APPENDIX 4D

HALF YEAR REPORT

FOR THE HALF YEAR ENDING 31 DECEMBER 2018

SRG GLOBAL LIMITED
ABN 81 104 662 259

Engineer Construct Sustain

MAKING THE COMPLEX SIMPLE

Appendix 4D Information

Details of reporting period

	Period
Reporting period	6 months ended 31 December 2018
Previous corresponding period	6 months ended 31 December 2017

Impact of Merger on Financial Report

In September 2018, SRG Global Limited was established when SRG Limited (SRG) completed a merger of equals with Global Construction Services Limited (GCS). In accordance with accounting standards, this merger has been accounted for as a reverse acquisition with SRG being deemed the parent entity for accounting purposes. The impact of this is:

- the comparative results for the half-year ended 31 December 2017 reflect SRG only for that period.
- the financial results of SRG Global as reported for the half-year ended 31 December 2018 are comprised of a six month contribution from SRG (1 July 2018 to 31 December 2018) and a four month contribution from GCS (1 September 2018 to 31 December 2018).
- the financial results of GCS for the non-reporting period of 1 July 2018 to 31 August 2018 are excluded from the financial results of SRG Global presented herein.

Results for announcement to the market

For the six months ended 31 December			2018	2017
		%	$000's	$000's
Revenue from ordinary activities	up	122	232,568	104,942
Profit from ordinary activities after tax attributable to members	up	183	6,793	2,404
Net profit for the period attributable to members	up	183	6,793	2,404
Earnings per share (basic)	up	27	1.9¢	1.5¢*
Net tangible assets per security	up	8	39.1¢	36.0¢*

* Restated in accordance with AASB 3 *Business Combinations.* Refer to note 9 for further information.

Dividends & distributions

	Amount per security	Franked Amount per security
Reporting period		
Interim dividend for the six months ended 31 December 2018	1.0¢	1.0¢
Record date	13 March 2019	
Date the interim dividend is payable	23 April 2019	
Previous corresponding period		
Interim dividend for the six months ended 31 December 2017	2.0¢	2.0¢

Dividend reinvestment plan

SRG Global does not have a dividend reinvestment plan.

Acquired controlled entities or businesses during the period

On 28 August 2018, the Merger of Equals between SRG and GCS was legally effective. In accordance with AASB 3 *Business Combinations*, SRG is deemed as the acquirer (parent) and GCS as the acquiree (subsidiary).

Half year information given to ASX under listing rule 4.2A.3

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made during the reporting period by the Group in accordance with the continuous disclosure requirements of the ASX Listing Rules and Corporations Act 2001.

Contents Page

Corporate Directory

SRG Global Limited
ABN: 81 104 662 259

Directors

Non-Executive Chairman	Peter D Wade
Non-Executive Deputy Chairman	Peter J McMorrow
Managing Director	David W Macgeorge
Executive Director	Vincenzo (Enzo) D Gullotti
Non-Executive Director	Peter J Brecht
Non-Executive Director	Michael W Atkins
Non-Executive Director	John J Derwin

Company Secretaries

Roger CH Lee
Paul J Hegarty

Registered Office & Principal Place of Business

Level 1, 338 Barker Road
Subiaco WA 6008
Telephone: +61 8 9267 5400
Website: www.srgglobal.com.au

ASX Code

SRG

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000

Bankers

Commonwealth Bank of Australia
300 Murray Street
Perth WA 6000

National Australia Bank
100 St Georges Terrace
Perth WA 6000

Directors' Report

The Directors submit their report for the half-year ended 31 December 2018 for the consolidated entity, consisting of SRG Global Limited and its controlled entities.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Non-Executive Chairman	Peter D Wade
Non-Executive Deputy Chairman	Peter J McMorrow, appointed 11 September 2018
Managing Director	David W Macgeorge, appointed 11 September 2018
Executive Director	Vincenzo (Enzo) D Gullotti
Executive Director	George R Chiari, resigned 11 September 2018
Non-Executive Director	Peter J Brecht, appointed 11 September 2018
Non-Executive Director	Michael W Atkins, appointed 11 September 2018
Non-Executive Director	John J Derwin

Company Secretaries

The names of the Company Secretaries in office during the half-year and until the date of this report are set out below.

Roger CH Lee, appointed 11 September 2018
Nigel M Land, resigned 11 September 2018
Paul J Hegarty

Merger of SRG and GCS

In September 2018, the Merger of Equals between SRG and GCS to create a leading global specialist engineering, construction and maintenance group was completed. The Merger of Equals was effective through a scheme of arrangement where GCS issued 2.479 shares for each SRG share.

Under accounting standard AASB3 Business Combinations, SRG is considered as the parent for accounting purposes. The consolidated financial statements therefore reflect a continuation of the financial statements of SRG. The impact of this is:

- the comparative results for the half-year ended 31 December 2017 reflect SRG only for that period.
- the financial results of SRG Global as reported for the half-year ended 31 December 2018 are comprised of a six-month contribution from SRG (1 July 2018 to 31 December 2018) and a four-month contribution from GCS (1 September 2018 to 31 December 2018).
- the financial results of GCS for the non-reporting period of 1 July 2018 to 31 August 2018 are excluded from the financial results of SRG Global presented herein.

Principal Activities

During the financial period, the principal continuing activities of the consolidated entity consisted of delivering a suite of engineering-led specialist construction, maintenance and mining services across the entire asset lifecycle.

Review of Operations

Construction Segment

Our operations in the Construction segment consist of supplying integrated products and services to customers involved in the construction of complex infrastructure. These typically include bridges, dams, office towers, high rise apartments, shopping centres, hotels, car parks, recreational buildings, and hospitals. Contracts are typically medium to long term.

For the six months ended 31 December 2018 the Construction Segment generated revenues of $128.939m, an increase of 130% on the previous corresponding period (pcp). EBITDA for the six-month period was $6.482m, an increase of 873% on the previous corresponding period.

Asset Services Segment

Our operations in the Asset Services segment consist of supplying integrated services to customers across the entire asset life cycle. Services provided span multiple sectors including oil and gas, energy, major infrastructure, offshore, mining, power generation, water treatment plants, commissioning, de-commissioning, shutdowns, and civil works. Contracts vary in length from short to long term.

For the six months ended 31 December 2018 the Asset Services Segment generated revenues of $60.047m, an increase of 452% on the previous corresponding period (pcp). EBITDA for the six-month period was $6.706m, an increase of 247% on the previous corresponding period.

Mining Services Segment

The Mining Services segment services mining clients and provides comprehensive ground solutions including production drilling, ground and slope stabilisation, design engineering and monitoring services. Contracts vary in length with the majority being long term.

For the six months ended 31 December 2018 the Mining Services Segment generated revenues of $43.582m, an increase of 16% on the previous corresponding period (pcp). EBITDA for the six-month period was $7.193m, an increase of 12% on the previous corresponding period.

Integration

Integration work streams focussed on integrating the SRG and GCS businesses are well advanced. Progress to 31 December 2018 includes:

- Development of consistent safety approach complete
- Established a one business one team culture
- Positive customer feedback received
- Synergies on track
- Business system integration well advanced
- Strong progress in cross selling
- Focus on leveraging capability and footprint to maximise earnings consistency

Matters subsequent to the end of the half year financial results

No matter or circumstance has arisen since 31 December 2018, other than the dividend referred to below, that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Dividends

The Company declared a 1.0 (one) cent per share fully franked dividend on Tuesday, 26 February 2019. The Record Date for this dividend is Wednesday, 13 March 2019 with payment to be made on Tuesday, 23 April 2019.

Auditors' Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set on the next page and forms part of the Directors' Report for the half year ended 31 December 2018.

Rounding

The parent entity is a Company of the kind specified in ASIC Corporation Legislative Instrument 2017/191. In accordance with that class order, amounts contained in the interim consolidated financial statements have been rounded to the nearest thousand dollars ($'000) unless specifically stated otherwise.

This report has been made in accordance with a resolution of the Directors.

David Macgeorge

David Macgeorge
Managing Director

Perth
26 February 2019

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Australia

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF SRG GLOBAL LIMITED

As lead auditor for the review of SRG Global Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of SRG Global Limited and the entities it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd
Perth, 26 February 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2018

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000
Revenue		232,568	104,942
Other Income		2,854	355
Construction and servicing costs		(120,851)	(41,105)
Employee benefits expense		(79,824)	(51,254)
Depreciation expense		(4,427)	(3,071)
Amortisation expense		(3,231)	-
Other expenses		(21,687)	(7,004)
Finance expenses		(761)	(212)
Share of net profits of joint ventures accounted for using the equity method		350	394
Profit before tax from continuing operations		**4,991**	**3,045**
Income tax benefit / (expense)	4	1,802	(641)
Profit for the period, net of tax		**6,793**	**2,404**
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		962	(169)
Other comprehensive income		-	-
Total comprehensive income for the period, net of tax		**7,755**	**2,235**
Earnings per share attributable to members of the parent entity			
Basic earnings per share (cents per share)		1.9	1.5
Diluted earnings per share (cents per share)		1.9	1.4

Under accounting standard AASB3 Business Combinations, SRG has been determined as the parent for accounting purposes. The consolidated financial statements therefore reflect a continuation of the financial statements of SRG. The impact of this is the comparative results for the half-year ended 31 December 2017 reflect SRG only for that period, the financial results of SRG Global as reported for the half-year ended 31 December 2018 are comprised of a six-month contribution from SRG (1 July 2018 to 31 December 2018) and a four-month contribution from GCS (1 September 2018 to 31 December 2018). The financial results of GCS for the non-reporting period of 1 July 2018 to 31 August 2018 are excluded from the financial results of SRG Global presented herein.

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 Dec 2018 $'000	30 Jun 2018 $'000
ASSETS			
Cash and cash equivalents		53,398	29,713
Trade and other receivables		116,511	73,014
Inventories		12,898	11,752
Current tax assets		-	222
Other current assets		7,498	1,368
Investments accounted for using the equity method		802	811
Total Current Assets		**191,107**	**116,880**
Property, plant and equipment		71,453	38,323
Intangible assets	6	118,127	40,751
Deferred tax assets		45,936	4,824
Total Non-Current Assets		**235,516**	**83,898**
TOTAL ASSETS		**426,623**	**200,778**
LIABILITIES			
Trade and other payables		75,607	40,330
Financial liabilities	5	25,253	19,903
Provisions	7	24,101	11,861
Contract liabilities		4,580	4,435
Current tax liabilities		3,868	-
Total Current Liabilities		**133,409**	**76,529**
Financial Liabilities	5	11,371	9,748
Provisions	7	11,472	813
Deferred tax liabilities		9,418	-
Total Non-Current Liabilities		**32,261**	**10,561**
TOTAL LIABILITIES		**165,670**	**87,090**
NET ASSETS		**260,953**	**113,688**
EQUITY			
Contributed equity		215,896	66,269
Reserves		8,746	7,004
Retained profits		36,311	40,415
TOAL EQUITY		**260,953**	**113,688**

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2018

	Share Capital Ordinary $'000	Reverse Acquisition Reserve $'000	Total Issued Capital $'000	Retained Earnings $'000	Share Based Payments Reserve $'000	Asset Revaluation Reserve $'000	Foreign Currency Translation Reserve $'000	Total Equity $'000
Balance at 1 July 2018	**155,810**	**(89,541)**	**66,269**	**40,415**	**7,455**	**682**	**(1,133)**	**113,688**
Opening balance adjustment on application of AASB 15-Note 1 (a)	-	-	-	(7,199)	-	-	-	**(7,199)**
Balance at 1 July 2018	**155,810**	**(89,541)**	**66,269**	**33,216**	**7,455**	**682**	**(1,133)**	**106,489**
Profit for the period	-	-	-	6,793	-	-	-	**6,793**
Other comprehensive income	-	-	-	-	-	-	962	**962**
Total comprehensive income	**-**	**-**	**-**	**6,793**	**-**	**-**	**962**	**7,755**
Transactions with owners in their capacities as owners								
- Issue of ordinary shares, net of transaction costs	847	-	847	-	-	-	-	**847**
- Share based payments	-	-	-	-	780	-	-	**780**
- Dividends paid	-	-	-	(3,698)	-	-	-	**(3,698)**
- Fair value of consideration on acquisition of GCS Ltd	148,780	-	148,780	-	-	-	-	**148,780**
Balance at 31 December 2018	**305,437**	**(89,541)**	**215,896**	**36,311**	**8,235**	**682**	**(171)**	**260,953**

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity (continued)

For the Half Year Ended 31 December 2017

	Share Capital Ordinary $'000	Reverse Acquisition Reserve $'000	Total Issued Capital $'000	Retained Earnings $'000	Share Based Payments Reserve $'000	Asset Revaluation Reserve $'000	Foreign Currency Translation Reserve $'000	Total Equity $'000
Balance at 1 July 2017	**147,725**	**(106,414)**	**41,311**	**42,923**	**2,119**	**682**	**(687)**	**86,348**
Profit for the period	-	-	-	2,404	-	-	-	**2,404**
Other comprehensive income	-	-	-	-	-	-	(169)	**(169)**
Total comprehensive income	**-**	**-**	**-**	**2,404**	**-**	**-**	**(169)**	**2,235**
Transactions with owners in their capacities as owners								
- Issue of ordinary shares, net of transaction costs	-	1,113	1,113	106	(613)	-	-	**606**
- Share based payments	-	-	-	-	413	-	-	**413**
- Dividends paid	-	-	-	(2,615)	-	-	-	**(2,615)**
- Fair value of consideration on acquisition of GCS Ltd	-	-	-	-	-	-	-	**-**
Balance at 31 December 2017	**147,725**	**(105,301)**	**42,424**	**42,818**	**1,919**	**682**	**(856)**	**86,987**

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2018

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers		221,923	117,175
Payments to suppliers and employees		(222,169)	(117,306)
Finance costs		(1,091)	(212)
Income taxes (paid) / receipted		1,043	(1,996)
Net cash (outflow) / inflow from operating activities		**(294)**	**(2,339)**
Cash flows from investing activities			
Payments for acquisition of subsidiaries and controlling interest from prior period		(1,758)	-
Payments for property, plant and equipment		(11,595)	(1,645)
Proceeds from sale of property, plant and equipment		-	110
Interest received		471	67
Cash acquired as part of business acquisition	10	39,215	-
Payments of contingent consideration		(2,530)	-
Net cash (outflow) / inflow from investing activities		**23,803**	**(1,468)**
Cash flows from financing activities			
Proceeds from issuance of shares		847	606
Proceeds from borrowings		10,051	-
Repayment of borrowings		(6,897)	(3,517)
Dividends paid		(3,698)	(2,615)
Net cash (outflow) / inflow from financing activities		**303**	**(5,526)**
Net increase in cash and cash equivalents		**23,812**	**(9,333)**
Effect of exchange rates on cash and cash equivalents in foreign currency		(127)	23
Cash and cash equivalents at the beginning of the period		29,713	24,449
Cash and cash equivalents at the end of the period		**53,398**	**15,139**

Under accounting standard AASB3 Business Combinations, SRG has been determined as the parent for accounting purposes. The consolidated financial statements therefore reflect a continuation of the financial statements of SRG. The impact of this is the comparative results for the half-year ended 31 December 2017 reflect SRG only for that period, the consolidated statement of cashflows of SRG Global as reported for the half-year ended 31 December 2018 are comprised of a six-month contribution from SRG (1 July 2018 to 31 December 2018) and a four-month contribution from GCS (1 September 2018 to 31 December 2018).

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Report

1. Basis of Preparation of Half Year Financial Report

This general purpose financial report for the interim half-year reporting period ended 31 December 2018 has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in annual financial statements. Accordingly, these statements should be read in conjunction with the most recent annual financial reports, but additional notes have been included where such notes are deemed relevant to the understanding of the half-year financial report.

Except where indicated otherwise, all amounts are presented in Australian dollars.

a) Change in accounting policies

The Group has applied the following new accounting standards and their impact are disclosed below:

Standard / Interpretation	Application date of Standard	Application date for Group
AASB 15 *Revenue from Contracts with Customers*	1 January 2018	1 July 2018
AASB 9 *Financial Instruments*	1 January 2018	1 July 2018
AASB 2016-5 *Amendments to Australian Accounting Standards and Measurement of Share Based Payment Transactions*	1 January 2018	1 July 2018

AASB 15 Revenue from Contracts with Customers

In the current year, the Group has applied AASB 15 *Revenue from Contracts with Customers* (as amended in April 2016) which came into effect 1 January 2018. The Group has applied AASB 15 retrospectively with the cumulative effect method, where by the comparative information is not restated.

AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled for those goods or services.

The Group has operations across different industry sectors and geographical locations which are subject to different legal and contractual frameworks. Significant judgements and estimates are used in determining the impact of AASB 15 such as but not limited to:

- probability of customer approval of variations;
- acceptance of performance;
- estimation of project completion date; and
- where applicable the individual status of legal proceedings, including arbitration and litigation for each contract.

The Group's accounting policies for its revenue streams are disclosed as follows:

Construction revenue

The Group derives revenue from construction of buildings and civil projects globally. The construction of each project is generally taken as one performance obligation. Where contracts are entered with several performance obligations, the total transaction price is allocated to each performance obligation based on stand-alone selling prices.

As per normal practice the transaction price of a project is fixed at the start containing bonus and penalty elements based on performance construction criteria known as variable consideration, discussed further below.

The performance obligation is fulfilled over time and as such revenue is recognised over time. As work is performed on the assets being constructed they are controlled by the customer and have no alternative use for the Group.

Revenue earned is recognised on the measured input of each process based on resources consumed per appraisals that are agreed with the customer on a regular basis.

Services revenue

Maintenance and other services are performed by the Group for a variety of industries and geographical locations. Contracts entered into can cover services which may involve various different processes or servicing of related assets. Where these processes and activities are highly interrelated, and the Group provides a significant service of integration for these activities, they are taken as one performance obligation.

The transaction price is allocated across each performance obligation based on contracted prices. Variable consideration may be included in the transaction price.

The performance obligation is fulfilled over time as the Group enhances the assets which the customer controls, for which the Group has no alternative use and has a right to payment for performance to date.

Revenue is recognised in the accounting period in which services are rendered. Customers are in general invoiced for an amount that is calculated based on agreed contract terms in accordance with stand-alone selling prices for each performance obligation.

Products revenue

The Group manufactures and supply advanced construction and ground support products across various industries and geographical locations.

Revenue is recognised when control of the good has transferred, being when the products are received by the customer and there is no unfilled obligation that could affect the customer’s acceptance of the product.

Rental revenue

Revenue from hire of equipment is recognised as the service is provided over the lease term.

Variable consideration

Contracts may include performance bonuses or penalties assessed against the timeliness or cost effectiveness of work completed or other performance related KPIs. Revenue recognition of variable consideration is only satisfied when there are no uncertainties to its entitlement, this is known as the “constraint” requirements.

The Group assess the constraint requirements on a periodic basis when estimating the variable consideration to be included in the transaction price. The estimate is based on all available information including historic performance.

Where modifications to contracts are made, the transaction price is updated to reflect these. Where the modification price is not confirmed, an estimate is made of the amount of revenue to recognise whilst also considering the constraint requirement

Contract assets, contract liability and receivable

AASB 15 is based on the premise that a contract asset or contract liability is generated when either party to a contract performs, depending on the relationship between the Group's performance and the customer's payment at the reporting date. Where appropriate the Group has recognised such contract assets and contract liabilities as when required.

Impact on application of AASB 15

	Note	As reported 30 June 2018 $'000	AASB 15 Transition Adjustments $'000	Opening Balance 1 July 2018 $'000
Statement of Financial Position				
Current trade and other receivables		73,014	(9,648)	63,366
Deferred tax assets		4,824	2,449	7,273
Total asset impacts		**77,838**	**(7,199)**	**70,639**
Retained earnings	1	40,415	(7,199)	33,216
Total equity impact		**40,415**	**(7,199)**	**33,216**

(1) Revenue Recognition

Construction of each project represents one performance obligation. Revenue is recognised over time as the works are performed on assets controlled by the customer. AASB 15 requires variable consideration within the transaction price such as incentives, penalties and modifications not be recognised as revenue until there is a high probability of entitlement. Revenue was previously recognised when probable that work performed will result in revenue whereas the new standard, revenue is recognised when it is highly probable that a significant reversal of revenue will not occur.

Tax

Adoption of AASB 15 requires retrospective adjustments resulting in tax effect accounting and deferred tax impacts.

AASB 9 Financial Instruments

In the current year, the Group has applied AASB 9 *Financial Instruments* (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The adoption of AASB 9 from 1 July 2018 did not give rise to any material transitional adjustments.

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 introduces new requirements which the Group has adopted for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets; and
- General hedge accounting.

The Group's accounting policies for financial instruments are disclosed as follows:

Classification and measurement of financial assets and financial liabilities

In accordance with the requirements of AASB 9 the Group classifies its financial assets under the following classification:

- Measured at fair value (either through comprehensive income, or through profit or loss); or
- Amortised cost.

Classification is dependent on the Group's business model for managing its financial assets and their contractual cash flow characteristics of those financial assets.

(i) *Cash and Cash Equivalents and Trade and other receivables*

Measurement of cash and cash equivalents and trade and other receivables are at amortised cost consistent with previous periods. This is in-line with the Group's business model to hold these assets under contractual terms to collect contractual cashflows at a specified date.

(ii) *Equity Investments not held for trading*

The Group has measured all equity investments at fair value. Where an election to recognise fair value through other comprehensive income is chosen, there is no option to subsequently reclassify to fair value through profit and loss following the derecognition of the investment.

Impairment losses and impairment reversals on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other expenses in the statement of profit or loss as applicable.

(iii) *Trade and other payables*

Trade payables are the amounts outstanding for goods and services received. Settlement of these liabilities are in line with normal commercial terms.

(iv) *Interest bearing liabilities*

In accordance with AASB 9 all loans and borrowings are initially recognised at fair value less transaction costs. Subsequently, interest bearing liabilities are then stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit and loss over the period of the borrowings on an effective interest basis.

Impairment of financial assets

In relation to impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under the former standard AASB 139.

For trade receivables and contract assets the Group has elected to apply the simplified approach permitted by AASB 9. This requires that the Group provides for a loss allowance equivalent to the lifetime expected credit losses from initial recognition of those receivables.

The Group applies the appropriate impairment methodologies available under AASB 9 to determine the expected credit losses associated with other financial assets.

There has been no material impact on the adoption of AASB 9 on the Company's financial statements.

Other new and amended accounting standards

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions; and

- AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections.

While these standards introduce new disclosure requirements, they do not affect the Group's accounting policies or any of the amounts recognised in the financial statements.

The same accounting policies and methods of computation have been followed for all other accounting policies not mentioned in these half-year financial statements as compared to the most recent annual financial statements.

b) Critical accounting estimates and judgements

For the half year ending 31 December 2018 the critical judgments, estimates and assumptions that management has made on the application of accounting policies and the reported amounts of assets, liabilities, income and expenses are consistent with those applied to the consolidated financial report for the year ended 30 June 2018.

Estimates and judgements for reverse acquisition accounting

The acquisition of GCS by SRG on 1 September 2018 has been treated as a reverse acquisition. AASB 3 *Business Combinations* requires that a detailed fair valuation of GCS which includes judgements and estimates to arrive at the fair value. These estimate and judgements will specifically impact the value of assets, liabilities and goodwill recognised. The fair valuation of GCS will impact:

- The transaction price used to determine the consideration transferred; and

- Total fair value of existing and new identifiable assets.

Furthermore, AASB 3 require that where two or more entities combine through an exchange of equity for the purposes of a combination, one of the entities must be determined to be an accounting acquirer.

After assessing the guidance set out in AASB 3 and in particular the board and management composition of the Group, SRG has been identified as the acquirer of GCS for accounting purposes in relation to the financial statements.

Refer to note 10 for more details.

2. Basis of Consolidation – Mergers of Equals

The Merger of Equals between SRG and GCS has been accounted for as a reverse acquisition and SRG being deemed as the acquirer for accounting purposes. In applying the requirements of AASB 3 for the Group:

- GCS is the legal parent entity to the Group; and

- SRG, which is neither the legal parent nor legal acquirer, is deemed to be the accounting parent of the Group.

The consolidated financial information reflects the acquisition of GCS by SRG. Assets and liabilities of GCS acquired by SRG were recorded at fair value, while the assets and liabilities of SRG were maintained at their book value.

All inter-company transactions under the new consolidated Group has been eliminated in full.

The impact on equity treating the formation of the Group as SRG as the parent entity is discussed in more detail in note 10.

3. Segment Information

a) Description of segments

Management has determined that strategic decision making is facilitated and enhanced by evaluation of operations on the customer segments of Construction, Asset Services and Mining Services. For each of the strategic operating segments, the Managing Director reviews internal management reports on a regular basis.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations have inherently different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

The following summary describes the operations in each of the Group's reportable segments:

Construction

Our operations in the Construction segment consist of supplying integrated products and services to customers involved in the construction of complex infrastructure. These typically include bridges, dams, office towers, high rise apartments, shopping centres, hotels, car parks, recreational buildings, and hospitals. Contracts are typically medium to long term.

Asset Services

Our operations in the Asset Services segment consist of supplying integrated services to customers across the entire asset life cycle. Services provided span multiple sectors including oil and gas, energy, major infrastructure, offshore, mining, power generation, water treatment plants, commissioning, de-commissioning, shutdowns, and civil works. Contracts vary in length from short to long term.

Mining Services

The mining segment services mining clients and provides comprehensive ground solutions including production drilling, ground and slope stabilisation, design engineering and monitoring services. Contracts vary in length from short to long term.

The Group Managing Director assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement excludes certain non-recurring expenditures which are of an isolated nature such as equity settled share based payments and corporate activities pertaining to the overall Group including the treasury function which manages the cash and funding arrangements of the Group.

Segment information provided to the Managing Director for the half year ended 31 December 2018 is as follows:

b) Segment Revenues and Results

	Construction $'000	Asset Services $'000	Mining Services $'000	Corporate $'000	Total $'000
31 December 2018					
Construction Revenue	128,939	-	-	-	128,939
Services Revenue	-	60,047	43,582	-	103,629
Revenue from external customers	128,939	60,047	43,582	-	232,568
EBITDA	6,482	6,706	7,193	(7,321)	13,060
Depreciation	(1,108)	(924)	(2,192)	(203)	(4,427)
Amortisation	(1,930)	(1,301)	-	-	(3,231)
Finance costs	(17)	(181)	-	(563)	(761)
Share of profit of equity accounted investees	-	-	-	350	350
Profit before income tax	**3,427**	**4,300**	**5,001**	**(7,737)**	**4,991**
Income tax benefit					1,802
Profit after income tax					**6,793**
31 December 2017					
Construction Revenue	56,372	-	-	-	56,372
Services Revenue	-	10,956	37,552	62	48,570
Revenue from external customers	56,372	10,956	37,552	62	104,942
EBITDA	671	1,934	6,411	(3,082)	5,934
Depreciation	(869)	(114)	(1,947)	(141)	(3,071)
Amortisation	-	-	-	-	-
Finance costs	-	-	-	(212)	(212)
Share of profit of equity accounted investees	-	-	-	394	394
Profit before income tax	**(198)**	**1,820**	**4,464**	**(3,041)**	**3,045**
Income tax (expense)					(641)
Profit after income tax					**2,404**

c) Segment Assets and Liabilities

	Construction $'000	Asset Services $'000	Mining Services $'000	Corporate $'000	Total $'000
31 December 2018					
Segment assets	189,914	146,317	44,620	45,772	426,623
Segment liabilities	98,079	29,012	23,853	14,726	165,670
30 June 2018					
Segment assets	73,490	54,394	42,245	30,649	200,778
Segment liabilities	37,660	15,583	24,804	9,043	87,090

4. INCOME TAX

The effective tax rate for the current period is affected by:

- The recognition of a deferred tax asset in connection with entities entering the tax consolidation group (TCG). On entering the TCG a deferred tax asset was created via a revaluation of the asset value for tax purposes. This deferred tax asset gives rise to a tax benefit in the form of higher future depreciation expense that will be realised over the remaining life of the assets.

5. LOANS AND BORROWINGS

	31 Dec 2018 $'000	30 Jun 2018 $'000
Current		
Secured borrowings – Term facility	15,000	15,000
Unsecured borrowings	4,027	-
Secured borrowings – Hire purchase finance	6,226	4,903
	25,253	19,903
Non-current		
Secured borrowings – Hire purchase finance	11,371	9,748

a) Multi-option facility

As at reporting date, the Group has used $48,919,000 of its multi-option facility limit of $101,670,000. The multi-option facility is a comprehensive borrowing facility which includes bank overdraft, hire purchase, letter of credit, corporate credit card and bank guarantees.

b) Surety bonds

The Group has a $145,397,000 insurance bond facility with various parties (30 June 2018: $119,710,000). This facility has been utilised to provide security in connection with certain projects. The amount of insurance bonds issued under this facility as at 31 December 2018 is $41,558,000 (30 June 2018: $16,745,000).

6. INTANGIBLE ASSETS

	31 Dec 2018 $'000	30 Jun 2018 $'000
Goodwill		
Opening balance	38,045	22,966
Acquisition from business combinations	53,562	15,670
Exchange differences	572	(591)
	92,179	**38,045**
Other intangible assets		
Opening balance	2,706	-
Acquisition of customer related intangibles from business combinations	26,276	2,908
Amortisation	(3,231)	(92)
Exchange differences	197	(110)
	25,948	**2,706**
Total Intangible Assets	**118,127**	**40,751**

7. PROVISIONS

	31 Dec 2018 $'000	30 Jun 2018 $'000
Current		
Employee benefit provisions	15,158	10,954
Lease provisions	1,852	-
Other	7,091	907
	24,101	11,861
Non-current		
Employee benefit provisions	2,621	813
Lease provisions	6,960	-
Other	1,891	-
	11,472	813

8. DIVIDENDS

The Company declared a 1.0 (one) cent per share fully franked dividend on Tuesday, 26 February 2019. The Record Date for this dividend is Wednesday, 13 March 2019 with payment to be made on Tuesday, 23 April 2019.

9. EARNINGS PER SHARE

	31 Dec 2018	30 Jun 2018
Profit attributable to members of the parent entity – $'000	6,793	2,404
WANOS used in the calculations of basic EPS (shares)	365,094,732	161,097,895
WANOS used in the calculations of diluted EPS (shares)	365,094,732	175,075,257
Earnings per share		
Basic (cents per share)	1.9¢	1.5¢
Diluted (cents per share)	1.9¢	1.4¢

AASB 3 provides specific guidance on the calculation of the weighted number of shares (WANOS) as follows:

The number of ordinary shares issued by:

- SRG outstanding shares from 1 July 2018 to 31 August 2018

  The number of SRG shares on issue of 81,573,611 multiplied by the exchange ratio established in the Scheme of Arrangement of 2.479 multiplied by ratio of days (62/184); plus

- SRG Global from 1 September 2018 to 31 December 2018

  The number of the Group shares on issue of 440,415,099 multiplied by the ratio of days outstanding (122/184).

10. BUSINESS COMBINATION

a) Merger of GCS and SRG

On 28 August 2018, GCS completed the legal acquisition of SRG and its controlled subsidiaries by acquiring 100% of the share capital of SRG through a scrip for scrip arrangement, 2.479 GCS shares for each SRG share. The proportional shareholdings between GCS and SRG on completion of the transaction was GCS 50.8% and SRG 49.2% of the combined entity. Control was deemed to have been obtained on 1 September 2018:

- The Scheme of Arrangement (Scheme) was approved by all relevant parties;
- All conditions precedent detailed in the Scheme were satisfied or waived;
- Even though the merged group Board was not appointed until 11 September 2018, SRG had the right to appoint four of the seven board members as of 28 August 2018; and
- Administration time required to implement the Scheme was finalised 1 September 2018.

Accordingly, under the terms of the merger:

- GCS became the legal parent of SRG;
- The assets and liabilities of the legal subsidiary, SRG, are recognised and measured at their pre-combination carrying amounts;
- The retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of the legal subsidiary (SRG) immediately before the business combination;
- The amount recognised as issued equity is determined by adding the issued equity of the legal subsidiary immediately before the business combination at the fair value of the legal parent. However, the equity structure reflects the equity structure of the legal parent including the equity instruments issued by the legal parent to effect the combination; and
- SRG became the legal subsidiary of GCS.

b) Accounting and disclosure implications of the merger

Under AASB 3 *Business Combinations* the merger of GCS and SRG has been accounted for as a reverse acquisition.

Where two or more entities combine through an exchange of equity interest for the purposes of business combination, AASB 3 requires one of the entities be deemed as the acquirer. SRG is deemed the acquirer for accounting purposes given relative voting rights, equity exchange terms, composition of Board and Management.

The implications of the reverse acquisition of GCS by SRG are:

- SRG for accounting purposes is deemed to be the parent company;
- The 31 December 2018 half-year information reflects the newly combined group of SRG and GCS;
- Comparative financial information reflects the financial performance and financial position of SRG only; and
- In accordance with accounting guidance the consideration that SRG is deemed to have paid for GCS is the market value of GCS equity at the date of merger, which was $148,780,488. This consideration has been allocated to the fair values of GCS intangible and tangible assets, liabilities and contingent liabilities

A new equity account is created as component of equity. This account is called “Reverse acquisition reserve” and is similar to the nature of share capital and is not available for distribution. This equity account represents a net adjustment of the legal parent’s equity (GCS) with that of the deemed acquirer (SRG). Comparative information presented in those financial statements also is retroactively adjusted to reflect the legal capital of the legal parent (accounting acquire).

c) Summary of acquisition

The assets and liabilities provisionally recognised as a result of the acquisition as follows:

	Fair Value $'000
Assets	
Cash and cash equivalents	39,215
Inventories	735

Trade and other receivables	42,605
Other current assets	3,344
Current tax assets/ (payables)	442
Property, plant & equipment	26,462
Intangible assets	26,276
Deferred tax assets	23,556
Total assets	**162,635**
Liabilities	
Trade and other payables	30,734
Financial liabilities	3,634
Provisions	28,501
Contract liabilities	4,547
Total liabilities	**67,417**
Net assets acquired	**95,218**
Goodwill rising on acquisition	53,562
Total purchase consideration	**148,780**

From the date of acquisition, GCS has contributed $82,788,089 of revenue and $241,227 of net loss before tax of the Group.

d) Goodwill arising on acquisition

The goodwill is not tax deductible for tax purposes and is attributable to the established workforce and future profitability of GCS.

Subsequent to the business combination accounting, goodwill becomes subject to impairment testing at least annually, or if and when there are indicators that goodwill may be impaired.

The accounting standards allows for a restatement window of up to 12 months following the acquisition date. This allows time required to gain access to and consolidate information for both entities to make certain valuations as at the acquisition date.

11. CONTINGENCIES

There has been no change in contingent liabilities, contingent assets or commitments since the last annual reporting date, being 30 June 2018.

12. EVENTS OCCURING AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years other than the payment of a dividend as referred to at note 8.

Directors' Declaration

The Directors of the Company declare that:

The financial statement and notes set out on pages 9 to 25 are in accordance with the Corporations Act 2001, including:

1. complying with Accounting Standards AASB134 Interim Financial Reporting and Corporation Regulations 2001 and other mandatory professional reporting requirements, and

2. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and

There are reasonable grounds to believe that SRG Global Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Peter D Wade
Non-Executive Chairman

Perth
26 February 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of SRG Global Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of SRG Global Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001 including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year 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 half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Glyn O'Brien

Director

Perth 26 February 2019