nmgcorporation

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NMG enters into agreement to acquire Acrow

The Board of NMG Corporation Limited (ASX:NMG) (**NMG** or **the Company**) is pleased to announce that it has executed a conditional agreement to acquire 100% of the issued capital in formwork systems and hire equipment provider, Acrow Holdings Pty Limited (**Acrow**).

Completion of the transaction will be subject to a number of conditions, which includes re-compliance with Chapters 1 and 2 of the ASX Listing Rules. Therefore, the transaction may not proceed if those requirements are not met. ASX has absolute discretion in deciding whether or not to re-admit the entity to the Official List of ASX and to quote its securities and therefore the transaction may not proceed if ASX exercises that discretion. Investors should take into account these uncertainties in deciding whether or not to buy or sell the entity's securities.

Transaction summary

NMG will acquire 100% of the issued capital of Acrow, which will value the combined company at approximately $30.0m, subject to a normalized working capital adjustment. The purchase price will be funded in cash through the issue of a minimum of $25.0m worth of new shares under a prospectus, which will be lodged by the Company as part of the transaction.

The transaction is subject to a number of conditions precedent, including:

- NMG obtaining all necessary regulatory and shareholder approvals under the ASX Listing Rules, which includes re-compliance with Chapters 1 and 2 of the ASX Listing Rules;
- NMG undertaking a consolidation of its securities;
- NMG undertaking a capital raising pursuant to a prospectus to raise not less than $25m;
- Adoption of a new long-term incentive plan, which will grant incentives to directors and management;
- Obtaining warranty & indemnity insurance for the transaction; and
- Changes to NMG's board, which includes the appointment of 2 nominees from Acrow.

On completion of the transaction, it is anticipated that one of the current directors of NMG will resign, and two nominees from Acrow (which will include Mr Peter Lancken as Non-Executive Chairman, biography below) will join the NMG board of directors.

About Acrow

Acrow was originally founded in Australia in the 1950's and has been in continuous operation since then. Acrow operates a national network of formwork solutions and other construction equipment hire branches, including the industry standard brands Acrow in formwork and Cuplok in scaffolding, consisting of a number of hire and sales sites across Australia (Sydney, Brisbane, Melbourne, Hobart, Launceston, Adelaide and Perth).

Acrow services a diverse range of end markets, with strong and longstanding customer relationships who operate as infrastructure and commercial building contractors, and residential construction contractors. Accordingly, Acrow is exposed to strong underlying industry fundamentals in Australia, underpinned by a high level of expected infrastructure spend in key areas in Australia (including Sydney). Major formwork systems provided to these customers include Acrowall – 60, Acrowall – 80, AcrowForm, Acrow GASS and Acrow Powershore, with scaffold systems provided including Cuplok and Supercuplok.

Key risks and dependencies of the Acrow business includes changes in the dynamics of major end markets leading to lower utilization of equipment, changes to agreements with suppliers, competition from other providers, changes in technology leading to redundancy of equipment and risk of losing key personnel.

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Proposed Non-Executive Chairman

Mr Peter Lancken (current director of Acrow Formwork and Scaffolding Pty Ltd) will join the Board of the Company at completion of the transaction.

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

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

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

Financial information on Acrow

Please find **attached** to this announcement, audited financial statements for Acrow for the periods ended 30 June 2016 and 30 June 2017.

The following is an extract from Acrow's audited accounts and pro-forma EBITDA (which is unaudited and based on management accounts):

A$ 000's, June Y/E	**FY16A**	**FY17A**
Revenue	63,102	61,886
Other Income	814	450
Total Income (Audited)	**63,915**	**62,336**
Inventory purchased, net of changes in finished goods	(9,512)	(9,074)
Motor vehicle expenses	(787)	(838)
Personnel expenses	(17,321)	(17,356)
Subcontractor costs	(19,796)	(15,959)
Depreciation expense	(5,326)	(4,720)
Property costs	(3,432)	(3,187)
Repairs and maintenance	(298)	(324)
Insurance, travel and telecommunications	(1,092)	(898)
Freight Cost	(963)	(795)
Other expenses	(5,993)	(5,615)
Results from operating activities (Audited)	**(606)**	**3,570**
Reported EBITDA (based on audited numbers)	**4,719**	**8,291**
(1) Restructure charges	1,188	920
Underlying EBITDA (unaudited)	**5,907**	**9,211**
(2) Pro-forma ASX and listing costs	(500)	(500)
Pro forma EBITDA (unaudited)	**5,407**	**8,711**

Notes:

(1) Unaudited and based on management accounts. Restructuring costs in FY16 and FY17 consist of redundancy, branch relocation, duplicate rents and other non-recurring costs associated with the business restructure.

(2) Estimate of ASX and listing costs

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In terms of the likely effect of the transaction on NMG's financial position, the Company is in the process of preparing a pro-forma financial information, which is anticipated to be completed and released to ASX in early January 2017.

Capital raising

As part of the transaction, NMG will undertake a capital raising pursuant to a prospectus to raise no less than $25m. Assuming that a 20 for 1 consolidation is completed, NMG anticipates that the issue price of the shares offered under the prospectus will be 20 cents per share.

The parties have not yet determined whether the capital raising will be underwritten.

In addition, as announced by NMG on 31 July 2017, in order to preserve cash, directors, committee members and advisors agreed to waive any fees owed to them from 1 July 2017 onwards. For the balance that has accrued up until 30 June 2017, they have agreed, subject to NMG shareholder approval, to convert the amounts owed to them to equity on the same price as the capital raising. The shares from this conversion is reflected in the capital structure below.

Capital structure

NMG's current capital structure is as follows:

Securities	Number of securities
Shares	338.3m
Unlisted options	115m

Post-completion of the transaction, assuming that a 20 for 1 consolidation is completed, NMG's proposed capital structure will be as follows:*

Securities	Number of securities
Existing shares	16.9m
Shares from conversion of debt to equity**	2.3m
Shares from capital raising under prospectus (20 cents per share)	Min. 125m
Total shares post-completion of transaction	Min. 144.2m
Existing unlisted options	5.8m
New incentive securities under long-term incentive plan	To be confirmed

* The post-transaction structure is indicative only and is subject to change
** As part of the transaction, debt held by existing NMG directors, management and advisors will be converted to equity

Additional information

On 11 August 2017, NMG completed a placement of 25m shares at an issue price of 0.8 cents per share to raise $200,000 (before costs). Funds have been used for working capital purposes.

ASX takes no responsibility for the contents of this announcement.

NMG is in compliance with its continuous disclosure obligations under ASX Listing Rule 3.1.

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Next steps

A notice of meeting for NMG shareholders and a prospectus to raise a minimum of $25.0m will be prepared, which will provide detailed information on Acrow and the transaction, including key risks. NMG expects to dispatch the notice of meeting to shareholders in January 2018.

Indicative timetable*

Event	Date
Lodgement of NMG Notice of Meeting	Late-January 2018
Lodgement of Prospectus with ASIC and ASX	Early-February 2018
Extraordinary meeting of NMG shareholders	Late-February 2018
Opening of offers under Prospectus	Late-February 2018
Closing of offers under Prospectus	Early-March 2018
Completion of Transaction and issue of shares under the Prospectus	Early-March 2018
Re-instatement of trading of securities	Mid-March 2018

* This timetable is indicative only and is subject to change

Contact for further information

For further information, please contact Mike Hill:

Mike Hill
NMG Chairman
+61 421 056 691

Acrow Holdings Pty Ltd and its controlled entity
ABN 23 145 589 797

Annual financial report
30 June 2017

Acrow Holdings Pty Ltd and its controlled entity
Directors' report

For the year ended 30 June 2017

The directors present their report together with the financial report of the Group comprising of Acrow Holdings Pty Ltd (the Company) and its controlled entity (the Group), for the financial year ended 30 June 2017 and the auditor's report thereon.

Directors

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

Phillip Cave	Appointed 7 October 2010
Simon Woodhouse	Appointed 30 September 2010

Environmental regulation

The Group's operations are not subject to significant environmental regulation under either Commonwealth or State legislation. However, the Board believes the Group has adequate systems in place for the management of its environmental requirements and is not aware of any significant breaches during the period under review.

Principal activities

The principal activities of the Group during the course of the financial year were the hire and sale of scaffolding and formwork equipment and related products. There were no significant changes in the nature of the activities of the Group during the year.

Results

The Group recorded a profit after tax of $624,695 for the year ended 30 June 2017 (2016: $3,523,330 loss).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the year.

Events subsequent to reporting date

Subsequent to the balance date the Group refinanced the convertible loans and the related interest of $13,485,909 with the ultimate parent entity Anchorage Capital Partners Fund LP. These loans are now all repayable on 22 July 2018.

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

Likely developments

The Group will continue to pursue its policy of increasing the profitability and market share of its major business sectors during the next financial year.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Indemnification and insurance of officers and auditors

Indemnification

Since the end of the previous financial year, the Group has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Group.

Insurance premiums

During the financial year the Group has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2017 and since the financial year, the Group has paid premiums in respect of such insurance contracts for the year ending 30 June 2018. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Group.

The directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 3 and forms part of the directors' report for the financial year ended 30 June 2017.

This report is made with a resolution of the directors:

S. Woodhouse

Simon Woodhouse
Director

Dated at Sydney this 24 October 2017

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

To the Directors of Acrow Holdings Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Acrow Holdings Pty Ltd for the financial year ended 30 June 2017 there have been:

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

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

KPMG

KPMG

G Boydell

Greg Boydell

Partner

Sydney

24 October 2017

Acrow Holdings Pty Ltd and its controlled entity
Statement of comprehensive income
For the year ended 30 June 2017

In dollars	Note	2017	2016
Revenue	4	61,885,857	63,101,587
Other income	5	450,142	813,688
Inventory purchased, net of changes in finished goods		(9,073,942)	(9,512,398)
Motor vehicle expenses		(837,697)	(787,479)
Personnel expenses		(17,355,798)	(17,320,857)
Subcontractor costs		(15,958,588)	(19,795,752)
Depreciation expense	12	(4,720,408)	(5,325,565)
Property costs		(3,187,035)	(3,432,496)
Repairs and maintenance		(324,432)	(298,392)
Insurance expense		(543,934)	(645,864)
Freight costs		(795,024)	(962,595)
Travel expenses		(206,962)	(282,013)
Telecommunication expenses		(146,666)	(164,575)
Other expenses	6	(5,615,395)	(5,993,490)
Results from operating activities		3,570,118	(606,201)
Finance income	7	45,540	80,147
Finance costs	7	(2,990,963)	(2,997,276)
Net finance expense		(2,945,423)	(2,917,129)
Profit / (Loss) before income tax		624,695	(3,523,330)
Income tax benefit	8	-	-
Profit / (Loss) for the year		624,695	(3,523,330)
Other comprehensive income		-	-
Total comprehensive income for the year		624,695	(3,523,330)

The notes on pages 8 to 23 are an integral part of these financial statements

Acrow Holdings Pty Ltd and its controlled entity
Statement of changes in equity
For the year ended 30 June 2017

In dollars	Share capital	Reserves	Accumulated Losses	Total equity
Balance at 1 July 2015	27,873,243	-	(19,990,350)	7,882,893
Total comprehensive income for the year				
Loss for the year	-	-	(3,523,330)	(3,523,330)
Other comprehensive income	-	-	-	-
Comprehensive income for the year	-	-	(3,523,330)	(3,523,330)
Balance at 30 June 2016	27,873,243	-	(23,513,680)	4,359,563
Total comprehensive income for the year				
Profit for the year	-	-	624,695	624,695
Other comprehensive income	-	-	-	-
Comprehensive income for the year	-	-	624,695	624,695
Transactions with Owners of the Company				
Debt forgiveness gain	-	1,388,574	-	1,388,574
Balance at 30 June 2017	27,873,243	1,388,574	(22,888,985)	6,372,832

The notes on pages 8 to 23 are an integral part of these financial statements.

Acrow Holdings Pty Ltd and its controlled entity
Statement of financial position
As at 30 June 2017

In dollars	Note	2017	2016
Assets			
Cash and cash equivalents	9	161,122	79,223
Trade and other receivables	10	10,809,387	11,480,158
Inventories	11	1,918,259	2,351,438
Prepayments and other assets		379,356	418,616
Total current assets		13,268,124	14,329,435
Property, plant and equipment	12	28,487,723	29,767,023
Total non-current assets		28,487,723	29,767,023
Total assets		41,755,847	44,096,458
Liabilities			
Trade and other payables	14	10,240,902	5,998,930
Employee benefits	15	3,065,187	2,539,640
Loans and borrowings	16	8,379,926	18,489,705
Total current liabilities		21,686,015	27,028,275
Trade and other payables	14	-	2,856,662
Employee benefits	15	296,631	282,689
Loans and borrowings	16	13,232,395	9,400,000
Provisions	17	167,974	169,269
Total non-current liabilities		13,697,000	12,708,620
Total liabilities		35,383,015	39,736,895
Net assets		6,372,832	4,359,563
Equity			
Share capital	18	27,873,243	27,873,243
Reserves	18	1,388,574	-
Accumulated losses		(22,888,985)	(23,513,680)
Total equity		6,372,832	4,359,563

The notes on pages 8 to 23 are an integral part of these financial statements.

Acrow Holdings Pty Ltd and its controlled entity
Statement of cash flows
As at 30 June 2017

In dollars	Note	2017	2016
Cash flows from operating activities			
Cash receipts from customers		68,745,214	70,088,595
Cash paid to suppliers and employees		(59,825,518)	(66,292,263)
Cash generated from operations		8,919,696	3,796,332
Interest received		45,540	80,147
Interest paid		(2,578,880)	(2,584,999)
Net cash from operating activities		6,386,356	1,291,480
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		905,358	978,258
Acquisition of property, plant and equipment		(3,762,052)	(1,903,235)
Net cash used in investing activities		(2,856,694)	(924,977)
Cash flows from financing activities			
Repayment of borrowings		(3,447,763)	(770,326)
Finance lease payments		-	(80,457)
Net cash used in financing activities		(3,447,763)	(850,783)
Net increase/(decrease) in cash and cash equivalents		81,899	(484,280)
Cash and cash equivalents at 1 July 2016		79,223	563,503
Cash and cash equivalents at 30 June 2017	9	161,122	79,223

The notes on pages 8 to 23 are an integral part of these financial statements.

1. Reporting entity

Acrow Holdings Pty Ltd (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Suite 2, Level 39, 259 George Street, Sydney. The financial statements of Acrow Holdings Pty Ltd are as at and for the year ended 30 June 2017 and comprise the Company and its controlled entity ("the Group"). The Group is a for-profit entity and primarily is involved in the hire and sale of scaffolding and formwork equipment and related products.

2. Basis of preparation

(a) Going concern

The financial report has been prepared on a going concern basis and assumes continuity of normal trading activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Group has a net current asset deficiency of $8,417,891 at 30 June 2017. Based on the cash flow forecast for the next 12 months and the refinancing of debt that occurred after year end as described in note 16, the directors have concluded that the Group will be able to meet all obligations as and when they fall due for at least 12 months from the date of approving these financial statements.

(b) Statement of compliance

The Group adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2011-2 *Amendments to Australian Standards arising from Reduced Disclosure Requirements* for the financial year beginning on 1 July 2011 to prepare Tier 2 general purpose financial statements.

The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial statements were authorised for issue by the Board of Directors on 24 October 2017.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(d) Functional and presentation currency

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

(e) Use of estimates and judgements

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

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

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

- note 12 – hire equipment
- note 13 – utilisation of tax losses

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

3. Significant accounting policies

(a) Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

(ii) Subsidiaries

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

(b) Foreign currency

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

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

3. Significant accounting policies (continued)

(b) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

Receivables

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

Cash and cash equivalents

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

(ii) Non-derivative financial liabilities

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

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

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

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

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

(iii) Share capital

Ordinary shares

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

(c) Property, plant and equipment

(i) Recognition and measurement

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

3. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The estimated useful lives are as follows:

• buildings	50 years
• plant and equipment	3 - 20 years
• hire equipment	2 - 33 years

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

(iv) Hire equipment loss provision

A hire equipment loss provision is recognised to cover the expected loss of equipment on hire.

(d) Inventories

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

3. Significant accounting policies (continued)

(e) Impairment

(i) Non-derivative financial assets

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

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

Receivables

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

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

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

(ii) Non-financial assets

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

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

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent

3. Significant accounting policies (continued)

(e) Impairment (continued)

that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Employee benefits

(i) Defined contribution plans

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

(ii) Other long-term employee benefits

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

(iii) Termination benefits

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

(iv) Short-term benefits

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

(g) Provisions

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

(i) Restructuring

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

3. Significant accounting policies (continued)

(ii) Onerous contracts

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

(h) Revenue

(i) Hire of equipment

Revenue from the rental of scaffolding and formwork is recognised over the period the equipment is provided to the customer.

(ii) Goods sold

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

(i) Finance income and finance costs

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

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisons.

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

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

(j) Tax

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

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

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

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

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

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

3. Significant accounting policies (continued)

(h) Revenue (continued)

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

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

(k) Goods and services tax

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

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

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

(l) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the Group's financial statements, except for:

- AASB 9 *Financial Instruments*, which becomes mandatory for the Group's 2019 financial statements. A detailed impact assessment is yet to be completed, however, no significant impact on Acrow's financial performance or position, on transition date at 1 July 2018 is expected.
- AASB 15 *Revenue from Contracts with Customers*, which becomes mandatory for the Group's 2019 financial statements; while a detailed impact assessment is yet to be completed, we expect the majority of current revenue recognition practice to not be significantly impacted by the new standard. Revenue recognition for certain contracts may be impacted because of the nature and timing of performance obligations.
- AASB 16 *Leases*, which becomes mandatory for the Group's 2020 financial statements. Whilst work is yet to commence, this standard will ultimately result is a portion of the Group's operating leases to be accounted for on balance sheet as a "right to use asset" and "lease liability" upon adoption of the standard on 1 July 2019. The standard will also result in reclassification of operating lease expense into depreciation and finance expenses, and a reclassification of certain cash flows from operating into financing activities

The Group does not plan to early adopt the above named standards.

	2017	2016

4. Revenue
In dollars

	2017	2016
Revenue from hire of equipment	49,816,996	51,063,504
Sale of products	12,061,691	12,025,116
Scrap sales	7,170	12,967
	61,885,857	63,101,587

5. Other income
In dollars

	2017	2016
Net gain on disposal of property, plant and equipment	450,142	813,688
	450,142	813,688

6. Other Expenses
In dollars

	2017	2016
Expenses include the following items:		
Restructuring and claims	675,618	674,587
Consultancy expense	748,688	908,426
IT related expense	885,686	906,010
Other	3,305,403	3,504,467
	5,615,395	5,993,490

7. Finance income and finance costs
In dollars

	2017	2016
Recognised in profit and loss		
Interest income	45,540	80,147
Finance income	45,540	80,147
Interest expense on financial liabilities measured at amortised cost	(2,208,698)	(2,537,170)
Bank charges and fees	(316,497)	(128,328)
Foreign exchange loss	(53,685)	-
Refinancing costs	(412,083)	(331,778)
Finance costs	(2,990,963)	(2,997,276)
Net finance costs recognised in profit or loss	(2,945,423)	(2,917,129)

Recognised in other comprehensive income

There was no finance income or cost recognised in other comprehensive income (2016: nil).

8. Income tax (expense)/benefit

In dollars

	2017	2016
Profit/(loss) before income tax	624,695	(3,523,330)
Income tax (expense)/benefit using the Company's domestic tax rate (30%)	(187,409)	1,056,999
Prior year tax losses brought to account	194,718	-
Current year tax losses not brought to account	-	(1,063,387)
Other items	(7,309)	6,388
Income tax (expense)/benefit	-	-

9. Cash and cash equivalents

In dollars

Bank balances and cash on hand	161,122	79,223
Cash and cash equivalents in the statement of cash flows	161,122	79,223

10. Trade and other receivables

In dollars

Trade receivables	10,931,221	11,806,215
Provision for doubtful debts	(123,359)	(331,695)
	10,807,862	11,474,520
Other receivables	1,525	5,638
	10,809,387	11,480,158

In the year ended 30 June 2017, the company wrote off trade receivables of $734,005 net of a bad debt recovery of $160,024 (2016: $498,739 net of a bad debt recovery of $91,203).

11 Inventories

In dollars

Finished goods	3,103,053	3,431,149
Provision for slow moving stock	(1,184,794)	(1,079,711)
	1,918,259	2,351,438

12. Property, plant and equipment

In dollars	Land and buildings	Plant and equipment	Hire equipment	Total
Cost				
Balance at 1 July 2015	428,369	11,058,596	110,524,165	122,011,130
Additions	-	25,603	1,877,632	1,903,235
Disposals	-	-	(1,923,667)	(1,923,667)
Balance at 30 June 2016	428,369	11,084,199	110,478,130	121,990,698
Balance at 1 July 2016	428,369	11,084,199	110,478,130	121,990,698
Additions	24,988	176,329	3,560,735	3,762,052
Disposals	(66,549)	(663,368)	(2,045,343)	(2,775,260)
Balance at 30 June 2017	386,808	10,597,160	111,993,522	122,977,490
Depreciation and impairment losses				
Balance at 1 July 2015	203,655	8,711,446	79,614,711	88,529,812
Depreciation for the year	93,649	1,188,589	4,043,327	5,325,565
Disposals	-	-	(1,759,097)	(1,759,097)
Hire equipment loss adjustment	-	-	127,395	127,395
Balance at 30 June 2016	297,304	9,900,035	82,026,336	92,223,675
Balance at 1 July 2016	297,304	9,900,035	82,026,336	92,223,675
Depreciation for the year	33,882	893,410	3,793,116	4,720,408
Disposals	(66,078)	(651,107)	(1,602,859)	(2,320,044)
Hire equipment loss adjustment	-	-	(134,272)	(134,272)
Balance at 30 June 2017	265,108	10,142,338	84,082,321	94,489,767
Carrying amounts				
At 1 July 2015	224,714	2,347,150	30,909,454	33,481,318
At 30 June 2016	131,065	1,184,164	28,451,794	29,767,023
At 1 July 2016	131,065	1,184,164	28,451,794	29,767,023
At 30 June 2017	121,700	454,822	27,911,201	28,487,723

The recoverable amount of hire equipment has been assessed by management to exceed its carrying value based on its value in use. The key assumptions in the model are as follows:

- Board approval 5 year cash flow projections
- Cash flows beyond the projection period are extrapolated using a growth rate of 1% (2016: 2%)
- A post-tax discount rate of 9.56% (2016: 10.1%)

13. Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following items:

In dollars	2017	2016
Revenue tax losses	15,084,449	15,454,553
Capital losses	202,441	190,333
Temporary differences	(1,128,574)	(1,235,024)
	14,158,316	14,409,862

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

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

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

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

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

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

14. Trade and other payables

In dollars	2017	2016
Current		
Trade payables	2,810,431	2,419,621
Accrued expenses	3,344,561	3,579,309
Payables due to related parties	4,085,910	-
	10,240,902	5,998,930
Non-current		
Payables due to related parties	-	2,856,662

15. Employee benefits

In dollars	2017	2016
Current		
Annual leave	1,185,322	1,231,558
Long service leave	1,018,268	889,206
Other employee benefits	861,597	418,876
	3,065,187	2,539,640
Non-current		
Long service leave	296,631	282,689

Defined contribution superannuation plans

The Group has paid contributions of $1,479,538 to defined contributions plans on behalf of employees for the year ended 30 June 2017 (2016: $1,320,383).

16. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

In dollars	2017	2016
Current		
Unsecured loan	119,131	116,013
Secured bank loans	2,260,795	18,373,692
Loan from ultimate parent entity	6,000,000	-
	8,379,926	18,489,705
Non-Current		
Loan from ultimate parent entity	13,232,395	9,400,000
	13,232,395	9,400,000

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

- A fully utilised $9,832,395 secured term loan at 30 June 2017. Interest is payable at an interest rate of 3.1% plus the 90 day bank bill swap rate. This facility is repayable in July 2019.
- A $12,000,000 secured revolving loan facility with $2,260,795 utilised at 30 June 2017. Interest is payable at the rate of 3.2% plus the Reserve Bank of Australia daily cash rate on each respective day for the utilised portion. Plus a further line fee charge of 1% per annum based on the Facility limit charged on a daily basis. This facility matures in July 2019.
- A $119,131 unsecured loan. Interest is payable at 3.4%.
- A total of $9,400,000 in convertible loans from the parent entity have interest payable at the rate of 10% p.a. As at 30 June 2017 $6,000,000 of these loans were payable between March 2018 to May 2018, the remaining $3,400,000 were payable on 22 July 2018. There are no covenants associated with these loan agreements.

Subsequent to the balance date the Group refinanced the convertible loans with the ultimate parent entity Anchorage Capital Partners Fund LP. These loans are now all repayable in 22 July 2018.

17. Provisions

In dollars

	2017	2016
Make good	167,974	169,269
	167,974	169,269

A make good provision is recorded where the Group must restore lease premises to their original condition at cessation of the respective lease.

18. Capital and reserves

In shares

Share capital	Number of ordinary shares 2017	2016
On issue at 30 June	27,873,243	27,873,243
	27,873,243	27,873,243

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

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

Dividends

No dividends were declared or paid in respect of the year ended 30 June 2017 (2016: nil).

Reserves

Reserves comprise a gain arising from debt forgiveness by the ultimate parent entity, Anchorage Capital Partners Fund LP, for the year ended 30 June 2017 (2016: nil).

19. Operating leases

Leases as lessee

Non-cancellable operating lease rentals payable as follows:

In dollars	2017	2016
Less than one year	3,352,685	3,050,778
Between one and five years	9,929,739	9,479,154
More than five years	4,519,637	6,439,467
	17,802,061	18,969,399

The Company leases a number of properties, motor vehicles and office equipment under operating leases. The leases can run for more than 5 years with options to renew the leases after that date. During the year an amount of $2,993,048 was recognised as an expense in profit or loss in respect of operating leases (2016: $3,152,842).

20. Auditors' remuneration

In dollars

	2017	2016
Audit services:		
Audit of the financial report	104,400	101,850
Other services	11,600	10,185
	116,000	112,035
Taxation services	18,963	17,110
	134,963	129,145

21. Related parties

Key management personnel compensation

The key management personnel compensation was $2,108,776 for the year ended 30 June 2017 (2016: $2,168,283).

Transactions with key management personnel

There were no other transactions with key management personnel.

Other related party transactions/balances

In dollars	Transaction value year ended 30 June	
	2017	2016
Management fees due to Company's controlled by Directors	49,998	49,998
Loan payable to ultimate parent entity – Anchorage Capital Partners Fund LP	19,232,395	9,400,000
Interest payable to related parties	4,085,910	2,856,662

22. Parent entity disclosures

The ultimate parent entity of the Company is Anchorage Capital Partners Fund LP.

As at, and throughout the financial period ending 30 June 2017, the parent entity of the Group was Acrow Holdings Pty Ltd.

In dollars	2017	2016
Results of parent entity		
Profit for the period	-	-
Other comprehensive income	-	-
Total comprehensive income for the period	-	-

22. Parent entity disclosures (continued)

In dollars	2017	2016
Financial position of parent entity at year end		
Current assets	-	-
Total assets	40,440,111	39,210,860
Current liabilities	-	-
Total liabilities	13,485,909	12,256,661
Total equity of parent entity comprising of:		
Share capital	27,873,243	27,873,243
Accumulated losses	(919,041)	(919,044)
Total equity	**26,954,202**	**26,954,199**

Parent entity contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required.

In dollars	2017	2016
Contingent liabilities considered remote		
Guarantee of subsidiaries loan facilities with Bank	2,260,795	18,373,692

23. Subsequent events

Subsequent to the balance date the parent company Acrow Holdings refinanced the convertible loans and the related interest of $13,485,909 with the ultimate parent entity Anchorage Capital Partners Fund LP. These loans are now all repayable on 22 July 2018.

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

Directors' declaration

Directors' declaration
In the opinion of the directors of Acrow Holdings Pty Ltd and its controlled entities ('the Group'):

(a) the financial statements and notes that are set out on pages 4 to 23 are in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance, for the financial year ended on that date; and

    (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the Corporations Regulations 2001; and

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

Signed in accordance with a resolution of the directors:

Dated at Sydney, 24 of October 2017.

S Woodhouse

Simon Woodhouse
Director

KPMG

Independent Auditor's Report

To the members of Acrow Holdings Pty Ltd

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Acrow Holdings Pty Ltd (the Company).

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

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards- Reduced Disclosure Requirements* and the *Corporations Regulations 2001*.

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

- Statement of financial position as at 30 June 2017;
- Statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

Other Information

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

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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_files/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

G Boydell

Greg Boydell
Partner

Sydney
24 October 2017

Acrow Holdings Pty Ltd and its controlled entity
ABN 23 145 589 797

Annual financial report
30 June 2016

Acrow Holdings Pty Ltd
Directors' report

For the year ended 30 June 2016

The directors present their report together with the financial report of the Group comprising of Acrow Holdings Pty Ltd (the Company) and its subsidiary, for the financial year ended 30 June 2016 and the auditor's report thereon.

Directors

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

Phillip Cave	Appointed 7 October 2010
Simon Woodhouse	Appointed 30 September 2010

Environmental regulation

The Group's operations are not subject to significant environmental regulation under either Commonwealth or State legislation. However, the Board believes the Group has adequate systems in place for the management of its environmental requirements and is not aware of any significant breaches during the period under review.

Principal activities

The principal activities of the Group during the course of the financial year were the hire and sale of scaffolding and formwork equipment and related products. There were no significant changes in the nature of the activities of the Group during the year.

Results

The Group recorded a loss after tax of $3,523,330 for the year ended 30 June 2016 (2015: $4,816,947 loss).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the year.

Events subsequent to reporting date

The Group has secured two new financing arrangement on the 4 of July 2016 comprised of a term loan of $12,497,162 with the ultimate parent entity, Anchorage Capital Partners Fund LP, and a revolving loan facility with a limit of $12,000,000 with Asset Secure. The loans are repayable on 4 July 2019.

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

Likely developments

The Group will continue to pursue its policy of increasing the profitability and market share of its major business sectors during the next financial year.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Indemnification and insurance of officers and auditors

Indemnification

Since the end of the previous financial year, the Group has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Group.

Insurance premiums

During the financial year the Group has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2016 and since the financial year, the Group has paid premiums in respect of such insurance contracts for the year ending 30 June 2017. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Group.

The directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 3 and forms part of the directors' report for the financial year ended 30 June 2016.

This report is made with a resolution of the directors:

S. Woodhouse

Simon Woodhouse
Director

Dated at Sydney this 2 November 2016

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: The Directors of Acrow Holdings Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Greg Boydell
Partner

Sydney
2 November 2016

Acrow Holdings Pty Ltd
Statement of comprehensive income

For the year ended 30 June 2016

In dollars	**Note**	**2016**	**2015**
Revenue	4	63,101,587	61,205,961
Other income	5	813,688	478,193
Inventory purchased, net of changes in finished goods and WIP		(9,512,398)	(7,842,838)
Advertising expenses		(35,221)	(26,398)
Motor vehicle expenses		(787,479)	(937,737)
Personnel expenses		(17,320,857)	(17,842,456)
Subcontractor costs		(19,795,752)	(20,018,709)
Depreciation expense	12	(5,325,565)	(5,135,275)
Property costs		(3,432,496)	(3,135,639)
Repairs and maintenance		(298,392)	(293,715)
Insurance expense		(645,864)	(768,194)
Freight costs		(962,595)	(681,773)
Travel expenses		(282,013)	(351,684)
Telecommunication expenses		(164,575)	(158,058)
Other expenses		(6,290,047)	(6,819,267)
Results from operating activities		(937,979)	(2,327,589)
Finance income	7	80,147	112,174
Finance costs	7	(2,665,498)	(2,601,532)
Net financial expense		(2,585,351)	(2,489,358)
Loss before income tax		(3,523,330)	(4,816,947)
Income tax benefit	8	-	-
Loss for the year		(3,523,330)	(4,816,947)
Other comprehensive income		-	-
Total comprehensive income for the year		(3,523,330)	(4,816,947)

The notes on pages 8 to 25 are an integral part of these financial statements.

Acrow Holdings Pty Ltd
Statement of changes in equity

For the year ended 30 June 2016

In dollars	**Share capital**	**Accumulated Losses**	**Total equity**
Balance at 1 July 2014	27,873,243	(15,173,403)	12,699,840
Total comprehensive income for the year			
Loss for the year	-	(4,816,947)	(4,816,947)
Other comprehensive income	-	-	-
Comprehensive income for the year	-	(4,816,947)	(4,816,947)
Balance at 30 June 2015	27,873,243	(19,990,350)	7,882,893
Total comprehensive income for the year			
Loss for the year	-	(3,523,330)	(3,523,330)
Other comprehensive income	-	-	-
Comprehensive income for the year	-	(3,523,330)	(3,523,330)
Balance at 30 June 2016	27,873,243	(23,513,680)	4,359,563

The notes on pages 8 to 25 are an integral part of these financial statements.

Acrow Holdings Pty Ltd
Statement of cash flows
For the year ended 30 June 2016

In dollars	Note	2016	2015
Assets			
Cash and cash equivalents	9	79,223	563,503
Trade and other receivables	10	11,480,158	11,578,972
Inventories	11	2,351,438	1,961,299
Prepayments and other assets		418,616	392,649
Total current assets		14,329,435	14,496,423
Property, plant and equipment	12	29,767,023	33,481,318
Total non-current assets		29,767,023	33,481,318
Total assets		44,096,458	47,977,741
Liabilities			
Trade and other payables	14	5,998,930	6,683,724
Employee benefits	15	2,539,640	2,409,106
Loans and borrowings	16	18,489,705	19,340,488
Total current liabilities		27,028,275	28,433,318
Trade and other payables	14	2,856,662	1,736,148
Employee benefits	15	282,689	325,382
Loans and borrowings	16	9,400,000	9,400,000
Provisions	17	169,269	200,000
Total non-current liabilities		12,708,620	11,661,530
Total liabilities		39,736,895	40,094,848
Net assets		4,359,563	7,882,893
Equity			
Share capital		27,873,243	27,873,243
Accumulated losses		(23,513,680)	(19,990,350)
Total equity		4,359,563	7,882,893

he notes on pages 8 to 25 are an integral part of these financial statements.

Acrow Holdings Pty Ltd
Statement of cash flows
For the year ended 30 June 2016

In dollars	**Note**	**2016**	**2015**
Cash flows from operating activities			
Cash receipts from customers		70,088,595	68,663,710
Cash paid to suppliers and employees		(66,292,263)	(63,168,360)
Cash generated from operations		3,796,332	5,495,347
Interest received		80,147	112,173
Interest paid		(2,584,999)	(2,594,559)
Net cash from operating activities		1,291,480	5,607,520
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		978,258	875,030
Acquisition of property, plant and equipment		(1,903,235)	(3,472,984)
Net cash from investing activities		(924,977)	(2,597,954)
Cash flows from financing activities			
Proceeds from borrowings		-	2,000,000
Repayment of borrowings		(770,326)	(1,992,435)
Lease payments		(80,457)	(91,265)
Net cash from financing activities		(850,783)	(83,700)
Net increase/(decrease) in cash and cash equivalents		(484,280)	331,310
Cash and cash equivalents at 1 July 2015		563,503	232,193
Cash and cash equivalents at 30 June 2016	9	79,223	563,503

The notes on pages 8 to 25 are an integral part of these financial statements.

1. Reporting entity

Acrow Holdings Pty Ltd (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 2A Mavis Street, Revesby, Sydney, NSW, 2212. The financial statements of Acrow Holdings Pty Ltd are as at and for the year ended 30 June 2016 and comprise the Company and its controlled entity ("the Group"). The Group is a for-profit entity and primarily is involved in the hire and sale of scaffolding and formwork equipment and related products.

2. Basis of preparation

(a) Going concern

The financial report has been prepared on a going concern basis and assumes continuity of normal trading activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Group has a net current asset deficiency of $12,698,739 at 30 June 2016. As described in note 23, on 4 July 2016 the Group refinanced borrowings of $18,373,692 that were disclosed as a current liability at 30 June 2016 but are now repayable in 2019.

Based on the cash flow forecast for the next 12 months and the refinancing of debt that occurred after year end, the directors have concluded that the Group will be able to meet all obligations as and when they fall due for at least 12 months from the date of approving these financial statements.

(b) Statement of compliance

The Group adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2011-2 *Amendments to Australian Standards arising from Reduced Disclosure Requirements* for the financial year beginning on 1 July 2011 to prepare Tier 2 general purpose financial statements.

The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial statements were authorised for issue by the Board of Directors on 2 November 2016.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(d) Functional and presentation currency

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

(e) Use of estimates and judgements

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

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

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

- note 12 – hire equipment
- note 13 – utilisation of tax losses

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

3. Significant accounting policies

(a) Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

(ii) Subsidiaries

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

(b) Foreign currency

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

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

3. Significant accounting policies (continued)

(b) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

Receivables

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

Cash and cash equivalents

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

(ii) Non-derivative financial liabilities

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

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

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

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

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

(iii) Share capital

Ordinary shares

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

(c) Property, plant and equipment

(i) Recognition and measurement

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

3. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The estimated useful lives are as follows:

• buildings	50 years
• plant and equipment	3 - 20 years
• hire equipment	2 - 33 years

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

(iv) Loss provision

A hire equipment loss provision is recognised to cover the expected loss of equipment on hire.

(d) Inventories

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

3. Significant accounting policies (continued)

(e) Impairment

(i) Non-derivative financial assets

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

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

Receivables

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

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

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

(ii) Non-financial assets

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

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

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent

3. Significant accounting policies (continued)

(e) Impairment (continued)

that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Employee benefits

(i) Defined contribution plans

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

(ii) Other long-term employee benefits

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

(iii) Termination benefits

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

(iv) Short-term benefits

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

(g) Provisions

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

(i) Restructuring

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

3. Significant accounting policies (continued)

(ii) Onerous contracts

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

(h) Revenue

(i) Hire of equipment

Revenue from the rental of scaffolding and formwork is recognised over the period the equipment is provided to the customer.

(ii) Goods sold

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

(i) Finance income and finance costs

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

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisons.

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

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

(j) Tax

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

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

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

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

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

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

3. Significant accounting policies (continued)

(h) Revenue (continued)

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

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

(k) Goods and services tax

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

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

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

(l) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the Group's financial statements, except for:

- AASB 9 Financial Instruments, which becomes mandatory for the Group's 2018 consolidated financial statements;
- AASB 15 Revenue from Contracts with customers, which becomes mandatory for the Group's 2018 consolidated financial statements; and
- AASB 16 Leases, which becomes mandatory for the Group's 2020 consolidated financial statements.

The Group does not plan to early adopt the above named standards and the extent of the impact of these standards has not yet been determined.

	2016	2015

4. Revenue
In dollars

	2016	2015
Revenue from hire of equipment	51,063,504	49,186,302
Sale of products	12,025,116	11,986,998
Scrap sales	12,967	32,661
	63,101,587	61,205,961

5. Other income
In dollars

	2016	2015
Net gain on disposal of property, plant and equipment	813,688	466,543
	813,688	466,543

6. Expenses
In dollars

	2016	2015
Expenses include the following items:		
Write-off of trade debtors	513,000	516,553
Restructuring and redundancy costs	1,517,411	1,166,787

7. Finance income and finance costs
In dollars

Recognised in profit and loss

	2016	2015
Interest income	80,147	112,174
Finance income	80,147	112,174
Interest expense on financial liabilities measured at amortised cost	(2,537,170)	(2,461,230)
Bank charges and fees	(128,328)	(133,329)
Foreign exchange (loss)	-	(6,973)
Finance costs	(2,665,498)	(2,601,532)
Net finance costs recognised in profit or loss	(2,585,351)	(2,489,430)

Recognised in other comprehensive income

There was no finance income or cost recognised in other comprehensive income (2015: nil).

8. Income tax benefit

In dollars

	2016	2015
Income tax benefit using the Company's domestic tax rates	1,056,999	1,445,105
Permanent Differences	6,388	(9,150)
Current year tax losses and permanent differences not brought to account	(1,063,387)	(1,435,955)
Income tax benefit	-	-

9. Cash and cash equivalents

In dollars

	2016	2015
Bank balances and cash on hand	79,223	563,503
Cash and cash equivalents in the statement of cash flows	79,223	563,503

10. Trade and other receivables

In dollars

	2016	2015
Trade receivables	11,806,215	11,811,901
Provision for doubtful debts	(331,695)	(233,131)
	11,474,520	11,578,770
Other receivables	5,638	202
	11,480,158	11,578,972

11 Inventories

In dollars

	2016	2015
Finished goods	3,431,149	2,874,901
Provision for slow moving stock	(1,079,711)	(913,602)
	2,351,438	1,961,299

12. Property, plant and equipment

In dollars	Land and buildings	Plant and equipment	Hire equipment	Total
Cost				
Balance at 1 July 2014	705,729	15,042,513	110,592,068	126,340,310
Additions	-	56,933	3,416,051	3,472,984
Disposals	(277,360)	(4,040,851)	(3,483,953)	(7,802,164)
Balance at 30 June 2015	428,369	11,058,596	110,524,165	122,011,130
Balance at 1 July 2015	428,369	11,058,596	110,524,165	122,011,130
Additions	-	25,603	1,877,632	1,903,235
Disposals	-	-	(1,923,667)	(1,923,667)
Balance at 30 June 2016	428,369	11,084,199	110,478,130	121,990,698
Depreciation and impairment losses				
Balance at 1 July 2014	306,594	11,721,835	78,975,727	91,004,156
Depreciation for the year	38,842	993,945	4,102,488	5,135,275
Disposals	(141,781)	(4,004,334)	(3,247,562)	(7,393,677)
Hire equipment loss adjustment	-	-	(215,942)	(215,942)
Balance at 30 June 2015	203,655	8,711,446	79,614,711	88,529,812
Balance at 1 July 2015	203,655	8,711,446	79,614,711	88,529,812
Depreciation for the year	93,649	1,188,589	4.043,327	5,325,565
Disposals	-	-	(1,759,097)	(1,759,097)
Hire equipment loss adjustment	-	-	127,395	127,395
Balance at 30 June 2016	297,304	9,900,035	82,026,336	92,223,675
Carrying amounts				
At 1 July 2014	399,135	3,320,678	31,616,341	35,336,154
At 30 June 2015	224,714	2,348,870	35,335,522	37,909,106
At 1 July 2015	224,714	2,347,150	30,909,454	33,481,318
At 30 June 2016	131,065	1,184,164	28,451,794	29,767,023

The recoverable amount of the hire equipment has been assessed by management to exceed its carring value based on its value in use. The key assumptions in the model are as follows:

- Board approval 5 year cash flow projections
- Cash flows beyond the projection period are extrapolated using a growth rate of 2.0% (2015: 2%)
- A pre-tax discount rate of 10.1% (2015 : 10.9%)

13. Unrecognised deferred tax assets and liabilities

Defer

red tax assets have not been recognised in respect of the following items:

In dollars	2016	2015
Tax losses	15,454,553	14,403,745
Temporary differences	(1,044,691)	(1,057,658)
	14,409,862	13,346,087

The tax losses and temporary difference do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against what the Group can utilise the benefits therefrom.

The potential benefit of the deferred tax asset in respect of tax loss carry-forwards will only be obtained if:

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

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

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

14. Trade and other payables

In dollars	2016	2015
Current		
Trade payables	2,419,621	3,276,514
Accrued expenses	3,579,309	3,407,210
	5,998,930	6,683,724
Non-current		
Payables due to related parties	2,856,662	1,736,148

15. Employee benefits

In dollars	2016	2015
Current		
Annual leave	1,231,558	1,371,495
Long service leave	889,206	938,597
Other employee benefits	418,876	99,014
	2,539,640	2,409,106
Non-current		
Long service leave	282,689	325,382

Defined contribution superannuation plans

The Group has paid contributions of $1,320,383 to defined contributions plans on behalf of employees for the year ended 30 June 2016 (2015: $1,378,492).

16. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

In dollars	2016	2015
Current		
Unsecured loan	116,013	80,373
Finance lease	-	80,457
Secured bank loans	18,373,692	19,179,658
	18,489,705	19,340,488
Non-Current		
Loan from parent entity	9,400,000	9,400,000
	9,400,000	9,400,000

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

- A $13,885,735 secured term loan with $13,885,735 utilised at 30 June 2016. Interest is payable at the rate of 7.285%. This facility is repayable on 1 July 2016.
- A $12,000,000 secured revolving loan facility with $4,487,957 utilised at 30 June 2016. Interest is payable at the rate of 6.535%. This facility is repayable on 1 July 2016.
- A $116,013 unsecured loan. Interest is payable at 3.4%.
- A total of $9,400,000 convertible loans from the parent entity has an interest payable at the rate of 10% p.a. The term of the loans are repayable from March 2018 and there are no covenants associated with this loan agreement. These are made of a series of loans totalling $9.4m and mature at various times starting from March 2018.

Subsequent to the balance date the Group refinanced the secured bank loans into two new financing arrangements comprised of a term loan of $12,497,162 with the ultimate parent entity, Anchorage Capital Partners Fund LP, and a revolving loan facility with a limit of $12,000,000 with Asset Secure. The loans are repayable on 4 July 2019.

17. Provisions

In dollars

	2016	2015
Make good	169,269	200,000
	169,269	200,000

A make good provision is recorded where the Group must restore lease premises to their original condition at cessation of the respective lease.

18. Capital and reserves

In shares

Share capital	Number of ordinary shares 2016	2015
On issue at 30 June	27,843,243	27,843,243

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

Dividends

No dividends were declared or paid in respect of the year ended 30 June 2016 (2015: nil).

19. Operating leases

Leases as lessee	2016	2015
Non-cancellable operating lease rentals payable as follows:		
In dollars		
Less than one year	3,050,778	3,576,000
Between one and five years	9,479,154	10,624,339
More than five years	6,439,467	8,268,932
	18,969,399	22,469,271

The Group leases a number of properties, motor vehicles and office equipment under operating leases. The leases can run for more than 5 years with options to renew the leases after that date.

During the year an amount of $3,152,842 was recognised as an expense in profit or loss in respect of operating leases (2015: $3,086,211).

20. Auditors' remuneration

In dollars

	2016	2015
Audit services:		
Audit of the financial report	101,850	100,139
Other services	10,185	12,520
	112,035	112,659
Taxation services	17,110	17,500
	129,145	130,159

21. Related parties

Key management personnel compensation

The key management personnel compensation was $2,168,283, for the year ended 30 June 2016 (2015: $1,731,326).

Transactions with key management personnel

There were no other transactions with key management personnel.

Other related party transactions/balances

In dollars	Transaction value year ended 30 June	
	2016	2015
Management fees due to Company's controlled by Directors	49,998	100,004
Loan payable to ultimate parent entity – Anchorage Capital Partners Fund LP	9,400,000	9,400,000
Interest payable to related parties	2,856,662	1,736,148

22. Parent entity disclosures

As at, and throughout the financial period ending 30 June 2016, the parent entity of the Group was Acrow Holdings Pty Ltd.

In dollars	2016	2015
Results of parent entity		
Profit for the period	-	71
Other comprehensive income	-	-
Total comprehensive income for the period	-	71

22. Parent entity disclosures (continued)

In dollars	2016	2015
Financial position of parent entity at year end		
Current assets	-	-
Total assets	39,210,860	38,090,347
Current liabilities	-	-
Total liabilities	12,256,661	11,136,148
Total equity of parent entity comprising of:		
Share capital	27,873,243	27,873,243
Accmuluated losses	(919,044)	(919,044)
Total equity	**26,954,199**	**26,954,199**

Parent entity contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required.

In dollars	2016	2015
Contingent liabilities considered remote		
Guarantee of subsidiaries loan facilities with Bank	18,373,692	19,061,057

23. Subsequent events

The Group has secured two new financing arrangements on 4 July 2016 comprised of a term loan of $13,885,735 with the ultimate parent entity, Anchorage Capital Partners Fund LP, and a revolving loan facility of $4,487,957 (limit of $12,000,000) with Asset Secure. Anchorage Capital Partners Fund LP forgave $1,388,573 of the $13,885,735 term loan on 4 July 2016. The loans are repayable on 4 July 2019.

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

Directors' declaration

Directors' declaration
In the opinion of the directors of Acrow Holdings Pty Ltd ('the Group'):

(a) the financial statements and notes that are set out on pages 4 to 24 are in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance, for the financial year ended on that date; and

    (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the Corporations Regulations 2001; and

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

Signed in accordance with a resolution of the directors:

Dated at Sydney, 2nd November 2016.

Simon Woodhouse
Director

Independent auditor's report to the members of Acrow Holdings Pty Ltd

Report on the financial report

We have audited the accompanying financial report of Acrow Holdings Pty Ltd (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 23, comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards – Reduced Disclosure Requirements, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

(continued overleaf)

Independent auditor's report to the members of Acrow Holdings Pty Ltd (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*

Auditor's opinion

In our opinion the financial report of Acrow Holdings Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

KPMG

Greg Boydell
Partner

Sydney

2 November 2016