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

Interim Financial Report
For the half year ended 31 December 2017

Acrow Holdings Pty Ltd and its controlled entity
Consolidated statement of comprehensive income
For the six months ended 31 December 2017

In dollars	Note	For the six months ended 31 December 2017	2016
Revenue	5	33,438,348	31,023,189
Other income		177,381	171,624
Inventory purchased, net of changes in finished goods		(4,623,655)	(4,598,924)
Motor vehicle expenses		(448,804)	(397,891)
Personnel expenses		(8,624,260)	(8,633,680)
Subcontractor costs		(8,843,955)	(8,167,597)
Depreciation expense		(1,896,449)	(2,371,376)
Property costs		(1,714,661)	(1,573,416)
Repairs and maintenance		(136,449)	(173,703)
Insurance expense		(286,900)	(277,385)
Freight costs		(453,513)	(436,463)
Travel expenses		(143,911)	(103,623)
Consultancy expenses		(381,661)	(383,115)
IT costs		(389,589)	(455,875)
Other expenses		(2,526,486)	(2,514,022)
Results from operating activities		3,145,436	1,107,743
Finance income		8,904	27,270
Finance costs		(1,334,793)	(1,754,905)
Net finance expense		(1,325,889)	(1,727,635)
Profit / (Loss) before income tax		1,819,547	(619,892)
Income tax (expense)/benefit		-	-
Profit / (Loss) for the period		1,819,547	(619,892)
Other comprehensive income		-	-
Total comprehensive income for the period		1,819,547	(619,892)
Earnings per share			
Basic earnings per share (AUD cents)	9	6.53	(2.22)
Diluted earnings per share (AUD cents)	9	6.53	(2.22)

The notes on pages 6 to 13 are an integral part of these interim financial statements

Acrow Holdings Pty Ltd and its controlled entity
Consolidated statement of changes in equity
For the six months ended 31 December 2017

In dollars	Share capital	Reserves	Accumulated Losses	Total equity
Balance at 1 July 2016	27,873,243	-	(23,513,680)	4,359,563
Total comprehensive income for the year				
Loss for the period	-	-	(619,892)	(619,892)
Other comprehensive income	-	-	-	-
Comprehensive income for the year	-	-	(619,892)	(619,892)
Transactions with Owners of the Company				
Debt forgiveness gain[(1)]	-	1,388,574	-	1,388,574
Balance at 31 December 2016	27,873,243	1,388,574	(24,133,572)	5,128,245
Balance at 1 July 2017	27,873,243	1,388,574	(22,888,985)	6,372,832
Total comprehensive income for the year				
Profit for the period	-	-	1,819,547	1,819,547
Other comprehensive income	-	-	-	-
Comprehensive income for the year	-	-	1,819,547	1,819,547
Balance at 31 December 2017	27,873,243	1,388,574	(21,069,438)	8,192,379

(1) The reserves represents a gain arising from debt forgiveness by the ultimate parent entity, Anchorage Capital Partners Fund LP.

The notes on pages 6 to 13 are an integral part of these interim financial statements.

Acrow Holdings Pty Ltd and its controlled entity
Consolidated statement of financial position
As at 31 December 2017

In dollars	Note	31-Dec-2017	30-Jun-2017
Assets			
Cash and cash equivalents		510,692	161,122
Trade and other receivables		10,695,319	10,809,387
Inventories		2,406,874	1,918,259
Prepayments and other assets		513,073	379,356
Total current assets		14,125,958	13,268,124
Property, plant and equipment	6	27,943,962	28,487,723
Total non-current assets		27,943,962	28,487,723
Total assets		42,069,920	41,755,847
Liabilities			
Trade and other payables		10,105,177	10,240,902
Employee benefits		2,737,568	3,065,187
Loans and borrowings	8	11,677,830	8,379,926
Total current liabilities		24,520,575	21,686,015
Employee benefits		331,597	296,631
Loans and borrowings	8	8,857,395	13,232,395
Provisions		167,974	167,974
Total non-current liabilities		9,356,966	13,697,000
Total liabilities		33,877,541	35,383,015
Net assets		8,192,379	6,372,832
Equity			
Share capital		27,873,243	27,873,243
Reserves		1,388,574	1,388,574
Accumulated losses		(21,069,438)	(22,888,985)
Total equity		8,192,379	6,372,832

The notes on pages 6 to 13 are an integral part of these interim financial statements.

Acrow Holdings Pty Ltd and its controlled entity
Consolidated statement of cash flows
For the six months ended 31 December 2017

In dollars	For the six months ended 31 December 2017	2016
Cash flows from operating activities		
Cash receipts from customers	36,896,251	36,929,923
Cash paid to suppliers and employees	(33,443,089)	(33,506,334)
Cash generated from operations	3,453,162	3,423,589
Interest received	8,904	27,270
Interest paid	(666,037)	(1,088,315)
Net cash from operating activities	2,796,029	2,362,544
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	338,711	339,973
Acquisition of property, plant and equipment	(1,708,074)	(1,861,700)
Net cash used in investing activities	(1,369,363)	(1,521,727)
Cash flows from financing activities		
Proceeds from borowings	2,343,964	2,161,927
Repayment of borrowings	(3,421,060)	(1,881,187)
Net cash used in financing activities	(1,077,096)	280,740
Net increase in cash and cash equivalents	349,570	1,121,557
Cash and cash equivalents at 1 July	161,122	79,223
Cash and cash equivalents at 31 December	510,692	1,200,780

The notes on pages 6 to 13 are an integral part of these interim 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 six months ended 31 December 2017 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. Statement of compliance

The consolidated interim financial report is a special purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual financial report of the Group as at and for the year ended 30 June 2017.

The consolidated interim financial statements have been prepared for the Directors of the Company and the Directors of NMG Corporation Limited in preparation for a Public Offering of securities by NMG. As a result these interim consolidated financial statements may not be suitable for another purpose.

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

3. Significant accounting policies

The accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its annual financial report as at and for the year ended 30 June 2017.

(a) 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.

3. Significant accounting policies (continued)

(b) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The estimated useful lives in the current and comparative periods are as follows:

- buildings — 50 years
- plant and equipment — 3 - 20 years
- hire equipment — 13 - 33 years

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

(iv) Hire equipment loss provision

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

3. Significant accounting policies (continued)

c) 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 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.

3. Significant accounting policies (continued)

(d) 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.

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.

(e) Fair value

The fair value measurement principles adopted in this report are consistent with those applied in the Group's financial report for the year ending 30 June 2017.

The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for asset or liability that are not based on observable market data.

There are no financial assets or liabilities that are recorded at fair value. The fair value of financial assets and liabilities approximate their fair value.

4. 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 $10,394,617 at 31 December 2017. Based on the refinancing that has taken place subsequent to balance date as set out in note 12 and the cash flow forecast for the next 12 months, 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.

5. Revenue

In dollars	Six months ending 31 December 2017	2016
Revenue from hire of equipment	26,520,514	25,138,271
Sale of products	6,910,171	5,879,751
Scrap sales	7,663	5,168
	33,438,348	31,023,190

6. Property, plant and equipment

In dollars	Land and buildings	Plant and equipment	Hire equipment	Total
Carrying Amounts				
31 December 2017				
At cost	388,645	10,640,405	112,911,780	123,940,830
Accumulated deprciation	(282,944)	(10,220,603)	(85,493,321)	(95,996,868)
Balance at 31 December 2017	105,701	419,802	27,418,459	27,943,962
30 June 2017				
At cost	386,808	10,597,160	111,993,522	122,977,490
Accumulated deprciation	(265,108)	(10,142,338)	(84,082,321)	(94,489,767)
Balance at 30 June 2017	121,700	454,822	27,911,201	28,487,723

The recoverable amount of the 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 approved 5 year cash flow projections
- Cash flows beyond the projection period are extrapolated using a growth rate of 1% (2017: 1%)
- A post tax discount rate of 9.56% (2017: 9.56%)

7. Operating segments

The Group operates within the formwork and scaffolding segment within Australia.

8. 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	31 Dec 2017	30 Jun 2017
Current		
Unsecured loan	256,864	119,131
Secured bank loans	2,020,966	2,260,795
Loan from ultimate parent entity	9,400,000	6,000,000
	11,677,830	8,379,926
Non-Current		
Loan from ultimate parent entity	8,857,395	13,232,395
	8,857,395	13,232,395

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

- A fully utilised $8,857,395 secured term loan at 31 December 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 $2,020,966 utilised at 31 December 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 $256,864 unsecured loan. $47,815 is payable at an interest rate of 3.4%, and $209,049 is payable at 2.06%. These loans are due in April 2018
- A total of $9,400,000 in convertible loans from the parent entity have interest payable at the rate of 10% p.a payable on 22 July 2018.

9 Earning per share

In dollars	For the six monthed ended 31 December 2017	2016
Profit attributable to ordinary shareholders		
Profit/(loss) for the period	1,819,547	(619,892)
Weighted average number of ordinary share		
Number for basic earnings per share	27,873,243	27,873,243
Earnings per share		
Basic (AUD cents)	6.53	(2.22)
Diluted (AUD cents)	6.53	(2.22)

10. Unrecognised deferred tax assets

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

In dollars	31 Dec 2017	30 Jun 2017
Revenue tax losses	14,275,329	14,656,369
Capital losses	202,441	202,441
Temporary differences	(1,299,426)	(1,128,574)
	13,178,344	13,730,326

While tax losses do not expire under current tax legislation, deferred tax assets have not been recognised in respect of these items as the Group has experienced a number of years of tax losses.

The potential benefit of the deferred tax asset in respect of tax losses carried forward 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.

11. Related parties

Key management personnel compensation

The key management personnel compensation was $1,453,034 for the 6 months ended 31 December 2017 (2016: $1,240,869).

Transactions with key management personnel

There were no other transactions with key management personnel.

Other related party transactions/balances

In dollars	Transaction value 6 months ended 31 December 2017	2016
Management fees due to Company's controlled by Directors	25,000	25,000
Loans payable to ultimate parent entity – Anchorage Capital Partners Fund LP	18,257,395	22,909,454
Interest payable to related parties	4,754,665	3,464,622
Interest expense to related parties	921,761	955,210

12. Subsequent events

Subsequent to the balance date the Group refinanced the convertible loans of $9,400,000 as set out in note 8 with the ultimate parent entity Anchorage Capital Partners Fund LP. These loans are now repayable on 1 July 2019.

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

Directors' declaration

In the opinion of the directors of Acrow Holdings Pty Ltd:

(a) the condensed interim financial statements and notes that are set out on pages 2 to 13 are in accordance with AASB 134, including giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance, for the financial period ended on that date; 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 February 2018.

S. Woodhouse

Simon Woodhouse
Director

Independent Auditor's Review Report

To the Directors' of Acrow Holdings Pty Ltd

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Acrow Holdings Pty Ltd.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of the Company is not in accordance with *Australian Accounting Standard AASB 134 Interim Condensed Consolidated Financial Statements* and presents fairly the ***Group's*** financial position as at 31 December 2017 and of its performance for the ***Interim Period*** ended on that date.

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

- Consolidated statement of financial position as at 31 December 2017;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date;
- Notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information; and
- Directors' Declaration.

The ***Group*** comprises the Company and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is the 6 months ended 31 December 2017.

Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to Notes 2 and 3 to the Interim Financial Report, which describes the basis of preparation.

The Interim Financial Report has been prepared for the purpose of providing historical financial information in connection with a proposed public listing of equity securities by NMG Corporation Limited. As a result, the Interim Financial Report and this Auditor's Report for the review of the Interim Financial Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Directors of Acrow Holdings Pty Ltd and NMG Corporation Limited and should not be used by parties other than the Directors of Acrow Holdings Pty Ltd and NMG Corporation Limited. We disclaim any assumption of responsibility for any reliance on this report, or on the Interim Financial Report to which it relates, to any person other than the Directors of Acrow Holdings Pty Ltd and NMG Corporation Limited or for any other purpose than that for which it was prepared.

Responsibilities of the Directors for the Interim Condensed Consolidated Financial Statements

The Directors of the Company are responsible for:

- the preparation and fair presentation of the Interim Financial Report in accordance with Australian Accounting Standards; and

- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Condensed Consolidated Financial Statements

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with *Australian Accounting Standard AASB 134 Interim Condensed Consolidated Financial Statements* including the fair presentation of the Group's financial position as at 31 December 2017 and its performance for the interim period ended on that date. As auditor of Acrow Holdings Pty Ltd, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Boards.

KPMG

Greg Boydell
Partner

Sydney

2 February 2018