MADER GROUP LIMITED

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2019

ABN 51 159 340 397

CONTENTS

DIRECTORS' REPORT

The Directors submit their report with the financial report on the consolidated entity (referred to hereafter as "Group" or "Mader") consisting of Mader Group Limited (the "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

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

Mr Luke Mader	Executive Director
Mr Patrick Conway	Chief Executive Officer and Executive Director
Mr Craig Burton	Non-Executive Director
Mr Jim Walker	Non-Executive Chairman
Mr Justin Nuich	Non-Executive Director

Principal Activities

During the half year, the principal activities of the Group were the provision of specialised contract labour for maintenance of heavy mobile equipment in the resources sector in Australia and internationally. The services provided include maintenance labour, field support (site labour with support vehicles and tools), shutdown teams for major overhauls, maintenance workshops, training of maintenance teams, and a range of other ancillary services

Operating Results

Mader Group Limited and its Controlled Entities achieved a statutory net profit after tax for the half-year ended 31 December 2019 of $8.1 million and an adjusted net profit after tax of $8.7 million (1H19: statutory NPAT of $8.0 million and adjusted NPAT of $7.9 million).

Dividend

A 1.5 cent fully franked interim dividend has been approved by the directors payable on 17 March 2020. A fully franked dividend of $1.28 million was paid during the period (31 December 2018: $4 million).

Operating and financial review

The Group has delivered a period of growth with increases recorded for the period ended 31 December 2019 (1H20) across revenue and net profit.

Statutory results (A$'000)	**1H20**	**1H19**	**Change**
Revenue	132,719	110,398	20.2%
EBITDA	15,411	12,670	21.6%
EBITDA margin	11.6%	11.5%	
EBIT	12,384	11,055	12.0%
EBIT margin	9.3%	10.0%	
Net profit after tax	8,061	8,035	0.3%

Adjusted results (A$'000)	**1H20**	**1H19**	**Change**
Revenue	132,719	110,398	20.2%
EBITDA	16,010	12,557	27.5%
EBITDA margin	12.1%	11.4%	
EBIT	12,984	10,942	18.7%
EBIT margin	9.8%	9.9%	
Adjusted net profit after tax	8,661	7,922	9.3%
Operating cash flow	3,725	(5,177)	

Adjusted results to statutory results reconciliation:		
Statutory net profit after tax	8,061	8,035
Public company costs[1]	-	(228)
One-off offer costs[2]	856	201
Impact of accounting standard AASB 16	-	(134)
Impact of income tax[3]	(256)	48
Adjusted net profit after tax	8,661	7,922
Adjusted net profit margin	6.5%	7.2%

1. Public company costs include:
- The directors' estimate of incremental annual costs that the Mader Group will incur as a public listed company. These incremental costs include share registry fees, Executive Director, Non-Executive Director remuneration, Directors' and Officers' insurance premiums, additional audit and legal fees, listing fees, investor relations costs as well as annual general meeting and annual report costs. The annual estimate of these costs is $0.52 million (tax effected $0.36 million);
- For 1H19, no Public Company costs were incurred. Therefore, as a normalisation adjustment to make 1H20 comparable with 1H20, $0.23 million ($0.16 million tax effected) has been included as an adjustment;
2. One-off Offer costs incurred by Mader Group of $0.86 million ($0.60 million tax effected).
3. Income tax effect - An adjustment has been made to reflect the tax impact of the adjustments based on the Australian Statutory corporate tax rate of 30%.

Revenue

Group revenue increased to $132.7 million for 1H20 from $110.4 million in 1H19, with the 20.2% year-on-year increase attributable to growth in two of the three reporting segments, Australia (27%) and USA (A$4.3 million) and a reduction in the Other segment.

Earnings

Group earnings before interest, tax, depreciation and amortisation (EBITDA) improved to $15.4 million from $12.7 million (21.6% increase). EBITDA growth was achieved mainly from the Australian segment (11.2% growth). EBITDA margin for 1H20 was 11.6% with the slight increase of 0.1% from 1H19 (11.5%).

Group statutory net profit after tax (NPAT) was $8.1 million (1H19: $8 million) and adjusted NPAT was $8.7 million (1H19: $7.9 million).

Cash Flow

Group operating cash flow before interest and tax (OCFBIT) of $8.4 million represents a $10.5 million increase on 1H19. Operating cash flow of $3.7 million was a $8.9 million improvement on 1H19.

Capital expenditure decreased by $1.8 million in comparison to 1H19 to $5.9 million, net of proceeds from the sale of assets, due to a reduced fleet purchasing program post a capital intensive FY2019.

Net financing inflows of $4.9 million, being the net drawdown on the asset finance for capital purchases and debtors finance facility for operating capital, less any repayment of the facility during the period.

Net Financing

The Group ended the period with:

- Cash of $5.9 million, an increase of $1.8 million as compared to 1H19;
- Net Debt of $29.1 million, an increase of $4.9 million as compared to 1H19.

Net Debt at 31 December 2019 comprised total debt of $35 million less cash of $5.9 million.

Events subsequent to reporting date

There is no matter or circumstances that have arisen during or since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company within future financial years.

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 $1,000.

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

The lead auditor’s independence declaration under s 307C of the *Corporations Act 2001* is set out on page 4 for the half-year ended 31 December 2019.

Signed in accordance with a resolution of the Board of Directors.

Director ……….

Patrick Conway

Dated this 25th day of February 2020

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

As lead auditor for the review of Mader Group Limited for the half-year ended 31 December 2019, 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 Group Limited and the entities it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 25 February 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 $'000	31 December 2018 $'000
Revenue	4	132,719	110,398
Cost of sales		(106,748)	(87,047)
Gross profit		**25,971**	**23,351**
Other revenue	4	147	304
Distribution expenses		(133)	(58)
Marketing expenses		(380)	(349)
Administration expenses		(12,792)	(11,647)
Other expenses		(298)	(305)
Operating profit		**12,515**	**11,296**
Finance costs		(1,005)	(701)
Profit before income tax		**11,510**	**10,595**
Income tax expense		(3,449)	(2,560)
Profit for the period		**8,061**	**8,035**
Other comprehensive income/(loss) for the period:			
Foreign currency translation difference		642	(127)
Total comprehensive income/(loss) for the period		**8,703**	**7,908**
Earnings Per Share:			
Basic and diluted earnings per share		$0.04	$0.05

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 December 2019 $'000	30 June 2019 $'000
Current assets			
Cash and cash equivalents		5,862	3,049
Trade and other receivables	6	54,739	54,495
Other assets	7	3,711	1,403
Total current assets		**64,312**	**58,947**
Non-current assets			
Property, plant and equipment	9	29,714	26,247
Right-of-use of assets		2,165	-
Other assets	7	426	417
Deferred tax assets		1,898	1,896
Total non-current assets		**34,203**	**28,560**
Total assets		**98,515**	**87,507**
Current liabilities			
Trade and other payables	10	15,674	24,809
Lease liabilities		403	-
Provisions		782	715
Tax liabilities		2,322	2,611
Borrowings	11	23,991	14,364
Total current liabilities		**43,172**	**42,500**
Non-current liabilities			
Provisions		483	425
Lease liabilities		1,775	-
Deferred tax liabilities		549	549
Borrowings	11	10,944	9,864
Total non-current liabilities		**13,751**	**10,838**
Total liabilities		**56,923**	**53,338**
Net assets		**41,592**	**34,169**
Equity			
Issued capital		2	2
Reserves		(515)	(1,157)
Retained earnings		42,105	35,324
Total equity		**41,592**	**34,169**

The above consolidated statement of financial position should be read in conjunction with the notes to the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Issued Capital $'000	Retained earnings $'000	Reserves $'000	Total $'000
Balance at 1 July 2018		**2**	**31,586**	**(808)**	**30,780**
Comprehensive income					
Profit for the period		-	8,035	-	8,035
Other comprehensive loss for the period		-	-	(127)	(127)
Total comprehensive income / (loss) for the period			8,035	(127)	7,908
Transactions with owners, in their capacity as owners, and other transfers:					
Dividends paid for the period		-	(4,000)	-	(4,000)
Total transactions with owners and other transfers		**-**	**(4,000)**	-	**(4,000)**
Balance at 31 December 2018		2	35,621	(935)	34,688

	Note	Issued Capital $'000	Retained earnings $'000	Reserves $'000	Total $'000
Balance at 1 July 2019		**2**	**35,324**	**(1,157)**	**34,169**
Comprehensive income					
Profit for the period		-	8,061	-	8,061
Other comprehensive income for the period		-	-	642	642
Total comprehensive income for the period		-	8,061	642	8,703
Transactions with owners, in their capacity as owners, and other transfers:					
Dividends paid for the period		-	(1,280)	-	(1,280)
Total transactions with owners and other transfers		**-**	**(1,280)**	**-**	**(1,280)**
Balance at 31 December 2019		2	42,105	(515)	41,592

The above consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 $'000	31 December 2018 $'000
Cash flows from operating activities			
Receipts from customers		132,396	101,054
Payments to suppliers and employees		(123,998)	(103,269)
Interest received		3	121
Finance costs		(937)	(788)
Income tax paid		(3,739)	(2,295)
Net cash provided by /(used in) operating activities		3,725	(5,177)
Cash flows from investing activities			
Proceeds from sale of plant and equipment	9	584	18
Payments for plant and equipment	9	(6,532)	(8,221)
Payment for unsecured notes		-	(385)
Purchase of non-current assets		-	(61)
Proceeds from sale of shares in unlisted companies		-	900
Net cash (used in) investing activities		(5,948)	(7,749)
Cash flows from financing activities			
Dividends paid		(3,280)	(4,000)
Principal elements of lease payments		(339)	-
Net proceeds from (repayment of) debtor finance mortgage borrowings		8,588	9,295
Net proceeds from (repayment of) chattel mortgage borrowings		(11)	3,439
Net cash provided by/(used in) financing activities		4,958	8,734
Net increase/(decrease) in cash held		**2,735**	**(4,192)**
Net foreign exchange difference		78	(123)
Cash at the beginning of the financial period		3,049	8,347
Cash at the end of the financial period		**5,862**	**4,032**

The above consolidated statement of cash flows should be read in conjunction with the notes to the financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

1. Reporting Entity

Mader Group Limited (Company) is a for profit company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Mader Group"). The Group is primarily involved the provision of specialised contract labour for maintenance of heavy mobile equipment in the resources sector in Australia and internationally. The consolidated annual financial report of the Group as at and for the year ended 30 June 2019 are available on the Company's web site at www.madergroup.com.au.

2. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2019 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 Group Limited and its controlled entities (referred to as the "Group" or "Mader"). 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 2019, 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 2019 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 2019. There were no new standards issued since 30 June 2019 that have been applied by the Company other than the following:

3. Adoption of new and revised accounting standards

This note explains the impact of the adoption of AASB 16 Leases on the group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019 in note 3(b) below. The group has adopted AASB 16 retrospectively from 1 July 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

(a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.3%.

	1 July 2019 **$'000**
Operating lease commitments disclosed as at 30 June 2019	2,543
Discounted using the lessee's incremental borrowing rate of at the date of initial application	2,301
(Less): short-term leases recognised on a straight-line basis as expense	(29)
Add/(less): adjustments as a result of a different treatment of extension and termination options	820
Lease liability recognised as at 1 July 2019	3,092

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Of which are:	
Current lease liabilities	603
Non-current lease liabilities	2,489
	3,092

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet at 1 July 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 $'000	**1 July 2019 $,000**
Properties	2,165	3,092
Total right-of-use assets	2,165	3,092

(i) Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is (or contains) a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(b) The group's leasing activities and how these are accounted for

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(i) Extension and termination options

Extension and termination options are included in a number of leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

(ii) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated)..

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

4. Revenue

	31 December 2019 $'000	31 December 2018 $'000
Operating Revenue		
- Maintenance services	126,632	102,558
- Hire recoveries	794	1,014
- Direct expense recoveries	5,293	6,826
	132,719	110,398
Other income		
- Interest income	3	120
- Other income	144	184
	147	304

5. Expenses

	31 December 2019 $'000	31 December 2018 $'000
Expenses		
Depreciation of plant and equipment	2,742	1,615
Depreciation of right-of-use assets	285	-
Rental expense of operating leases	-	495
One-off offer costs	857	201
Wages and salaries	80,655	71,152

6. Trade and other receivables

	31 December 2019 $'000	30 June 2019 $'000
Current		
Trade receivables	54,411	54,704
Other receivables	537	-
Provision for bad debts loss allowance	(209)	(209)
	54,739	54,495

Trade receivables are non-interest bearing and are generally on terms between 30 and 90 days. All amounts are short term. The carrying value of trade receivables are considered a reasonable approximation of fair value.

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

7. Other assets

	31 December 2019 $'000	30 June 2019 $'000
Current		
Contract asset	405	126
Prepayments	2,978	1,173
Other	328	104
	3,711	1,403
Non-current		
Unlisted shares - carried at fair value	57	57
Other	369	360
	426	417

8. Segment information

Management has determined that the strategic operating segments comprise of Australia, United States, all other segments (Africa, Asia and South America) and Corporate. These reporting segments provide a more balanced view of cross-operational performance across business units, recognising and compensating for inter-regional differences in relation to technical methodologies and processes, the cost of labour, the existence of competition and differing customer requirements that may affect product pricing.

Consolidated – HY 2020	Australia	United States	All other segments[1]	Corporate	Consolidated
	$'000	$'000	$'000	$'000	$'000
Segment revenue					
Sales to external customers					
- Maintenance services	114,433	3,855	8,410	-	126,698
- Hire recoveries	793	-	-	-	793
- Direct expense recoveries	4,506	514	274	-	5,294
	119,732	4,369	8,684	-	132,785
Inter-segment revenue	(29)	(37)	-	-	(66)
	119,703	4,332	8,684	-	132,719
Other revenue	127	4	12	4	147
Total segment revenue	**119,830**	**4,336**	**8,696**	**4**	**132,866**
Segment EBITDA	**13,796**	**625**	**1,340**	**(350)**	**15,411**
Depreciation and amortisation	2,613	385	29	-	3,027
Segment EBIT	**11,183**	**240**	**1,311**	**(350)**	**12,384**
Other segment information					
Interest income	-	-	-	-	-
Interest expense	(648)	(73)	(153)	-	(874)
Income tax (expense)/benefit	(3,481)	(45)	(261)	338	(3,449)
Segment result	**7,054**	**122**	**897**	**(12)**	**8,061**
Segment assets	**81,311**	**7,602**	**7,285**	**2,317**	**98,515**
Segment liabilities	**49,312**	**3,497**	**2,717**	**1,397**	**56,923**
Other segment information					
Acquisition of property, plant and equipment and other non-current assets	4,160	2,376	2	-	6,538

Notes

1. *All other segments represents the Group's operations in Africa, Asia and South America.*

Consolidated – HY 2019	Australia	United States	All other segments[1]	Corporate	Consolidated
	$'000	$'000	$'000	$'000	$'000
Segment revenue					
Sales to external customers					
- Maintenance services	87,030	-	15,654	-	102,684
- Hire recoveries	1,015	-	-	-	1,015
- Direct expense recoveries	6,100	-	722	-	6,822
	94,145	-	16,376	-	110,521
Inter-segment revenue	(123)	-	-	-	(123)
	94,022	-	16,376	-	110,398
Other revenue	134	-	3	167	304
Total segment revenue	**94,156**	**-**	**16,379**	**167**	**110,702**
Segment EBITDA	**9,779**	**(190)**	**3,076**	**5**	**12,670**
Depreciation and amortisation	1,591	-	24	-	1,615
Segment EBIT	**8,188**	**(190)**	**3,052**	**5**	**11,055**
Other segment information					
Interest income	-	-	-	-	-
Interest expense	(460)	-	-	-	(460)
Income tax (expense)/benefit	(2,073)	-	(487)	-	(2,560)
Segment result	**5,655**	**(191)**	**2,565**	**6**	**8,035**
Segment assets	**63,014**	**1,479**	**17,367**	**5,647**	**87,507**
Segment liabilities	**45,344**	**1,729**	**4,064**	**2,201**	**53,338**
Other segment information					
Acquisition of property, plant and equipment and other non-current assets	6,498	1,779	48	571	8,896

Notes

1. *All other segments represents the Group's operations in Africa, Asia and South America.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

9. Property, plant and equipment

	31 December 2019 $'000	30 June 2019 $'000
Office furniture and equipment at cost	1,268	1,179
Less accumulated depreciation	(507)	(426)
Total office furniture and equipment	**761**	**753**
Building and property improvements at cost	611	600
Less accumulated depreciation	(99)	(70)
Total building and property improvements	**512**	**530**
Plant, equipment and motor vehicles at cost	42,236	36,231
Less accumulated depreciation	(13,853)	(11,318)
Total plant, equipment and motor vehicles	**28,383**	**24,913**
Low value pool	225	209
Less accumulated depreciation	(167)	(158)
Total low value pool	**58**	**51**
Total property, plant and equipment	**29,714**	**26,247**

	Buildings and property improvements $'000	Office furniture and equipment $'000	Plant equipment and motor vehicles $'000	Low value pool $'000	Total $'000
31 December 2019					
Opening net book value	530	753	24,913	51	26,247
Additions	20	93	6,410	15	6,538
Disposals	-	-	(584)	-	(584)
Depreciation	(38)	(85)	(2,356)	(8)	(2,487)
Closing net book value	**512**	**761**	**28,383**	**58**	**29,714**

	Buildings and property improvements $'000	Office furniture and equipment $'000	Plant equipment and motor vehicles $'000	Low value pool $'000	Total $'000
30 June 2019					
Opening net book value	129	467	12,073	67	12,736
Additions	460	413	16,761	9	17,643
Disposals	-	(5)	(301)	-	(306)
Depreciation	(59)	(122)	(3,620)	(25)	(3,826)
Closing net book value	**530**	**753**	**24,913**	**51**	**26,247**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

10. Trade and other payables

	31 December 2019 $'000	30 June 2019 $'000
Current		
Trade payables	1,863	4,372
Other payables and accrued expenses	13,811	20,437
	15,674	24,809

Trade payables are non-interest bearing and are normally settled on 30-day terms. Other payables are non-interest bearing and have an average term of three months.

11. Borrowings

	31 December 2019 $'000	30 June 2019 $'000
Current		
Bank overdraft	15,516	6,927
Premium funded insurance	847	304
Chattel mortgage	7,628	7,133
	23,991	14,364

	31 December 2019 $'000	30 June 2019 $'000
Non-current		
Chattel mortgage	10,944	9,864
	10,944	9,864

Bank overdraft

The bank overdrafts are part of Invoice Finance Facilities of $22 million with a total of $6.48 million unused at 31 December 2019 (30 June 2019: $22 million and $15.07 million unused). Interest is based on the lending indicator rate plus a margin of 2.88% per annum. This facility is a revolving leasing limit with a yearly annual review and is subject to following financial covenants measured quarterly:

- Dividend restrictions with a maximum of 100% of NPAT based on consolidated Mader Contracting and Mader Queensland position;
- Debt service cover measured at minimum 2.00 times;
- Capital adequacy ratio not below 30%; and,
- A specific customer's concentration maximum 50%.

The Group has complied with these covenants as at 31 December 2019 (Full compliance at 30 June 2019).

Master asset finance (chattel mortgage)

Master asset finance facility of $16.0 million with a total of $0.57 million unused at 31 December 2019 (30 June 2019: $16 million and $0.70 million unused). The interest rate range is 2.91% to 4.51% (30 June 2019: 3.45% to 5.52%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

The bank overdraft and master asset finance facilities are secured by the assets of Mader Contracting Pty Ltd, Mader Queensland Pty Ltd and Mader Group Limited.

Master Loan and Security Agreement

Master loan and security agreement of US$2.20 million (A$3.14 million) which is fully drawn at 31 December 2019. At 30 June 2019 the facility amount was US$1.17 million (A$1.2 million) which was fully drawn. The facility matures on 30 June 2024. The agreement guarantee and indemnity is provided by Mader Group Limited.

Bank guarantee

The Group has provided a bank guarantee in the amount of $0.33 million as security for the rental agreement at its office at Perth Airport in Western Australia. At 31 December 2019 & 30 June 2019 this bank guarantee was fully drawn.

12. Dividends

	31 December 2019 $'000	31 December 2018 $'000
Cash dividend on ordinary shares declared and paid		
Dividend declared and paid during the period	1,280	4,000
	1,280	4,000

13. Commitment and contingency

	31 December 2019 $'000	30 June 2019 $'000
a) Chattel mortgage commitments		
Payable – minimum payments		
No later than 12 months	8,208	7,683
Between 12 months and 5 years	11,821	10,332
Minimum payments	20,029	18,015
Less future finance charges	(1,456)	(1,018)
Present value of minimum payments	18,573	16,997

b) Capital expenditure commitments

The Company has ordered 20 motor vehicles to be delivered in the first quarter of the year 2020 for the approximate value of $1.3 million (30 June 2019: $nil).

c) Contingency

There is no contingent assets and liabilities as at 31 December 2019 (30 June 2019: $nil).

14. Related party

There is no change with related party transactions for the period.

15. Event after the end of the reporting period

No matter or circumstances that have arisen during or since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company within future financial years.

DIRECTORS' DECLARATION

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

1. The financial statements and notes, as set out on pages 5 to 18, 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 2019 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 consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

Director ……….
Patrick Conway

Dated this 25th day of February 2020

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Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mader Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Mader Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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 2019 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 2019 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.

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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

Phillip Murdoch

Director

Perth, 25 February 2020

CORPORATE DIRECTORY

Directors

Jim Walker	(Non-Executive Chairman)
Luke Mader	(Executive Director)
Patrick Conway	(Executive Director and Chief Executive Officer)
Craig Burton	(Non-Executive Director)
Justin Nuich	(Non-Executive Director)

Company Secretary

Shannon Coates

Registered Office and Principal Place of Business

Suite A1, Hkew Alpha Building
2 George Wiencke Drive
Perth Airport WA 6105

Share register

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

Auditors

BDO Audit (WA) Pty Ltd
Level 1, 38 Station Street
Subiaco WA 6008

Stock Exchange Listing

Mader Groups' shares are listed on the Australian Securities Exchange (ASX)
ASX Code: MAD

Company Website

www.madergroup.com.au