



MADER INTERNATIONAL LIMITED

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2018

Mader International Limited and Controlled Entities

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Mader International Limited and Controlled Entities

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2018.

Directors

The names of directors who held office during or since the end of the half-year:

Luke Benjamin Mader (resigned 18 Jan 2019)	Neto Crystal Worldwide Company Limited
Lim Seng Huat	Harrison BANDA
Naiken Veerasamy	Patrick Laurence Conway
Sawkut Oormarally Bundhoo	Li Li Lim (appointed 16 January 2019)

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated

Review of Operations

Operating Results

The profit of the consolidated group for the half-year after providing for income tax amounted to \$1,859,131 (2017: \$1,677,812)

Principle Activities

The principal activities of the consolidated group during the half-year are providing mine maintenance in overseas countries and investment holding

After Balance Date Events

There are no matters or circumstances which have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in subsequent financial periods, other than follows:

Appointment of Li Li Lim as director on the 16 January 2019.

Future Developments

Likely developments in the operations of the consolidated group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated group.

Dividend

No dividend was paid or declared as at 31 December 2018.

Rounding of Amounts

The consolidated group has applied the relief available to it in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1.

Mader International Limited and Controlled Entities

DIRECTORS' REPORT

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 31 December 2018.

This directors' report is signed in accordance with a resolution of the Board of Directors.



Director

Patrick Laurence Conway

Dated this 21st May 2019



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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF MADER INTERNATIONAL LIMITED

As lead auditor for the review of Mader International 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 Mader International Limited and the entities it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 21 May 2019

Mader International Limited and Controlled Entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Half-year Ended 31 December 2018 US\$	Half-year Ended 31 December 2017 US\$
Revenue	2	11,867,549	9,977,798
Cost of sales		(8,207,824)	(6,830,621)
Gross profit		3,659,725	3,147,177
Other revenues	2	86,880	70,036
General and administrative expenses		(1,534,950)	(1,079,775)
Profit before income tax	2	2,211,655	2,137,438
Income tax expense		(352,524)	(459,626)
Profit for the period		1,859,131	1,677,812
Other comprehensive loss for the period			
Foreign Currency translation difference		(91,800)	(49,307)
Total comprehensive income for the period		1,767,331	1,628,505

The accompanying notes form part of these financial statements.

Mader International Limited and Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	As at 31 December 2018 US\$	As at 30 June 2018 US\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		2,696,821	3,706,513
Trade receivables	3	5,385,645	3,998,497
Deposits, prepayment and other receivable	3	141,124	235,760
Loan to related company	5	515,982	1,663,543
Amount due from a holding company		-	5,286
Amount due from a related company		-	408
Work in progress		-	31,224
TOTAL CURRENT ASSETS		8,739,572	9,641,231
NON-CURRENT ASSETS			
Property, plant and equipment	4	176,755	149,841
Loan to related company	5	4,616,283	2,403,148
TOTAL NON-CURRENT ASSETS		4,793,038	2,552,989
TOTAL ASSETS		13,532,610	12,194,220
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	6	534,672	1,368,973
Tax payable		503,171	97,811
TOTAL CURRENT LIABILITIES		1,037,843	1,466,784
NON-CURRENT LIABILITIES			
Deferred tax liabilities		7,720	7,720
TOTAL NON-CURRENT LIABILITIES		7,720	7,720
TOTAL LIABILITIES		1,045,563	1,474,504
NET ASSETS		12,487,047	10,719,716
EQUITY			
Issued capital		1,286	1,286
Reserves		(823,034)	(731,234)
Retained earnings		13,308,795	11,449,664
TOTAL EQUITY		12,487,047	10,719,716

The accompanying notes form part of these financial statements.

Mader International Limited and Controlled Entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Note	Ordinary Share Capital US\$	Retained Earnings US\$	Reserves US\$	Total US\$
Balance at 1 July 2017	1,286	8,015,626	(658,989)	7,357,923
Comprehensive income				
Profit for the period	-	1,677,812	-	1,677,812
Other comprehensive income/(loss) for the period	-	-	(49,307)	(49,307)
Total comprehensive income/(loss) for the period		1,677,812	(49,307)	1,628,505
Transactions with owners, in their capacity as owners, and other transfers				
Dividends recognised for the period	-	-	-	-
Total transactions with owners and other transfers				
Balance at 31 December 2017	1,286	9,693,438	(708,296)	8,986,428
Balance at 1 July 2018	1,286	11,449,664	(731,234)	10,719,716
Comprehensive income				
Profit for the period		1,859,131		1,859,131
Other comprehensive income/(loss) for the period			(91,800)	(91,800)
Total comprehensive income/(loss) for the period		1,859,131	(91,800)	1,767,331
Transactions with owners, in their capacity as owners, and other transfers				
Dividends recognised for the period	-	-	-	-
Total transactions with owners and other transfers				
Balance at 31 December 2018	1,286	13,308,795	(823,034)	12,487,047

Mader International Limited and Controlled Entities

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Half-year Ended 31 December 2018 US\$	Half-year Ended 31 December 2017 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	10,421,453	9,876,118
Payments to suppliers and employees	(10,275,053)	(8,272,383)
Interest received	87,645	69,506
Finance costs	(84,028)	(38,628)
Income tax (paid)/refund	52,834	(237,018)
Net cash (used in)/generated by operating activities	202,851	1,397,595
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans to related parties	(1,076,205)	(1,900,664)
Purchases of non-current assets	(44,538)	(23,859)
Net cash (used in)/generated by investing activities	(1,120,743)	(1,924,523)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash (used in)/generated by financing activities	-	-
Net increase/(decrease) in cash held	(917,892)	(526,928)
Cash and cash equivalents at beginning of period	3,706,513	2,694,055
Effect of foreign exchange rate changes	(91,800)	(49,307)
Cash and cash equivalents at end of period	2,696,821	2,117,820
Analysis of bank balances and cash equivalents:		
Cash at bank and in hand	2,696,821	2,117,820
Cash and cash equivalents as stated in the statement of financial position	2,696,821	2,117,820

Mader International Limited and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Mader International Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2018, together with any public announcements made during the following half-year.

The accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period, except in relation to the matters disclosed below.

The 30 June 2018 annual report disclosed that the Company anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2018. There were no new standards issued since 30 June 2018 that have been applied by the Company other than the following:

Adoption of new and revised accounting standards

A number of new or amended standards became applicable for the current reporting period resulting in the adoption of the following standards:

- (i) AASB 15 Revenue from Contracts with Customers; and
- (ii) AASB 9 Financial Instruments

AASB 15 Revenue from Contracts with Customers – Impact of Adoption

The Group has adopted AASB 15 with a date of initial application of 1 July 2018. The Group has applied AASB 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under AASB 118 Revenue. The Group undertook a comprehensive analysis of the impact of the new revenue standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under AASB 15. Based on the review the nature and timing of satisfaction of the performance obligations, hence the amount and timing of revenue recognised, is the same as that under AASB 118. As such there has been no impact to the statement of profit or loss and other comprehensive income and the statement of financial position.

As a result of adoption of AASB 15, the Group has changed its accounting policy for revenue recognition as detailed below.

Maintenance services revenue

The group generates revenue from the provision of maintenance and repair services to mining companies. Revenue for services was predominantly recognised on the basis of the work completed over time and billed to customers as the services were delivered to customers. On adoption of AASB 15, the activities for each contract were assessed and have been determined to be one performance obligation as they are highly inter-related, fulfilled over time and the customer receives the benefit over time as the services are performed resulting in no

Mader International Limited and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31
DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

change to the way the Group recognised revenue.

The transaction price for each contract is based on agreed contractual rates to which the Group is entitled.

AASB 9 Financial Instruments – Impact of Adoption

The Group has adopted AASB 9 with a date of initial application of 1 July 2018 and has elected not to restate its comparatives. As a result, the Group has changed its accounting policy for financial instruments as detailed below.

Recognition and de-recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows and are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments.

Impairment

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The Group has determined that the application of AASB 9's requirements at transition 1 July 2018 did not result in a material adjustment.

Mader International Limited and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31
DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant estimates and adjustments

Impairment of financial assets:

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Impact of standards issued but not yet applied by the entity

AASB 16 *Leases* is effective for the reporting period commencing 1 July 2019. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group is still in the process of fully assessing the impact on the Group's financial results and position when it is first adopted for the year ending 30 June 2020.

These interim financial statements were authorised for issue on 21st May 2019

Mader International Limited and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 2: PROFIT FOR THE PERIOD

	Half-year Ended 31 December 2018 US\$	Half-year Ended 31 December 2017 US\$
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Revenue		
Maintenance services	11,867,549	9,977,798
Other Revenues		
Loan interest received	87,645	69,506
Miscellaneous income/(expense)	(765)	530
	86,880	70,036
Auditor's remuneration	166,046	130,518
Provision for bad debts expenses	152,821	-
Costs of services rendered	568,509	486,969
Depreciation	17,624	19,777
Exchange loss, net	16,325	18,171
Legal and professional fee	64,855	40,060
Operating lease expenses	38,257	41,370
Staff costs (excluding director's emoluments)		
Salaries, bonus and allowance	8,278,934	6,822,431
Mandatory provident fund contribution	36,027	28,096
Social insurance	90,130	81,557

NOTE 3: TRADE AND OTHER RECEIVABLES

	31 December 2018 US\$	30 June 2018 US\$
Current		
Trade receivables	5,538,466	3,998,497
Provision for bad debts loss allowance	(152,821)	-
	5,385,645	3,998,497
Deposits	9,368	5,522
Prepayments and other receivables	131,756	230,238
	141,124	235,760

Mader International Limited and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 4: PROPERTY PLANT AND EQUIPMENT

	31 December 2018	30 June 2018
	US\$	US\$
Furniture and fixtures at cost	25,475	25,001
Less accumulated depreciation	(21,007)	(19,665)
	<u>4,468</u>	<u>5,336</u>
Office equipment at cost	9,593	9,593
Less accumulated depreciation	(8,080)	(8,02)
	<u>1,513</u>	<u>1,591</u>
Computer equipment at cost	59,124	58,670
Less accumulated depreciation	(18,110)	(16,994)
	<u>41,014</u>	<u>41,676</u>
Motor vehicles at cost	170,673	136,142
Less accumulated depreciation	(57,632)	(44,773)
	<u>113,041</u>	<u>91,369</u>
Machinery at cost	21,141	12,064
Less accumulated depreciation	(4,422)	(2,195)
	<u>16,719</u>	<u>9,869</u>
Total property plant and equipment	<u>176,755</u>	<u>149,841</u>

NOTE 5: LOAN TO RELATED COMPANY

	31 December 2018	30 June 2018
	US\$	US\$
Current		
Loan to Mader Contracting	515,982	1,663,543
	<u>515,982</u>	<u>1,663,543</u>
Non – Current		
Loan to Mader Contracting	3,063,685	2,403,148
Loan to Mader Corporation	1,552,598	-
	<u>4,616,283</u>	<u>2,403,148</u>

Mader International Limited and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 6: TRADE AND OTHER PAYABLES

	31 December 2018	30 June 2018
	US\$	US\$
Current		
Trade Payables	-	-
Other payables and accrued expenses	543,672	1,368,973
	<u>534,672</u>	<u>1,368,973</u>

NOTE 7: CONTINGENT LIABILITIES

The Company was made aware of possible taxation liabilities arising upon incorporation in Eritrea on 12th February 2019. The Company believes the customer is ultimately liable to reimburse Mader the taxation liability value. The Company is negotiating with the customer on this matter and is unable to reliably estimate the liability value.

The Company was made aware of a possible VAT liability relating to the period January to March 2014 to the value of MNT 418,838,504 (approx. USD 159,074). The Company has formally disputed the claim and is seeking further legal advice on the matter. The company believes any possibility of an outflow relating to this matter is considered remote

NOTE 8 EVENTS AFTER THE END OF THE INTERIM PERIOD

Other than the following, the directors are not aware of any significant events since the end of the interim period.

On the 16th January 2019 the following changes were made to the board of directors –

1. Li Li Lim was appointed as a company director.

NOTE 9 RELATED PARTIES

There is no material change to related parties from 30 June 2018 other than the loan to related company as disclosed in note 5.

Mader International Limited and Controlled Entities

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Mader International Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 15 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - b. 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.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Director

Patrick Conway

Dated this 21st day of May 2019



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mader International Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Mader International 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
A handwritten signature in dark ink, appearing to read 'P. Murdoch', written over a horizontal line.

Phillip Murdoch

Director

Perth, 21 May 2019