income calculated as follows:

	2022 $
Operating profit/(loss) before income tax	4,486,149
Tax at the Australian tax rate at 30%	1,345,845
Add/(Less) tax effect of:	
Non deductible expenses/(other deductible expenses)	(34,600)
Income tax expense	1,311,245

(b) Current income tax liability/ asset

	2022 $
Provision for income tax	315,373
Income tax refundable	-
	315,373

Accounting policy

Deferred tax assets and liabilities are recognised for deductible and temporary differences where considered material. Deferred tax assets in respect of unused tax losses are only recognised to the extent it is probable that a taxable profit will be available against which deductible temporary differences and carried forward tax losses can be utilised if material.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on the tax rates (and tax law) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

5 Cash and cash equivalents

	2022 $
Current	
Cash and cash equivalents	3,871,286
	3,871,286

Accounting policy

Cash and short-term deposits in the Statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts, (if any).

6 Trade receivables and contract assets

	2022
	$
Current	
Trade receivables	13,804,307
Provision for expected credit losses	(136,356)
Contract assets	2,531,929
	16,199,880

Accounting policy

(a) Trade receivables
Trade receivables are recognised initially at the amount of the consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Aggregate Group holds the trade receivables with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost. Trade receivables are generally due within 60 days from the date of recognition.

(b) Contract assets
Contract assets primarily relate to the Aggregate Group's rights to consideration for work performed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights have become unconditional. This usually occurs when the Aggregate Group issues an invoice in accordance with contractual terms to the customer.

Payments from customers are received based on a billing schedule/milestone basis, as established in our contracts.

The Aggregate Group's exposure to credit loss is not significant and default rates have historically been low. Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly.

The Aggregate Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on historical credit losses experienced, adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the Aggregate Group's customers to settle the receivables.

7 Inventories

Current	
Inventory on hand	3,838,673
Work in progress	4,702,974
	8,541,647

Accounting policy
(a) Inventories
Inventories are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(b) Work in progress
Work in progress at 30 June 2022 includes material and direct labour costs and are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

8 Financial assets at amortised cost

Current	
Related party loans	4,899,607
Other receivables	650,185
Provision for diminution	(683,909)
	4,865,883

Accounting policy
The related party loans are amounts receivable from Director related entities outside the Aggregate Group.

The Aggregate Group's exposure to credit loss on related party loans is not significant and default rates have been historically low. Individual related party loans receivable which are known to be uncollectable are written off by reducing the carrying amount directly.

9 Property, plant and equipment

Non-current assets	Leasehold Improvements $	Furniture, Fittings and Equipment $	Plant, Machinery and Vehicles $	Capital WIP $	Total $
At 1 July 2021					
Cost	971,122	258,957	30,738,276	268,510	32,236,865
Accumulated depreciation	(58,172)	(116,591)	(15,665,423)	-	(15,840,186)
Net book amount	912,950	142,366	15,072,853	268,510	16,396,679
Year ended 30 June 2022					
Opening net book amount	912,950	142,366	15,072,853	268,510	16,396,679
Additions	175,401	18,330	7,144,427	6,575,365	13,913,523
Transfers	3,447	57,068	1,155,652	(1,216,167)	-
Disposals	-	-	(77,882)	-	(77,882)
Depreciation charge	(44,960)	(40,860)	(3,889,727)	-	(3,975,547)
Closing net book amount	1,046,838	176,904	19,405,323	5,627,708	26,256,773
At 30 June 2022					
Cost	1,149,970	334,353	38,650,357	5,627,708	45,762,388
Accumulated depreciation	(103,132)	(157,449)	(19,245,034)	-	(19,505,615)
Net book amount	1,046,838	176,904	19,405,323	5,627,708	26,256,773

Accounting policy

(a) Leasehold Improvements

Leasehold improvements are carried at cost less any accumulated depreciation and any impairment in value.

(b) Furniture, fittings and equipment, plant, machinery and vehicles

Each class of plant and equipment is carried at cost less any accumulated depreciation and any impairment in value.

(c) Depreciation

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Leasehold improvements	12.5 - 20 years
Computer equipment	3 years
Furniture and fittings	5 years
Motor vehicles	5 - 7.5 years
Major plant and equipment	3 - 18 years
Minor plant and equipment	1 - 5 years

The major plant and equipment (primarily underground mining hire equipment) is separated into components, and these are depreciated separately based on the expected useful life as determined by the regulatory licensing conditions related to the machine.

(d) Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash in flows, the recoverable amount is determined for the cash generating unit in which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less cost to sell and value in use. 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.

10 Intangible assets

Non-current assets	Goodwill	Patents, Trademarks & Licenses $	2022 $
As at 30 June 2022			
Cost	239,784	3,000	242,784
Accumulated amortisation	-	(2,550)	(2,550)
Net book amount	240,234	450	240,234
Reconciliation			
Opening net book amount	239,784	600	240,384
Amortisation charge	-	(150)	(150)
Closing net book amount	239,784	450	240,234

Accounting policy
Goodwill and patents, trademarks and licences are intangible assets acquired separately and are capitalised at cost. The useful lives of goodwill intangible assets is assessed to be indefinite. These are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The useful lives of patents, trademarks and licences is assessed as 20 years and are amortised over this period.

Goodwill is initially recognised and measured in accordance with *AASB 3 Business Combinations* . Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Aggregate Group’s cash-generating-units (“CGU”) expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU’s fair value less cost to sell and value in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

11 Leases assets and lease liabilities

The Aggregate Group leases several properties from which it operates across New South Wales.

	2022 $
a) Lease assets	
Non-current	
Carrying amount of lease assets, by class of underlying asset:	
Land & Building	3,122,282
	3,122,282

Reconciliation of lease assets	**Land & Buildings**	**Total**
2022	**$**	**$**
Carrying amount at the beginning of the year	3,231,524	3,231,524
Additions	505,020	505,020
Amortisation	(614,262)	(614,262)
Carrying amount at the end of the year	3,122,282	3,122,282

b) Lease liabilities		
Current		
Lease liabilities	534,256	534,256
Non-current		
Lease liabilities	2,953,691	2,953,691
Total	3,487,947	3,487,947

Reconciliation of lease liabilities	**Land and buildings**	**Total**
2022	**$**	**$**
Carrying amount at the beginning of the year	3,478,224	3,478,224
Additions	505,020	505,020
Interest expense	261,775	261,775
Lease payments	(757,072)	(757,072)
Net movement during year	9,723	9,723
Carrying amount at the end of the year	3,487,947	3,487,947

Maturity analysis of future lease payments	**Land and buildings**	**Total**
	$	**$**
Not later than 1 year	757,072	757,072
Later than 1 year and not later than 5 years	3,507,934	3,507,934
Later than 5 years	102,085	102,085
Lease payments	4,367,091	4,367,091

Accounting policy

A lease is a contract, or part of a contract, that conveys the lease an asset for a period of time in exchange for consideration. If the terms and conditions of a contract are changed, it is reassessed to once again determine if the contract is still, or now contains, a lease.

The term of a lease is determined as the non-cancellable period of the lease, together with the periods covered by an option to extend the lease where there is reasonable certainty that the option will be exercised, and periods covered by an option to terminate the lease if there is reasonable certainty that the option will not be exercised.

At inception, a lease asset and a lease liability is recognised. Lease assets are included in the statement of financial position and grouped in classes of similar underlying assets.

Lease assets are initially measured at cost, comprising the following:
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- an estimate of costs to be incurred in dismantling and removing the underlying asset;
- any initial direct costs incurred;

At the commencement date of the lease, the lease liability is initially recognised for the present value of non-cancellable lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Aggregate Group's incremental borrowing rate. The weighted average incremental borrowing rate is 7%.

11 Lease assets and lease liabilities (continued)

The lease payment used in the calculation of the lease liabilities includes variable payments when they relate to an index or rate. Where leases contain variable lease payments based on an index or rate at a future point in time, the Aggregate Group has only included the known CPI increases to date and not estimated future CPI-related increases.

The Aggregate Group does not recognise leases that have a lease term of 12 months or less or are of low value as a lease asset or lease liability. The lease payments associated with these leases are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

12 Deferred tax balances

	2022
	$
(i) Deferred tax assets	
The balance comprises temporary differences attributable to:	
Provisions	647,692
Lease liabilities	1,046,384
Accruals	452,466
Other	117,829
Carried forward tax losses	758,415
	3,022,786
Movements	
At 1 July	1,979,134
(Charged)/credited to statement of profit or loss and other comprehensive income	1,043,652
At 30 June	3,022,786
(ii) Deferred tax liabilities	
Lease assets	936,685
Property, plant and equipment	2,569,610
Other	22,742
	3,529,037
Movements	
At 1 July	1,862,684
Charged/(credited) to statement of profit or loss	1,666,353
At 30 June	3,529,037

Accounting policy
Deferred tax assets and liabilities are recognised for deductible and temporary differences where considered material. Deferred tax assets in respect of unused tax losses are only recognised to the extent it is probable that a taxable profit will be available against which deductible temporary differences and carried forward tax losses can be utilised if material.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on the tax rates (and tax law) that have been enacted or substantively enacted at the statement of financial position date.

13 Trade and other payables

Current	
Trade payables	11,100,712
Other payables and accruals	2,563,165
GST payable	739,155
	14,403,032

Accounting policy
Trade and other payables, including accruals, are recorded initially at fair value and subsequently at amortised cost. Trade and other payables are non-interest bearing. Trade accounts payable are normally settled within 30 - 60 days.

14 Financial liabilities

	2022 $
Current	
Secured	
Bank loans (i)	2,000,000
Bank overdraft (i)	145,756
Other loans - Equipment finance (i)	6,531,342
Total secured financial liabilities	8,677,098
Unsecured	
Loans to related parties	242,041
Total unsecured financial liabilities	242,041
	8,919,139
Non-current	
Secured	
Other loans - Equipment finance (i)	7,856,013
Total secured financial liabilities	7,856,013

(i) Secured liabilities - bank loans, equipment finance and overdraft

Aggregate Group has access to the following finance facilities:

Particulars	Amount of facility	Amount of facility unused/(overutilised)
Asset financing facility	14,236,833	271,723
Supply chain finance facility	1,379,000	1,379,000
Overdraft facility	3,600,000	3,454,244
Loan Facility	2,000,000	-
Bank guarantee facility	3,000,000	41,155

Accounting policy
Financial liabilities are initially recognised at fair value, net of transaction costs incurred. Borrowing costs are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest rate method.

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

Related party loans are treated as current funding, working capital type facilities expected to be repaid within 12 months and therefore they are reported as current assets and liabilities respectively.

15 Provisions

	2022
	$
Current	
Employee entitlements (i) & (ii)	1,941,580
	1,941,580
Non-current	
Employee entitlements (ii)	217,392
	217,392

Accounting policy

(i) *Annual leave*

Liabilities for annual leave expected to be settled within 12 months of the reporting date, are recognised in the provision for employee benefits in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Any annual leave expected to be settled beyond 12 months of the reporting date is measured at the present value of expected future payments.

(ii) *Long service leave*

The liabilities for long service leave 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 therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage levels and period of service. Discount rates of the Australian bond rates matching the estimated future cash outflows have been used.

16 Other liabilities

Current	
Contract Liabilities - income in advance	4,771,871
	4,771,871

(i) *Contract liabilities - income in advance*

Contract liabilities generally represent the revenue received in advance for goods or services which have not yet been performed and are recorded as a liability until such time that the performance obligation is performed under the contract.

Accounting policy

Revenues received in advance are recorded as a contract liability if they are in relation to contracts with customers under AASB 15 and recognised as revenue when they are earned in future periods.

17 Share Capital

	Share capital $	Total $
Balance at 1 July 2021	396,972	396,972
Balance at 30 June 2022	396,972	396,972

(i) *Rights of each type of share*

Ordinary shares participate in dividends and the proceeds on winding up of the respective entity in proportion to the number of shares held.

18 Cashflow information

	2022 $
Cash and cash equivalents	
Cash and Cash equivalents reported in the statement of cash flows includes the following:	
Cash on hand and demand deposits	3,871,286
Bank overdraft	(145,756)
	3,725,530

19 Non-controlling interest

	2022 $
Non-controlling interest is comprised of the following:	
Camel Hire Company Pty Ltd (70% - refer Note 22):	
Share Capital	170,000
Retained profits	497,394
	667,394

20 Related parties

Transactions between related parties are on normal commercial terms and conditions, and are no more favourable than those available to other parties unless otherwise stated.

(a) *Key management personnel compensation*

Total key management personnel benefits	467,200

(b) Transactions with key management personnel

Key management personnel transactions:

Rent paid:	
Michele Torrance	25,830
Paul Torrance	25,830

(c) Transactions with other related parties

Other related party balances as at balance date:

Accounts receivable:	
Mineway Pty Ltd	1,594
Mineway Trust	10,423
Torrance Investments Pty Ltd	10,465
Loan receivable:	
3T Property Holdings Pty Ltd	1,237,195
Fabrose Pty Ltd	600
Mineway Pty Ltd	6,605
My Three Sons Trust	149,416
PT Pastoral Pty Ltd	103,870
Shelpaul Investments Pty Ltd*	606,712
Torrance Family Trust	87,889

** A provision for impairment has been recognised of $606,712 against this receivable.*

20 Related parties (cont.)

(c) Transactions with other related parties (cont.)

	2022 $
Other related party balances as at balance date (cont.):	
Accounts payable:	
Torrance Investments Pty Ltd	10,003
Loan payable:	
3T Property Holdings Pty Ltd	200,000
Aquaviro Pty Ltd	35,000
Lease payable:	
Alfabs Superannuation Fund	2,212,372
Mineway Trust	420,038
Unpaid trust distribution:	
Torrance Family Trust	2,046,859
Other related party transactions:	
Interest received:	
3T Property Holdings Pty Ltd	37,195
Torrance Family Trust	105,870
Rent paid:	
Torrance Family Trust	628,136
Repayment of lease:	
Alfabs Superannuation Fund	450,000
Mineway Trust	152,000
Sales of goods and services:	
30 Thomas St Pty Ltd	5,501
Fabrose Pty Ltd	1,910
Lomrew Nominees Pty Ltd	1,645
Mineway Pty Ltd	439,378
PT Pastoral Pty Ltd	9,494
Torrance Investments Pty Ltd	60,516
Torro's Treats	832

21 Critical accounting estimates and judgements

Management is required to make judgements, estimates and assumptions about reported amounts of assets, liabilities, income and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. 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 estimate is revised and future periods if the revision affects both current and future periods.

Judgements made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustment in the next period are disclosed where applicable, in the relevant notes to the financial statements:

- Estimation of useful lives of non-current assets (Notes 9, 10 and 11) - The useful life of property, plant and equipment, intangible assets and lease assets (where useful life is greater than the lease term) is initially assessed at the date the asset is ready for use and reassessed at each reporting date based on the use of the assets and the period over which economic benefits will be derived from the asset. There is uncertainty in relation to the assessment of the life of the asset including factors such as the rate of wear and tear and technical obsolescence. The estimates and judgements involved may impact the carrying value of the non-current assets and the depreciation and amortisation charges recorded in the statement of profit or loss and other comprehensive income should they change.
- Impairment of non-current assets (Notes 9 and 10) - Impairment testing of non-current assets is performed where indicators of impairment exist or annually for indefinite life intangible assets. In assessing impairment, estimates are made of the recoverable amount of each asset or cash generating unit based on discounted expected future cash flows or estimated replacement cost. Estimation uncertainty exists in relation to assumptions regarding future operating results and cash flows, determination of an appropriate discount rate and estimated current replacement cost of the asset.
- Allowance for Credit losses (Note 6) - The collectability of trade receivables is reviewed on an ongoing basis. An allowance for credit losses is established when there is objective evidence that the Aggregate Group will not be able to collect all amounts due. Management uses its judgement in determining the level of credit loss provisioning, taking into account the historic analysis of bad debt trends and the prevailing economic conditions.

- Revenue recognition (Note 2) - Management uses judgement in selecting an appropriate measure of progress towards completing satisfaction of an obligation. The selected method considers the nature of the good or service that the Aggregate Group has promised to transfer to the customer. Determining the stage of completion based on a percentage of costs to complete requires an estimate of expenses incurred to date as a percentage of total estimated costs. When a contract modification exists and the Aggregate Group has an approved enforceable right to payment, revenue in relation to claims and variations is only included in the transaction price when the amount claimable becomes highly probable. Management uses judgement in determining whether an approved enforceable right exists. Determining the amount of variable consideration requires an estimate based on either the 'expected value' or the 'most likely amount'. The estimate of variable consideration is recognised to the extent it is highly probable to be received. Changes in these estimates or judgements could have a material impact on the financial statements of the Aggregate Group.

22 Aggregate Group Entities

The following Companies have been included within the Aggregate Group:

	Country of Incorporation	Percentage Owned (%) 2022	Percentage Owned (%) 2021
Alfabs Mining Equipment Pty Limited	Australia	100	100
AME Group Holdings Pty Ltd	Australia	100	100
ADP Equipment Pty Ltd	Australia	100	100
Alfabs Hire Pty Ltd	Australia	100	100
Alfabs Logistics Pty Ltd	Australia	100	100
ADP Stores Pty Ltd	Australia	100	100
Alfabs Engineering Group Pty Ltd	Australia	100	100
Alfabs Services Pty Ltd	Australia	100	100
Alfabs Protective Coatings Pty Ltd	Australia	100	100
Alfabs Forklift and Access Pty Ltd	Australia	100	100
Camel Hire Company Pty Ltd	Australia	70	70
Alfabs Administration Pty Ltd	Australia	100	100
Alfabs Labour Hire Pty Ltd	Australia	100	100

23 Subsequent Events

Incorporation of Holding Company

In line with restructuring advice received, on 24th January 2024 Alfabs Australia Limited (ACN 674 455 442) was incorporated. This entity will form the holding company for the proposed ASX listed group which is proposed to acquire the Alfabs Group of Companies.

Acquisition of property

In line with restructuring advice received, on 30th January 2024 the below two properties were transferred from Torrance Investments Pty Ltd ATF Torrance Family Trust (related party) to Alfabs Mining Equipment Pty Ltd. Both properties represent key operating facilities for the Mining division. Independent valuations were obtained to confirm market value prior to the transfers occurring.

152 Mitchell Ave Kurri Kurri NSW 2327	External valuation of $19,000,000
15-17 Titanium Drive Paget QLD 4740	External valuation of $1,900,000

The related debt facility attached to the above properties at the time of transfer of $3,557,550 is also in the process of being transferred into the name of Alfabs Mining Equipment Pty Ltd.

In relation to the construction of the new building at 152 Mitchell Avenue Kurri Kurri NSW 2327 the liabilities and costs have also been transferred to Alfabs Mining Equipment Pty Ltd.

Torrance Investments Pty Ltd ATF Torrance Family Trust has been ultimately compensated through the issue of shares for its contribution.

Dividends Declared

In line with restructuring advice received, on 30th January 2024 a total of $9,690,000 of dividends were declared by entities within the Aggregate Group. Of the total dividends declared, $4,690,000 was applied and offset against related party amounts owing to the group in the form of related party loans and unpaid trust distributions. This settlement occurred with nil cash movement. The balance of $5,000,000 remains payable at the time of signing and is to be settled from the proposed main IPO raised funds.

Acquistion of 30% interest in Camel Hire Company Pty Ltd

On 31 December 2023 the Aggregate Group acquired the remaining 30% interest in Camel Hire Company Pty Ltd, a company incorporated in Australia. As at the 30 June 2023 the Aggregate Group held a 70% interest in Camel Hire Company Pty Ltd. Following the purchase of the remaining 30% on 31 December 2023 the total interest held is now 100%.

The favourable difference between the consideration paid of $765,000 and the amount transferred from non-controlling interests of $1,118,445 has been recognised directly in equity.

Director's declaration

In the Director's opinion:

(a) the financial statements and notes which comprise the Aggregated Statement of Financial Position as at 30 June 2022, the Aggregated Statement of Profit or Loss and Other Comprehensive Income, Aggregated Statement of Changes in Equity and Aggregated Statement of Cashflows for the year then ended, a summary of material accounting policies and other explanatory notes present fairly the Aggregated Group's financial position as at 30 June 2022 and its performance for the year ended on that date in accordance with the accounting policies outlined in Note 1 to the financial statements; and

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

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

Paul Torrance - Director

Dated: 5 March 2024
Kurri Kurri, NSW

Independent auditor's report

to the members of Alfabs Group of Companies

Qualified Opinion

We have audited the financial report of Alfabs Group of Companies (the Aggregate Group) which comprises the aggregated statement of financial position as at 30 June 2022, the aggregated statement of profit or loss and other comprehensive income, the aggregated statement of changes in equity and the aggregated statement of cash flows for the year then ended, notes to the financial statements, including a summary of material accounting policies, and the Director's declaration.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial report of the Aggregate Group presents fairly in all material respects the financial position of the Aggregate Group as at 30 June 2022 and its financial performance for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Qualified Opinion

We were appointed as auditors of the Aggregate Group in 2023 and thus did not observe the counting of physical inventories at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at 30 June 2021 or 30 June 2022 and as a result were unable to obtain sufficent audit evidence in respect to the inventory balance reported in the aggregated statement of financial position. Also, since opening and closing balances of inventory enter into the determination of the current year financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of amounts reported in the aggregated statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the aggregated statement of cash flows.

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 Aggregate Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to meet the requirements of the Director. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Director for the financial report

The Director of the Aggregate Group is responsible for the preparation of the financial report that gives a true and fair view in accordance with the accounting policies outlined in Note 1 of the financial report and for such internal control as the Director determines 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 Director is responsible for assessing the Aggregate 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 Director either intends to liquidate the Aggregate 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/ar4.pdf. This description forms part of our audit report.

Shaun Mahony

Shaun Mahony - Partner

PitcherPartnersNHPartnership

Pitcher Partners NH Partnership
Chartered Accountants

5 March 2024
Newcastle West, NSW