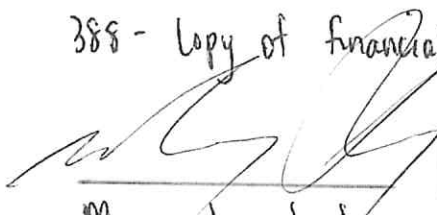


MLG OZ PTY LTD  
A.C.N 102 642 366  
SPECIAL PURPOSE FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2018

This annexure (A) of (24) pages referred to in form  
388 - Copy of financial statements and reports

  
Murray Ian Leahy



8/10/19  
Date

SPECIAL PURPOSE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018

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## **DIRECTORS' REPORT**

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The director presents his report on the company for the year ended 30 June 2018.

### **DIRECTOR**

The name of the director in office at any time during or since the end of the year is Murray Leahy. The Director has been in office since the start of the financial year unless otherwise stated.

### **PRINCIPAL ACTIVITIES**

The company's principal activities in the course of the financial year were bulk haulage, crushing and screening and production and sale of construction materials.

### **REVIEW OF OPERATIONS**

The company's revenue increased 15.98% from \$116,171,949 to \$134,500,147 with the net after tax profit decreasing from \$10,682,521 to \$5,068,261. We have continued to invest in the growth of business with the additional purchase of capital equipment of over \$24.6 million.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There have been no significant changes in the state of affairs of the Company to the date of this report.

### **SIGNIFICANT EVENTS AFTER BALANCE DATE**

In November 2018, MLG's primary banking partner committed to an increased amount and range of Finance facilities to assist in working capital requirements and to enable the ongoing investment in growth assets.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Therefore, this information has not been presented in this report.

### **ENVIRONMENTAL LEGISLATION**

The Company has conducted activities on mineral tenements. The right to conduct these activities is granted subject to environmental conditions and requirements. The Company aims to ensure a high standard of environmental care is achieved and, as a minimum, to comply with relevant environmental regulations. There have been no known breaches of any of the environmental conditions.

### **RESULTS**

The net profit of the company for the financial year, after providing for income tax was \$5,068,261 (2017: \$10,682,521).

### **DIVIDENDS**

Dividends declared to the Director during the financial year were as follows:

- A final ordinary dividend for the year ended 30 June 2018 of \$609,112 per fully paid share franked to 100% was declared on 30 June 2018.

## **DIRECTORS' REPORT**

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### **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

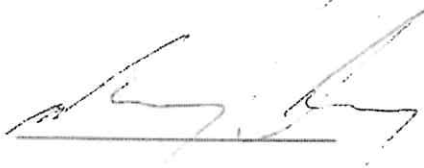
The Company has agreed to indemnify the director of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as director of the Company, except where the liability arises out of conduct involving a lack of good faith.

### **PROCEEDINGS ON BEHALF OF COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party or the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

### **AUDITOR INDEPENDENCE DECLARATION**

The lead Auditor's Independence Declaration for the year ended 30 June 2018 has been received and immediately follows the Directors' Report.



Murray Leahy  
Director  
Kalgoorlie, 4 December 2018

AUDITOR'S INDEPENDENCE DECLARATION

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Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of MLG Oz Pty Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia  
4 December 2018

A handwritten signature in black ink, appearing to read 'Norman G Neill'.

N G Neill  
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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INDEPENDENT AUDITOR'S REPORT

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Accountants | Business and Financial Advisers

Independent Auditor's Report to the Members of MLG Oz Pty Ltd

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of MLG Oz Pty Ltd ("the Company") which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards to the extent described in Note 1 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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("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 Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

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INDEPENDENT AUDITOR'S REPORT

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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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The director's 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 ability of the Company 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 Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a

INDEPENDENT AUDITOR'S REPORT

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material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*HLB Mann Judd*

HLB Mann Judd  
Chartered Accountants  
Perth, Western Australia  
4 December 2018

*N G Neill*

N G Neill  
Partner



**DIRECTORS' DECLARATION**

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The Director has determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The Director of the company declares that:

1. The financial statements and notes, as set out on pages 10 to 24 are in accordance with the Corporations Act 2001; and
  - a. comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
  - b. give a true and fair view of the company's financial position as at 30 June 2018 and performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
  - c. 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.



Murray Leahy

Director

Kalgoorlie, 4 December 2018

STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018

		2018	2017 (Restated)
	Notes	\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2	584,008	634,093
Trade and other receivables	3	21,556,853	24,741,526
Inventories	4	3,678,599	3,877,346
<b>Total current assets</b>		<b>25,819,460</b>	<b>29,252,965</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	5	382,000	306,000
Property, plant and equipment	6	76,779,322	59,593,721
Deferred exploration and evaluation expenditure	7	59,911	59,911
Intangible assets	8	1,047	1,047
<b>Total non-current assets</b>		<b>77,222,280</b>	<b>59,960,679</b>
<b>Total assets</b>		<b>103,041,740</b>	<b>89,213,644</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	21,088,046	18,788,978
Financial liabilities	10	19,262,704	16,904,491
Provisions	11	266,345	81,371
<b>Total current liabilities</b>		<b>40,617,095</b>	<b>35,774,840</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities	10	25,868,681	22,253,677
Provisions	11	79,445	107,323
Deferred tax liability		3,596,028	2,476,709
<b>Total non-current liabilities</b>		<b>29,544,154</b>	<b>24,837,709</b>
<b>Total liabilities</b>		<b>70,161,249</b>	<b>58,135,840</b>
<b>Net assets</b>		<b>32,880,491</b>	<b>28,601,095</b>
<b>EQUITY</b>			
Issued capital	12	1	1
Retained earnings		32,608,612	28,149,463
Reserves	13	271,878	451,631
<b>Total equity</b>		<b>32,880,491</b>	<b>28,601,095</b>

The accompanying notes form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 (Restated) \$
Revenue	15	134,500,147	116,171,949
Changes in inventories of finished goods and work in progress		287,908	179,155
Equipment and labour hire expenses		(13,151,289)	(15,168,242)
Fuel expenses		(11,754,774)	(9,160,883)
Freight expenses		(2,747,441)	(2,123,127)
Haulage subsidies charges		(10,093,878)	(6,756,450)
Employee benefits expense		(49,612,788)	(37,936,956)
Other employee expenses		(4,597,251)	(3,552,864)
Depreciation and amortisation expense		(6,983,712)	(4,800,905)
Operational repairs and maintenance expense		(20,337,903)	(14,511,309)
Occupancy expense		(1,129,361)	(835,752)
Interest and finance expense		(2,179,335)	(1,541,967)
Licences, registrations, permits & insurance expenses		(1,824,323)	(1,478,146)
Exploration expenditure expensed as incurred		(297,560)	(448,089)
Royalties expense		(525,355)	(446,948)
Other expenses		(1,831,509)	(1,775,303)
Profit before income tax expense	16	7,721,576	15,814,163
Income tax expense	17	(2,653,315)	(5,131,642)
Net profit for the year		5,068,261	10,682,521
Other comprehensive income:		-	-
Impact of revaluation of property, plant and equipment	13	(179,753)	(393,194)
Total comprehensive income for the year		4,888,508	10,289,327
Dividend per ordinary share	14	609,112	405,797

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2018

	<i>Issued Capital</i> \$	<i>Retained Earnings</i> \$	<i>Reserves</i>	<i>Total</i> \$
Balance at 1 July 2016 (Restated)	1	17,872,739	844,825	18,717,565
Net profit after tax for the year	-	10,682,521		10,682,521
Total comprehensive income for the year	-	-	(393,194)	(393,194)
Dividends provided for or paid	-	(405,797)	-	(405,797)
Balance at 30 June 2017 (Restated)	1	28,149,463	451,631	28,601,095
Net profit after tax for the year	-	5,068,261	-	5,068,261
Total comprehensive income for the year	-	-	(179,753)	(179,753)
Dividends provided for or paid	-	(609,112)	-	(609,112)
Balance at 30 June 2018	1	32,608,612	271,878	32,880,491

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		149,190,285	114,097,904
Payments to suppliers and employees		(125,884,387)	(96,589,873)
Interest received		1,885	18,070
Interest paid (unrelated to HP's)		(295,477)	(38,336)
Income tax paid		(3,864,895)	(5,106,146)
Fuel tax credits received		1,785,250	1,253,184
<b>Net cash provided by operating activities</b>	19	<b>20,932,661</b>	<b>13,634,803</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of non-financed property, plant and equipment		(2,727,653)	(4,085,463)
Proceeds from sale of property, plant and equipment		249,455	-
<b>Net cash (used in) investing activities</b>		<b>(2,478,198)</b>	<b>(4,085,463)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(609,112)	(405,797)
Net movement in borrowings from related entities		(76,000)	(32,000)
Payments of finance lease liabilities due to investment in property, plant and equipment		(16,584,065)	(13,775,065)
<b>Net cash provided (used in) financing activities</b>		<b>(17,269,177)</b>	<b>(14,212,862)</b>
Net increase/(decrease) in cash held		1,185,286	(4,663,522)
Cash at the beginning of the financial year		(4,338,107)	325,415
<b>Cash and cash equivalents at the end of the year</b>	19	<b>(3,152,821)</b>	<b>(4,338,107)</b>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The Director has prepared the financial report on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial report. This financial report is therefore a special purpose financial report that has been prepared in order to satisfy the financial reporting requirements of the Corporations Act 2001.

The financial report has been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the Corporations Act 2001 and the significant accounting policies disclosed below, which the Director has determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial report has been prepared on an accruals basis. It is based on historical costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

MLG Oz Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. The financial statements were authorised for issue on 4 December 2018 by the Director.

**Financial position**

Despite the company having a working capital deficit of \$14,797,635 as at 30 June 2018 (2017: \$6,521,875) the accounts have been prepared on a going concern basis as the Director has reviewed the financial performance of the company and has determined that it will have sufficient cashflows to meet its expenditure requirements for a period of at least 12 months from the date of this report. With revenues having increased nearly 16%, cash-flows from operations increasing 53% and in conjunction with our current, contracted, long-term pipeline of work, the Director is satisfied that the going concern basis of preparation is appropriate. The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the settlement of liabilities in the ordinary course of business.

**Accounting Policies**

The material accounting policies that have been adopted in the preparation of this report are as follows:

**(a) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and have bank overdrafts. Bank overdrafts are shown with current short term borrowings.

**(b) Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original Invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

**(c) Inventories**

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**(d) Income tax**

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

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(e) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land and buildings are measured at cost less accumulated depreciation on buildings and less any accumulated impairment losses.

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

Freehold land and buildings	20 years
Plant and equipment	5-25 years
Fixtures & Fittings	10 years
Vehicles	4-10 years
Computer Software/Hardware	3 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

*Impairment*

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs 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.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item.

*Derecognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(f) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(g) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

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(g) Leases (continued)

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Finance lease assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(h) Employee leave benefits

*Wages, salaries, annual leave and sick leave*

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave not expected to be settled within 12 months of the balance date are recognised in non-current other payables in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Company.

*Long service leave*

The liability for long service leave is 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 balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(i) Exploration and evaluation

Exploration and evaluation costs, excluding the costs of acquiring tenements and permits, are expensed as incurred. Acquisition costs will be assessed on a case by case basis and, if appropriate, they will be capitalised. These acquisition costs are carried forward only if the rights to tenure of the area of interest are current and either:

- They are expected to be recouped through successful development and exploitation of the area of interest or;
- The activities in the area of interest at the reporting date have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest, are continuing.

Accumulated acquisition costs in relation to an abandoned area are written off in full to the statement of profit or loss and other comprehensive income in the year in which the decision to abandon the area is made.

The carrying values of acquisition costs are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(j) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

*Sale of goods*

Revenue is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

**(j) Revenue recognition (continued)**

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

*Rendering of services*

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Contract income is recognised by reference to the total actual costs incurred at the end of the reporting period relative to the proportion of the total costs expected to be incurred over the life of the contract;
- Servicing fees are recognised by reference to the proportion of the total cost of providing the service for the product sold; and
- Revenue from time and material contracts are recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

*Interest income*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

**(k) Critical accounting estimates and judgements**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**(l) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

**(m) Adoption of new and revised standards**

*Standards and Interpretations applicable to 30 June 2018*

In the year ended 30 June 2018, the Director has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Director has determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

(m) Adoption of new and revised standards (continued)

*Standards and Interpretations in issue not yet adopted*

The Director has also reviewed all Standards and Interpretations in issued but are not yet adopted for the year ended 30 June 2018. As a result of this review the Director has determined that the following Standards and Interpretations will have a material effect on Group accounting policies in future financial periods, namely:

- AASB 9 *Financial Instruments*
- AASB 16 *Leases*

The Company has elected not to early adopt these Standards and Interpretations and have not quantified the material effect of application on future periods.

*AASB 15 Revenue from Contracts with Customers*

AASB 15 Revenue from Contracts with Customers is a new Standard introduced by AASB to replace AASB 118. The new Standard is aimed at improving financial reporting of revenue and comparability to provide better clarity on revenue recognition on areas where existing requirements unintentionally created diversity in practice. AASB 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When applying AASB 15 for the first time, an entity shall apply the Standard in full for the current period. In respect of prior periods, the transition guidance grants entities an option to either apply AASB 15 in full to prior periods or to retain prior-period figures as reported under the previous standards, recognising the cumulative effect of applying AASB 15 to all contracts that had not yet been completed at the beginning of the reporting period as an adjustment to the opening balance of equity at the date of first-time adoption.

The Director has elected not to apply the transition method applicable to AASB 15 Revenue from Contracts with Customers from 1 July 2018. The quantification of the implications of AASB 15 is yet to be determined.

NOTE 2: CASH AND CASH EQUIVALENTS

	2018	2017
	\$	\$
Cash at bank	583,708	633,899
Cash on hand	300	194
	<u>584,008</u>	<u>634,093</u>

NOTE 3: TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	\$
Trade debtors	19,138,765	23,310,297
Less: Allowance for doubtful debts	-	(76,391)
	<u>19,138,765</u>	<u>23,233,906</u>
Prepayments	1,248,552	456,947
Fuel tax credits	190,356	149,462
Other debtors	979,180	901,211
	<u>21,556,853</u>	<u>24,741,526</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 4: INVENTORIES

	2018 \$	2017 \$
Raw materials – at cost	1,124,592	802,262
Stores – at cost	2,554,007	3,075,084
	<u>3,678,599</u>	<u>3,877,346</u>

NOTE 5: OTHER FINANCIAL ASSETS

	2018 \$	2017 \$
Loan – Kimberley Granite Quarries Pty Ltd	309,000	296,000
Loan – Reef Mining	73,000	10,000
	<u>382,000</u>	<u>306,000</u>

(a) The loan to Kimberley Granite Quarries, of which Murray Leahy is also a director, attracts no interest and will be repaid within ten (10) business days upon demand by MLG Oz Pty Ltd.

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

	2018 \$	2017 \$
Property, plant and equipment – at cost	100,246,981	75,972,516
Less: Accumulated Depreciation	(23,467,659)	(16,378,795)
	<u>76,779,322</u>	<u>59,593,721</u>

NOTE 7: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	2018 \$	2017 \$
Costs carried forward in respect of:		
<i>Exploration and evaluation phase – at cost</i>		
Acquisition costs	59,911	59,911
Total exploration and evaluation expenditure	<u>59,911</u>	<u>59,911</u>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

NOTE 8: INTANGIBLE ASSETS

	2018 \$	2017 \$
Preliminary expenses	<u>1,047</u>	<u>1,047</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 9: TRADE AND OTHER PAYABLES

	2018	2017
	\$	\$
Trade creditors	10,925,588	10,803,857
Accruals	374,626	3,144,124
Annual leave payable	3,176,587	2,406,090
Net GST payable	401,755	332,932
Income tax (receivable)/payable	(897,915)	1,432,986
Other creditors	3,777,899	659,296
FBT payable	13,140	9,693
ATO Integrated Client Account	3,316,366	-
	<u>21,088,046</u>	<u>18,788,978</u>

NOTE 10: FINANCIAL LIABILITIES

		2018	2017
		\$	\$
<i>Current</i>			
Invoice financing facility - Westpac	(a)	3,736,829	4,972,200
Hire purchase liability	18	<u>15,525,875</u>	<u>11,932,291</u>
		19,262,704	16,904,491
<i>Non-current</i>			
Hire purchase liability	18	<u>25,868,681</u>	<u>22,253,677</u>
		25,868,681	22,253,677

(a) The invoice financing facility is with Westpac and has a limit of \$5,500,000. The exposure at 30 June 2018 was \$3,736,829 (2017: 4,972,200).

NOTE 11: PROVISIONS

	2018	2017
	\$	\$
<i>Current</i>		
Provision for long service leave	<u>266,345</u>	<u>81,371</u>
<i>Non-current</i>		
Provision for long service leave	<u>79,445</u>	<u>107,323</u>
	345,790	188,694



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 12: ISSUED CAPITAL

	2018	2017
	\$	\$
Ordinary share issued and fully paid	1	1

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

NOTE 13: RESERVES

*Nature and purpose of reserves*

Revaluation Surplus Equity Account

This reserve is used to record the adjustment to accumulated depreciation as a result of the reassessment of the useful life of various assets. The reserve is expected to decrease over time.

	2018	2017
	\$	\$
Revaluation Surplus Equity Account	271,878	451,631

NOTE 14: DIVIDENDS PAID

	2018	2017
	\$	\$
Fully franked dividends paid	609,112	405,797

Balance of franking account at year end adjusted for franking credits arising from the payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in a subsequent financial year.

13,557,256	9,001,740
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NOTE 15: REVENUE

	2018	2017
	\$	\$
Sales	132,678,437	114,784,582
Other revenue	(6,319)	29,753
Interest received	1,885	18,070
Fuel tax credits	1,826,144	1,309,791
Other income	-	29,753
	134,500,147	116,171,949

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 16: PROFIT BEFORE INCOME TAX

	2018 \$	2017 \$
Profit from ordinary activities before income tax has been determined after:		
Bank charges	95,857	128,028
Depreciation of property, plant and equipment:		
- Depreciation Charge	7,163,464	5,194,099
- Depreciation recovery	(179,752)	(393,194)
	6,983,712	4,800,905
Interest paid or payable to:		
- Hire purchase charges	1,883,858	1,503,631
- Bank Interest	199,620	3,859
- Other interest	95,857	34,477
	2,179,335	1,541,967

NOTE 17: INCOME TAX

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2018 \$	2017 (Restated) \$
Accounting profit before Income tax	7,721,576	15,814,163
Income tax expense calculated at 30%	2,316,473	4,744,249
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
• Effect of expenses that are not deductible in determining taxable profit	(782,476)	(347,804)
Income tax expense attributable to profit from ordinary activities	1,533,997	4,396,445
Over (Under) Provision of tax in the prior year	1,119,318	735,197
Income tax expense reported in the statement of comprehensive income	2,653,315	5,131,642

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

NOTE 18: COMMITMENTS AND CONTINGENCIES

*Finance lease and hire purchase commitments - Company as lessee*

The Company has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 18: COMMITMENTS AND CONTINGENCIES (continued)

Hire purchase commitments payable:

	2018 \$	2017 \$
Within one year	17,350,846	13,408,213
After one year but not more than five years	27,574,214	23,846,345
Total minimum lease payments	44,925,060	37,254,558
Less amounts representing finance charges	(3,530,504)	(3,068,590)
Present value of minimum lease payments	41,394,556	34,185,968

Represented by:

Current	15,525,875	11,932,291
Non-current	25,868,681	22,253,677
	41,394,556	34,185,968

NOTE 19: CASHFLOW DISCLOSURES

	Note	2018 \$	2017 \$
a) Components of cash:			
Cash at bank	2	584,008	634,093
Debtor financing facility	10	(3,736,829)	(4,972,200)
		(3,152,821)	(4,338,107)
b) Reconciliation of cash flow from operations with operating profit from ordinary activities after income tax:			
Profit from ordinary activities after income tax		5,068,261	10,682,521
<i>Non-cash flows in profit from ordinary activities</i>			
Depreciation of property, plant and equipment		6,983,712	4,800,905
Loss/(Profit) on disposal of property, plant and equipment		-	-
<i>Reclassification to financing activities</i>			
Interest expense on finance liabilities		1,883,858	1,503,631
<i>Changes in operating assets and liabilities</i>			
Decrease / (Increase) in receivables		3,184,673	(11,970,369)
Decrease / (Increase) in inventory		198,747	(3,220,433)
(Decrease) / Increase in creditors		2,336,985	11,048,370
(Decrease) / Increase in provisions		157,106	54,981
(Decrease) / Increase in deferred tax liability		1,119,319	735,197
		20,932,661	13,634,803

- c) During the year the company acquired plant and equipment with an aggregate value of \$19,959,103 (2017: \$24,057,879) by means of hire purchase arrangements. These acquisitions are not reflected in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 20: CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease Liability	Total
Balance as at 1 July 2016	20,146,682	20,146,682
Net cash from (used in) financing activities	(13,775,065)	(13,775,065)
Non cash interest expense	1,503,631	1,503,631
Acquisition of plant and equipment by means of finance leases	27,814,351	27,814,351
Balance as at 30 June 2017	34,185,968	34,185,968
Net cash from (used in) financing activities	(16,584,065)	(16,584,065)
Acquisition of plant and equipment by means of finance leases	21,908,795	21,908,795
Non cash interest expense	1,883,858	1,883,858
Balance as at 30 June 2018	41,394,556	41,394,556

NOTE 21: CONTINGENT LIABILITIES

The Company does not have any contingent liabilities at balance date.

NOTE 22 RESTATEMENT OF PRIOR YEAR COMPARATIVES

During the current financial year the company reviewed its application of accounting policies in relation to the recognition and measurement of tax effect accounting resulting in the recognition of a material deferred tax liability. As the cumulative impact is material to the years presented, adjustments have been applied retrospectively and the prior period comparatives have been restated as follows:

	2017 Restated	2017 Previously reported	2016 Restated	2016 Previously reported
	\$	\$	\$	\$
Income tax expense	(5,131,642)	(4,396,445)	(4,221,919)	(3,602,634)
Net profit for the year	10,682,521	11,417,718	9,083,643	9,702,928
Total comprehensive income for the year	10,289,327	11,024,524	8,281,604	8,900,889
Deferred tax liability	2,476,709	-	1,741,512	-
Net assets	28,601,095	31,077,804	18,717,565	20,459,077
Retained earnings	28,149,463	30,626,172	17,872,739	19,614,251

NOTE 23: COMPANY DETAILS

The registered office and principal place of business of the company is:

**Registered Office**  
C/- Market City Commercial Centre (MP24)  
Unit 6, 280 Bannister Road  
CANNING VALE WA 6155

**Principal Place of Business**  
10 Yindi Way  
KALGOORLIE WA 6430

NOTE 24: SUBSEQUENT EVENTS

In November 2018, MLG's primary banking partner committed to an increased amount and range of Finance facilities to assist in working capital requirements and to enable the ongoing investment in growth assets.