



MACA Limited and its Controlled Entities
ABN 42 144 745 782

ASX Preliminary Final Report
30 June 2020

Lodged with the ASX under
Listing Rule 4.3A



MACA Limited and its Controlled Entities

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ASX Preliminary Final Report

30 June 2020

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MACA Limited

Commentary

For the Year Ended 30 June 2020

Commentary - FY20 Results

MACA Limited has delivered a Net Profit After Tax from Ordinary Activities of \$3.6 million and a Net Loss after Tax of \$17.4 million for the year to 30 June 2020. Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA') was \$120.4 million.

Results Summary

Ordinary Activities	30 June 2020	30 June 2019	Movement
Revenue	\$795.8m	\$639.9m	24%
EBITDA	\$129.5m	\$68.3m	90%
EBIT	\$9.3m	\$30.3m	(69%)
Net Profit / (Loss) Before Tax	\$6.1m	\$32.0m	(81%)
Net Profit / (Loss) After Tax	\$3.6m	\$22.4m	(84%)
Discontinued Operations	30 June 2020	30 June 2019	Movement
Revenue	\$12.2m	\$25.8m	(53%)
EBITDA	(\$9.1m)	\$2.4m	(479%)
EBIT	(\$14.6m)	(\$2.2m)	(564%)
Net Profit / (Loss) Before Tax	(\$13.7m)	-	-
Net Profit / (Loss) After Tax	(\$21.0m)	-	-
Total	30 June 2020	30 June 2019	Movement
Revenue	\$808.0m	\$665.7m	21%
EBITDA	\$120.4m	\$70.7m	70%
EBIT	(\$5.3m)	\$28.1m	(119%)
Net Profit / (Loss) Before Tax	(\$7.6m)	\$32.0m	(124%)
Net Profit / (Loss) After Tax	(\$17.4m)	\$22.4m	(178%)
Other Metrics	30 June 2020	30 June 2019	Movement
Work in Hand**	\$2,320m	\$2,110m	10%
Net Debt (Cash) position	\$73.4m	\$82.8m	(11%)
Operating Cash Flow	\$116.6m	\$57.5m	103%
Earnings per share - basic	(6.7) cents	7.7 cents	
Dividends per share (fully franked)	5.0 cents	4.5 cents	

** Refer page 15 of Investor Presentation for further detail

The MACA board has elected to pay a final dividend of 2.5 cents per share, taking the full year dividend to 5.0 cents per share. The dividend will be fully franked and will be payable on 18th September 2020 to eligible shareholders who are recorded on the Company's register as at the record date of 4th September 2020.

Overview

FY20 represented a contrasting year for MACA with strong growth in our revenue, continuing operational earnings (before impairment) and order book. The outbreak of COVID19 in the second half of the financial year has had limited direct operational impact, however the broader economic effects have had a significant adverse impact on the reported results through impairment and foreign exchange losses. MACA's "pre impairment and forex" financial results were in line with guidance provided to the market, with revenue of \$808m (up 21% on FY19) and EBITDA of \$116.1m (up 64% on FY19) and Net profit after tax \$29.1m (up 30% on FY19). (refer to Investor Presentation released to the ASX on 24 August for further details) Statutory results include the impairment of receivables (\$48m) and goodwill (\$3m) and the transfer of foreign exchange loss reserves on discontinued operations to the profit and loss statement (\$10m) resulting in a Net Loss After Tax of \$17.4m.

MACA Limited

Commentary

For the Year Ended 30 June 2020

The outbreak of COVID19 has resulted in disruptions to demand in the coal market, with a softening of the price for PCI Coal and a deterioration of the value of the Brazilian Real. As a result, an impairment to the carrying value of receivables of \$48m after tax (\$34m post tax) was realised on amounts owing from Carabella Resources in relation to the Bluff PCI Project and our discontinued Brazilian operations reported a net loss after tax of \$21m with a major contributor being foreign exchange losses on the back of the Brazilian currency being impacted by the country's severe COVID19 outbreak. MACA will continue to work with Carabella Resources to facilitate the recovery of the full outstanding amount. In contrast, other receivables balances continue to unwind, including Wiluna Mining Corporation Ltd (previously Blackham Resources) having repaid its working capital facility in full and now operating under contractual payment terms, and Great Panther Mining continuing to meet its repayment obligations.

Despite the above impacts, MACA remains in a position of strong liquidity, with operating cashflows of \$116.6m in FY20 and net debt of \$73.4m at 30 June 2020 (which includes \$114.7m of cash). This follows significant capital investment into plant and equipment in the year of \$124.5m associated primarily with new projects.

MACA is committed to providing a safe and healthy workplace for our employees, contractors and visitors. We remain focused on delivering work sustainably and responsibly in order to minimise our impact to the environment. Our safety management team has been strengthened with the appointment of Lance Matthews to the role of General Manager - HSEQT reporting to the CEO. A fresh approach to health and safety was commenced with the engagement of our leadership at all levels of the business, as we collectively focused on delivering a "Working Safely" workplace culture. It is also pleasing to note that during the second half of the financial year, MACA worked proactively and collaboratively with our clients, suppliers and employees to manage the potential impact of COVID19 in the workplace.

The past year has also seen a strengthening of the MACA Board and Executive Leadership Team with the appointment of Mike Sutton as Chief Executive Officer and Managing Director, David Greig as Chief Operating Officer and Chris Sutherland as an Independent Non-Executive Director. Mike was appointed after an extensive selection process, following the resignation of Chris Tuckwell, who served in these roles for 11 years. These appointments further enhance MACA's capability and focus to strategically grow the business, improve performance and deliver shareholder value.

MACA appreciates the commitment of its employees, who in many cases have spent additional time away from their families whilst facilitating roster changes and border closures as a result of COVID19. With a strong culture and commitment to the MACA brand, and a total workforce (including contractors) in excess of 2,000 people, our people have contributed to the successful delivery of quality projects safely. The Board would like to extend its thanks to them and all of our stakeholders who remain an essential part of our success.

Mining

Operational activities have continued to grow strongly in mining, with MACA continuing its contract mining operations for Regis Resources at the Duketon South and Duketon North operations, with Ramelius Resources at the Mount Magnet and Edna May (awarded in February 2020) projects, with Wiluna Mining Corporation at the Matilda project, with Pilbara Minerals at the Pilgangoora lithium project and with Carabella Resources in the Blackwater region of Queensland (PCI coal). In November 2019, MACA was awarded a five year mining contract by FQM Australia Nickel Pty Ltd at the Ravensthorpe Nickel Project, which commenced successfully in the second half of FY20. Atlas Iron awarded MACA the Corunna Downs project, worth \$230M, in early July 2020 with work commencing in the first quarter of FY21.

International

Internationally, MACA ceased operations for Avanco Resources (now fully owned by Oz Minerals) at the Antas project in Brazil and is relocating assets back to Australia to support operational activities.

In March 2020, MACA executed a mining contract with a wholly owned subsidiary of Emerald Resources Ltd, for the provision of contract mining services at the Okvau Gold Project in Cambodia. The term of the contract is for seven years, with mobilisation to site commencing in August 2020 and operations commencing October 2020.

MACA Limited

Commentary

For the Year Ended 30 June 2020

Crushing

MACA continued to deliver on its crushing contracts for BHP Iron Ore during the year, which included a contract to crush blast-hole stemming material across BHP's Western Australian Iron Ore operations, a contract to crush and screen up to 12Mtpa of iron ore at the Mining Area C operation, and a contract to crush and screen up to 5Mtpa of iron ore at their Eastern Ridge operations. Additionally, MACA was awarded a contract by Atlas Iron in October 2019 for the provision of crushing and screening at their Mt Webber operations.

Civil and Infrastructure

The financial result in the second half of the year for the Civil division was particularly strong. During the year a number of contracts were won and substantially completed including the Karratha / Tom Price Road for Main Roads Western Australia, which included the construction and sealing of a 45km section of road. In addition, MACA has commenced a number of packages for Fortescue Metals Group Ltd including work at Fortescue's Joint Venture at Iron Bridge with Formosa Steel IB Pty Ltd, for general earthworks, camp expansion, airstrip and construction of a 26km mine access road, as well as work at the Eliwana mine. MACA also commenced work for Atlas Iron constructing the access road for the Corunna Downs project.

A significant achievement for the Civil division was the recent award of Certificate of Prequalification for R4/B3 conditional. This allows MACA Civil to participate in significant urban Government work in its own right.

In Victoria, our business continues to grow in scale and capability, with the award of a number of projects for VicRoads in FY20, including the Shepparton Alternative Route Roundabout Upgrades, the Bacchus March Road Stage 2A Safety Improvements, the Midland Highway Buninyong Road Towards Zero package, the civil and safety package on the Princes Highway along with a number of minor works contracts with VicRoads and local Victorian shires.

In Western Australia, MACA continues to provide the Kimberley region road and asset maintenance contract for Main Roads WA. In Victoria, MACA provided road and asset maintenance services to VicRoads in the Western Region, in addition to providing maintenance services to Local Government.

MACA Interquip

In FY20, MACA Interquip completed the Kirkalocka gold project for Adaman Resources, including the installation of a new semi-autogenous mill and the refurbishment of an existing processing plant, with MACA Interquip also awarded the ongoing contract in relation to its maintenance. Additionally, MACA Interquip completed tank upgrade works for Saracen at Carosue Dam and the build, refurbish and install of the Mt Webber crushing circuit at Atlas Iron Mt Webber. A strong pipeline of opportunities is being pursued.

Operating Cash Flow and Capital Expenditure

Operating cash flow for the year ended 30 June 2020 was \$116.6 million (FY19 \$57.5m). Capital expenditure for the financial year was \$124.5 million (FY19 \$165.9m), largely associated with new equipment for the Ravensthorpe Nickel Project, preparing fleet for the Okvau Gold Project, additional equipment for the Crushing Division and sustaining capital. Capital equipment purchases were funded by a combination of cash and equipment finance contracts. In addition to the strong operating cashflow of \$116.6 million a further \$44 million was received from repayment of client loans and the sale of equity received as part of these longer term repayment plans.

Final Dividend

The directors have determined to pay a fully franked final dividend of 2.5c per share with a record date of 4th September 2020 and payment date of 18th September 2020. The total dividend paid during the year was \$13.4 million (2019: \$14 million).

MACA Limited

Commentary

For the Year Ended 30 June 2020

Events Subsequent to Balance Date

- Award of Corunna Downs Mining Contract by Atlas Iron which is expected to generate revenue of \$230 million over the 62 month term;
- Award of Mt Magnet Mining Contract Extension by Ramelius Resources which is expected to generate revenue of \$130 million over the 3 year term; and
- 10% Non-Owner Participant in the Southwest Connex Alliance for Bunbury Outer Ring Road Project which is expected to generate revenue of \$85m over the three and half year term
- As announced on 21 August 2020, MACA recognised an impairment of \$48m in relation to the carrying amount of the Carabella Resources receivable, in addition to impairing goodwill by \$3m.

Other than the items listed above, no other matters or circumstances have arisen since the full year to 30 June 2020 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future Developments and Prospects

The improved performance of the Mining Division in the second half of FY20 is expected to hold into the coming year as the renewed focus on performance delivers results. Strong commodity prices, particular in gold and iron ore, are expected to generate new opportunities that will support further growth. The Mining Division enters FY21 with a strong Work-in-Hand balance and a high proportion of revenue already secured.

The Civil and Infrastructure businesses, delivered a record result in FY20, and is benefiting from increased activity in the development of new resource projects and increased spending on Government infrastructure programmes. We expect opportunities to continue to present themselves over FY21 through significant capital works programmes. Whilst Victoria remains challenging due to the impacts and restrictions of COVID19, the division is well positioned to benefit from any increased or accelerated infrastructure spend and enters FY21 with \$41m work in hand. MACA Interquip enters FY21 with a strong tender pipeline in both the gold and iron ore sectors, in addition to secured ongoing maintenance contracts and minor works projects.

MACA enters the year with a work in hand position of \$2.3 billion as at August 2020. This together with strong prospects has the business poised to grow both revenue and profitability. At this stage, the Company expects revenue for FY21 to increase from the current year to exceed \$850 million of which over \$740m is contracted (\$543m relates to Mining and Crushing). MACA continues to selectively identify mining and construction opportunities and is well positioned to deliver growth of its quality services to customers in the sectors in which it operates.

Section 2 Results for Announcement to the Market

ABN or equivalent company reference

42 144 745 782

Financial year ended ('current period')

30th June 2020

Financial year ended ('previous period')

30th June 2019

2.1 Results for Announcement to the Market

	2020 \$'000	2019 \$'000	% change	
Revenue from ordinary activities	795,755	665,719	Up	20%
Profit after tax from ordinary activities attributable to members	3,583	22,415	Down	(84%)
Net profit for the period attributable to members	(17,874)	20,574	Down	(187%)
Dividends				
The final dividend for the year 30 th June 2020 is \$0.025 per share				
Record date for determining entitlements to the final dividend	4 th September 2020			

2.2 Individual and Total Dividends Per Security

	Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Final Dividend:				
Current year	18 th September 2020	2.5 cents	2.5 cents	-
Previous year	20 th September 2019	2.5 cents	2.5 cents	-
Interim Dividend:				
Current year	20 th March 2020	2.5 cents	2.5 cents	-
Previous year	21 st March 2019	2.0 cents	2.0 cents	-
Total:				
Current year	-	5.0 cents	5.0 cents	-
Previous year	-	4.5 cents	4.5 cents	-

2.3 Dividend Reinvestment Plans

The company does not have a dividend reinvestment plan

2.4 NTA backing

	30 th June 2020	30 th June 2019
Net tangible asset backing per ordinary security*	106.7 cents	119.51

*includes right of use assets

2.5 Control gained over entities

Name of entity (or group of entities)	Nil
Date control gained	-

2.5.1 Loss of control over entities

Name of entity (or group of entities)	Nil
Date control lost	-
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material).	-
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material).	-

2.6 Details of associates and joint venture entities

Name of entity (or group of entities)	Nil
Date of joint venture	Nil

2.7 Commentary on results for the period

Refer covering commentary

2.8 Statement of compliance in regards to audit

This report is based on accounts to which one of the following applies.

The accounts have been audited		The accounts have been subject to review	
		The accounts are in the process of being reviewed	
The accounts are in the process of being audited	x	The accounts have not yet been audited or reviewed	

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, details are described below.

N/A

If the accounts have been audited or subject to review and are subject to dispute or qualification, details are described below.

N/A



Mike Sutton
Managing Director, CEO

Dated at PERTH this 24th day of August 2020.

MACA Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 30 June 2020

		30 June 2020 \$'000	30 June 2019 \$'000*
	Section		
Continuing Operations			
Revenue	3.1(a)	795,755	639,948
Other Income	3.1(b)	38,013	31,674
Direct Costs		(748,000)	(621,152)
Finance Costs		(6,468)	(3,391)
Impairment of Assets	3.1(c)	(51,602)	-
Fair Value Gains / (Losses) on Financial Assets		-	(404)
Foreign Exchange Gains / (Losses)		1,415	1,667
Other Expenses from Ordinary Activities		(23,044)	(16,327)
Profit Before Income Tax		6,069	32,015
Income Tax Expense	3.6.1(a)	(2,486)	(9,593)
Profit After Tax from Continuing Operations		3,583	22,422
Discontinued Operations			
Profit / (Loss) After Tax from Discontinued Operations	3.7	(10,472)	(7)
Transfer of Foreign Exchange Reserve on Discontinued Operations	5.6	(10,567)	-
Profit / (Loss) for the Year		(17,456)	22,415
Other Comprehensive Income:			
Exchange Differences on Translating Foreign Operations	5.6	(2,072)	4,155
Transfer of Foreign Exchange Reserve on Discontinued Operations	5.6	10,567	-
Total Comprehensive Income for the Year		(8,961)	26,570
Profit / (Loss) Attributable to:			
- Non-Controlling Interest		418	1,841
- Members of the Parent Entity		(17,874)	20,574
		(17,456)	22,415
Total Comprehensive Income Attributable to:			
- Non-Controlling Interest		418	1,841
- Members of the Parent Entity		(9,379)	24,729
		(8,961)	26,570
Earnings per Share			
From Continuing and Discontinued Operations:			
- Basic Earnings per Share (cents)	3.8	(6.67)	7.68
- Diluted Earnings per Share (cents)	3.8	(6.57)	7.60
From Continuing Operations:			
- Basic Earnings per Share (cents)	3.8	1.18	7.68
- Diluted Earnings per Share (cents)	3.8	1.16	7.60
From Discontinued Operations:			
- Basic Earnings per Share (cents)	3.8	(7.85)	0.00
- Diluted Earnings per Share (cents)	3.8	(7.74)	0.00

* The comparative Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2019 has been restated to conform with AASB 5: Non-Current Assets Held for Sale and Discontinued Operations.

The accompanying Sections form part of these Financial Statements

MACA Limited

Consolidated Statement of Financial Position

As at 30 June 2020

		30 June 2020 \$'000	30 June 2019 \$'000
	Section		
Current Assets			
Cash and Cash Equivalents	5.1.1	114,650	59,292
Trade and Other Receivables	4.1	154,329	175,649
Loans to Other Companies	4.1	-	22,300
Inventory	4.2	12,438	14,306
Work In Progress	4.2	1,201	1,717
Other Financial Assets	4.1	69	7,076
Other Assets	4.3	5,550	1,815
Total Current Assets		288,237	282,155
Non-Current Assets			
Trade and Other Receivables	4.1	-	15,139
Property, Plant and Equipment*	4.4	293,318	238,280
Loans to Other Companies	4.1	26,841	25,655
Other Financial Assets	4.1	-	6,514
Goodwill	4.5	-	3,187
Deferred Tax Assets	3.6.2(a)	23,559	13,513
Total Non-Current Assets		343,718	302,288
Total Assets		631,955	584,443
Current Liabilities			
Trade and Other Payables	4.6	116,078	87,942
Interest Bearing Liabilities	5.2.1	55,127	42,272
Current Tax Liabilities	3.6.2(b)	2,169	3,732
Short-Term Provisions	4.7	15,976	13,657
Total Current Liabilities		189,350	147,603
Non-Current Liabilities			
Deferred Tax Liabilities	3.6.2(b)	-	4,326
Interest Bearing Liabilities	5.2.1	132,945	99,848
Total Non-Current Liabilities		132,945	104,174
Total Liabilities		322,295	251,777
Net Assets		309,660	332,666
Equity			
Issued Capital	5.5	269,806	269,806
Reserves	5.6	(5,298)	(13,793)
Retained Profits		41,619	73,496
Parent Interest		306,127	329,509
Non-Controlling Interest		3,533	3,157
Total Equity		309,660	332,666

*Includes Right-Of-Use Assets

The accompanying Sections form part of these Financial Statements

MACA Limited

Consolidated Statement of Cash Flows

For The Year Ended 30 June 2020

		30 June 2020 \$'000	30 June 2019 \$'000
	Section		
Cash Flows From Operating Activities			
Receipts from Customers		787,478	629,567
Payments to Suppliers and Employees		(652,119)	(568,027)
Interest Received		3,292	8,055
Interest Paid		(6,834)	(4,109)
Income Tax Paid		(15,187)	(7,965)
Net Cash Provided By / (Used In) Operating Activities	5.1.2	116,630	57,521
Cash Flow From Investing Activities			
Proceeds from Sale of Investments		19,836	10,348
Proceeds from Sale of Property, Plant and Equipment		7,735	1,620
Purchase of Property, Plant and Equipment*		(63,444)	(89,318)
Net Loans Repaid by / (Provided to) Customers		22,591	(19,925)
Purchase of Investments		(5,435)	(19,755)
Net Cash Provided By / (Used In) Investing Activities		(18,717)	(117,030)
Cash Flow From Financing Activities			
Proceeds from Borrowings*		23,821	47,965
Repayment of Borrowings		(52,975)	(27,337)
Dividends Paid by the Parent		(13,400)	(14,741)
Net Cash Provided by / (Used In) Financing Activities		(42,554)	5,887
Net Increase/(Decrease) in Cash Held		55,359	(53,622)
Effect of Forex Rate Changes		(1)	4,675
Cash and Cash Equivalents at the Beginning of the Year		59,292	108,239
Cash and Equivalents at the End of the Year	5.1.1	114,650	59,292

* Non-Cash Financing and Investing Activities

During the period ended 30 June 2020 the Group acquired \$61.1 million (2019: \$76.6m) in plant and equipment by means of finance leases (included in right-of-use assets), directly from original equipment manufacturers. These acquisitions are not reflected above.

The accompanying Sections form part of these Financial Statements

MACA Limited

Consolidated Statement of Changes of Equity

For the Year Ended 30 June 2020

	Issued Capital \$'000	Retained Profits \$'000	Outside Equity Interest \$'000	General Reserves \$'000	Option Reserve \$'000	FX Reserve \$'000	Total \$'000
Balance at 1 Jul 2018	269,806	67,662	1,316	(5,888)	590	(12,650)	320,836
Profit / (Loss) for the Year	-	20,574	1,841	-	-	-	22,415
SUB-TOTAL	269,806	88,236	3,157	(5,888)	590	(12,650)	343,251
Other Comprehensive Income:							
Forex in Translating Foreign Operations	-	-	-	-	-	4,155	4,155
SUB-TOTAL	269,806	88,236	3,157	(5,888)	590	(8,495)	347,406
Dividends Paid	-	(14,740)	-	-	-	-	(14,740)
Balance at 30 Jun 2019	269,806	73,496	3,157	(5,888)	590	(8,495)	332,666
Balance at 1 Jul 2019	269,806	73,496	3,157	(5,888)	590	(8,495)	332,666
Effect of AASB16	-	(603)	(42)	-	-	-	(645)
Restated Balance at 1 Jul 2019	269,806	72,893	3,115	(5,888)	590	(8,495)	332,021
Profit / (Loss) for the Year	-	(17,874)	418	-	-	-	(17,456)
SUB-TOTAL	269,806	55,019	3,533	(5,888)	590	(8,495)	314,565
Other Comprehensive Income:							
Forex in Translating Foreign Operations	-	-	-	-	-	(2,072)	(2,072)
Transfer of FX Reserve on Discontinued Operations	-	-	-	-	-	10,567	10,567
SUB-TOTAL	269,806	55,019	3,533	(5,888)	590	-	323,060
Dividends Paid	-	(13,400)	-	-	-	-	(13,400)
Balance at 30 Jun 2020	269,806	41,619	3,533	(5,888)	590	-	309,660

The accompanying Sections form part of these Financial Statements

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

Section 1 General Information

1.1 Reporting Entity

MACA Limited (MLD) is a limited company incorporated in Australia. The addresses of the Company's registered office and principal places of business are disclosed in the Corporate Directory. The principal activities of the Company are described in the Directors' Report.

1.2 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Company is a for profit entity for financial reporting purposes under Australian Accounting Standards. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

These financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. These financial statements are presented in Australian dollars and rounded to the nearest thousand (\$'000), unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

1.3 Basis of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MACA Limited (the 'Company') as at 30 June 2020 and the results of all subsidiaries for the year then ended. MACA Limited and its subsidiaries together are referred to in these financial statements as the "Group" or "Consolidated".

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

1.3 Basis of Consolidation (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full.

1.4 New Accounting Standards Adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting the following Standard:

AASB 16: Leases

The impact of the adoption of this Standard and the respective accounting policies is disclosed in the note below:

Changes in Accounting Policies

This note describes the nature and effect 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, where they are different to those applied in prior periods.

a. Leases

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group, where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

a. Leases (continued)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

b. Initial Application of AASB 16: Leases

The Group has adopted AASB 16 using the modified retrospective approach from 1 July 2019 and as such has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising under AASB 16 are therefore recognised in the opening balance sheet on 1 July 2019.

The Group has recognised a lease liability and right-of-use asset for all leases, except for the short-term and low-value leases which are recognised as operating leases under AASB 117: Leases where the Group is the lessee.

There has been no significant change from prior year treatment for leases where the Group is a lessor.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets were measured at the carrying amount as if AASB 16 had been applied since the commencement date, but discounted using the Group's incremental borrowing rate per lease term as at 1 July 2019.

The right-of-use assets for the remaining leases have been measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and the prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied.
- leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases.
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate.
- applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 4%.

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Sections to the Financial Statements

For the Year Ended 30 June 2020

b. Initial Application of AASB 16: Leases (continued)

The effect of the application of AASB 16 in respect to the operating lease under AASB 117 on the statement of financial position on 1 July 2019 was as follows:

Impact of the Application of AASB 16	Section	1 July 2019 \$'000
Right-of-Use Assets (net of accumulated depreciation of \$3.04m)	4.4	13,138
Total impact on assets		13,138
Lease Liabilities	5.2.1	13,783
Total impact on liabilities		13,783
Net impact on retained earnings		(645)

Refer to Section 3.4, 4.4 and 5.2 for details of the impact on the financial statements.

1.5 New Accounting Standards for Application in Future Periods

A number of new accounting standards, amendments to standards and interpretations are not yet effective for the 30 June 2020 reporting period and have not been early adopted in preparing these financial statements.

The Directors' assessment of these new accounting standards (to the extent relevant to the Group) and interpretations is that they are not expected to have a material effect on the financial statements of the Group.

1.6 Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

Section 2 Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates and Judgements

Impairment - Property, Plant and Equipment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

The value in use calculations with respect to assets require an estimation of the future cash flows expected to arise from each cash generating unit and a suitable discount rate to apply to these cash flows to calculate net present value. The Directors have determined that there is no adjustment required to the carrying value of assets in the current reporting period.

Impairment - Trade and Other Receivables and Loans to Other Companies

As at 30 June 2020, the Group's trade and other receivables and loans to other companies amounted to \$229.6m (30 June 2019: \$238.74m), before recognition of any impairment.

Based on the Group's historical credit loss experience, trade receivables and loans to other companies exhibit different loss patterns for each revenue segment. Where the Group has common customers across the different geographical regions it applies credit evaluations firstly by segment. Receivables identified within each revenue segment, are then evaluated on an individual basis. Management has assessed that trade receivable with Carabella Resources Pty Ltd is credit impaired and has made a provision through the profit and loss of \$48.4 million, this reflects the lifetime expected credit loss. There were no further receivables that were considered material and impaired.

In the assessment of loans to other companies, no overdue payments were outstanding for greater than 12 months and the loan to Carabella Resources Pty Ltd has first ranking securities over the company assets. (Refer to Section 5.3 for details)

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on best estimates. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the Group's understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that best estimate, pending an assessment by the Australian Taxation Office.

Estimation of Useful Lives of Assets

The estimation of the useful lives of property, plant and equipment is based on historical experience and is reviewed on an ongoing basis. The condition of the assets is assessed at least annually against the remaining useful life with adjustments made when considered necessary.

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Sections to the Financial Statements

For the Year Ended 30 June 2020

Section 3 Results for the Year

This section focuses on the results and performance of the Group and includes disclosures explaining the Group's results for the year, segment information, capital and leasing commitments, taxation, profit/(loss) from discontinued operations and EPS.

3.1 Revenue

Accounting Policies

Revenue Recognition

Under AASB 15, revenue is recognised when the performance obligations are considered met, which can be at a point in time, or over time, depending on the various service offerings. Major activities of the Group are detailed below.

Contract Services

Contracts for services includes contract mining, drill and blast, excavation, earthmoving, crushing, infrastructure and road construction and maintenance.

The relevant performance obligations are fulfilled over time as the Group enhances assets which the customer controls, for which the Group does not have an alternative use and for which the Group has a right to payment for performance to date and as such revenue is recognised over time.

Revenue is measured and recognised monthly using the outputs method, either based on units of production (typically for contract mining services, which is the largest segment in the Group) or on the achievement of milestones (generally for civil and infrastructure projects) at agreed contract rates that are aligned with the stand alone selling prices for each performance obligation. The majority of the Group's revenue (i.e. in respect of mining services) is paid one month in arrears and therefore gives rise to a process of invoicing or accruing revenue monthly, based on the achievement of contractually agreed production related measures, as noted above.

For rental of equipment, as the customer simultaneously receives and consumes the benefits, the Group has an enforceable right to payment, based on agreed contract rates, and as such the performance obligation is fulfilled over time.

The total transaction price for contract services may include variable consideration. Variable consideration is only recognised and recorded in the accounts to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

Sale of Inventory

Revenue recognised at a point in time is only 1% of the Group's trading revenue. This is noted under note 3.2 Operating Segments and refers only to Interquip revenues of which 22% of their trading revenues comprise the sale of inventory. At the point of recognising the revenue the Group has agreed the price of the transaction, transferred the physical asset and the customer has accepted control of the asset and its intended use of the asset.

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

3.1 Revenue (continued)

Other Revenue

Other revenue and other income primarily includes profit or loss on sale of assets or investments, dividends received, government rebates (including diesel fuel rebates) and interest income which is recognised on an accrual basis.

All dividends received are recognised as revenue when the right to receive the dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

The following is an analysis of the Group's revenue and other income for the year:

		30 June	30 June
		2020	2019
Continuing Operations			
3.1(a) Revenue from Operating Activities	Section	\$'000	\$'000
Contract Trading Revenue		790,058	634,429
Interest Received		3,223	5,124
Other Revenue		2,474	395
Total Revenue from Operating Activities		795,755	639,948

		30 June	30 June
		2020	2019
Continuing Operations			
3.1(b) Other Income	Section	\$'000	\$'000
Profit / (Loss) on Disposal of Property, Plant and Equipment		3,402	1,030
Profit / (Loss) on Sale of Investments		(299)	188
Rebates		34,910	30,456
Total Other Income		38,013	31,674

		30 June	30 June
		2020	2019
Continuing Operations			
3.1(c) Impairment of Assets	Section	\$'000	\$'000
Impairment of Receivables	4.1	48,415	-
Impairment of Goodwill	4.5	3,187	-
Total Impairment		51,602	-

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

3.2 Operating Segments

Identification of Reportable Segment

The Group identifies its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group operates in three business and two geographical segments, being the provision of civil, SMP and contract mining services throughout Australia and mining services to the mining industry in Brazil, South America. Operations in Brazil have been discontinued during the year and are presented separately in the table below.

Basis of Accounting for Purposes of Reporting by Operating Segments

Accounting Policies Adopted

Unless otherwise stated, all amounts reported to the Board of Directors as the chief operating decision maker, are in accordance with accounting policies that are consistent to those adopted in the financial statements of the Group.

Inter-segment transactions

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue and expense are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Dividends, interest, head office and other administration expenditure

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

3.2 Operating Segments (continued)

Consolidated - June 2020	Mining	Civil/ Infrastructure	Interquip	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
Reportable Segment Revenue ¹	570,774	191,173	30,797	3,011	795,755
Other Revenue	36,324	(42)	(3)	1,734	38,013
Total Revenue	607,098	191,131	30,794	4,745	833,768
EBITDA*	111,698	13,083	2,105	2,584	129,470
Depreciation and Amortisation	(66,248)	(1,285)	(1,021)	-	(68,554)
Impairment	(48,415)	(3,187)	-	-	(51,602)
Interest Revenue	1,785	24	4	1,410	3,223
Finance Costs	(6,235)	(156)	(53)	(24)	(6,468)
Net Profit/(Loss) Before Tax	(7,415)	8,479	1,035	3,970	6,069
Income Tax Expense					(2,486)
Net Profit After Tax					3,583
Net Loss After Tax from Discontinued Operations					(21,039)
Profit / (Loss) for the Year					(17,456)
Assets					
Segment Assets	470,246	71,260	21,463	68,986	631,955
Total Assets					631,955
Liabilities					
Segment Liabilities	266,642	49,749	4,185	1,719	322,295
Total Liabilities					322,295
Capital Expenditure	117,975	6,037	513	-	124,525

¹Excludes revenue of \$12.2m from discontinued operation from Brazil

*EBITDA is Earnings Before Interest, Income Tax, Depreciation and Amortisation of Continuing Operations

22% of Interquip segment revenue has been derived at a point in time. This represents only 1% of the Group's total trading revenue. All other Group revenue is derived over time.

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Sections to the Financial Statements

For the Year Ended 30 June 2020

3.2 Operating Segments (continued)

Consolidated - June 2019	Mining	Civil/ Infrastructure	Interquip	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
Reportable Segment Revenue ¹	447,691	138,920	50,530	2,807	639,948
Other Revenue	30,920	10	2	742	31,674
Total Revenue	478,611	138,930	50,532	3,549	671,622
EBITDA*	63,151	(1,405)	5,761	792	68,299
Depreciation and Amortisation	(36,204)	(1,041)	(772)	-	(38,017)
Impairment	-	-	-	-	-
Interest Revenue	2,254	15	48	2,807	5,124
Finance Costs	(3,192)	(180)	(19)	-	(3,391)
Net Profit/(Loss) Before Tax	26,009	(2,611)	5,018	3,599	32,015
Income Tax Expense					(9,593)
Net Profit After Tax					22,422
Net Loss After Tax from Discontinued Operations					(7)
Profit for the Year					22,415
Assets					
Segment Assets	451,635	31,234	26,785	74,789	584,443
Total Assets					584,443
Liabilities					
Segment Liabilities	214,136	24,219	8,903	4,519	251,777
Total Liabilities					251,777
Capital Expenditure	164,675	491	754	-	165,920

¹Excludes revenue of \$25.8m from discontinued operation from Brazil

*EBITDA is Earnings Before Interest, Income Tax, Depreciation and Amortisation of Continuing Operations

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Sections to the Financial Statements

For the Year Ended 30 June 2020

3.2 Operating Segments (continued)

Geographical Information	Revenue		Non-Current Assets	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Australia	795,755	639,948	333,292	266,492
Brazil (Discontinued Operations)	12,186	25,772	10,426	35,796
Total	807,941	665,720	343,718	302,288

Major Customers

The Group has a number of customers to whom it provides both products and services. The Group supplies 3 single external customers in the mining segment which account for 31.4%, 10.9% and 8.5% of external revenue. (2019: 35.6%, 9% and 7.9%). The next most significant client across the Group accounts for 10.9% (2019: 7.2%) of external revenue.

3.3 Operating Costs from Continuing Operations

Expenses	Section	30 June	30 June
		2020	2019
		\$'000	\$'000
Depreciation and Amortisation			
– Plant and Equipment		65,582	37,107
– Motor Vehicles		509	662
– Other		2,463	248
Total Depreciation and Amortisation Expense*	3.2	68,554	38,017

*The amount above excludes the depreciation of \$3.46m (2019: \$4.65m) for discontinued operations.

Employee Benefits Expense	289,988	273,202
Repairs, Service and Maintenance	55,360	53,029
Materials and Supplies	129,244	122,178

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Sections to the Financial Statements

For the Year Ended 30 June 2020

3.4 Capital and Leasing Commitments

Accounting Policies

Leases

AASB 16 Leases has been adopted by the Group at 1 July 2019 and contains significant changes to the accounting treatment of leases around how to recognise, measure and disclose. These are detailed in the Changes in Accounting Policies Note, Note 4.4 and 5.2. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, with exception of short term (less than 12 months) and low value leases.

The Group manages its owned and leased assets to ensure there is an appropriate level of equipment to meet its current obligations and to tender for new work. The decision as to whether to lease or purchase an asset is dependent on the finance available at the time and the residual risk of ownership following the anticipated completion of the project.

	30 June 2020 \$'000	30 June 2019 \$'000
(a) Operating Lease Commitments		
Non-Cancellable Operating Leases Contracted For but Not Capitalised in the accounts:		
Payable — Minimum Lease Payments		
– Not Later Than 12 Months	-	2,979
– Between 12 Months and 5 Years	-	8,817
– Greater Than 5 Years	-	4,268
Total Operating Lease Commitments	-	16,064

(b) Capital Expenditure Commitments

Plant and Equipment Purchases

Payable

– Not Later Than 12 Months	40,300	21,100
– Between 12 Months and 5 Years	-	-
– Greater Than 5 Years	-	-
Total Minimum Commitments	40,300	21,100

\$40.3m of commitments for property, plant and equipment expenditure existed at 30 June 2020 (2019: \$21.1m). These commitments are largely associated with the Okvau and Corunna Downs projects for EMR and Atlas Iron respectively.

3.5 Auditor's Remuneration

	30 June 2020 \$'000	30 June 2019 \$'000
Auditor's Remuneration - Moore Stephens		
Audit or Review of the Financial Report	239	230
Other Non-Audit Services	-	-
Taxation Services	-	-
Total Auditor's Remuneration	239	230

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

3.6 Taxation

Accounting Policies

Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cashflows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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Sections to the Financial Statements

For the Year Ended 30 June 2020

3.6 Taxation (continued)

		30 June	30 June
		2020	2019
Continuing Operations			
3.6.1 Income Tax Expense	Section	\$'000	\$'000
(a) The Components of Tax Expense Comprise:			
Current		16,858	10,494
Deferred		(14,372)	(901)
Income Tax Expense		2,486	9,593
(b) Reconciliation:			
Prima Facie Tax Payable on Profit From Ordinary Activities Before Income Tax at 30% (2019: 30%)		1,821	9,605
Add Tax Effect of			
– Dividend Imputation		1,723	1,895
– Other Non-Allowable Items		412	124
– Other Taxable Items		5,017	4,286
– Under/(Over) provision of Prior Years' Tax Expense		(277)	-
Less Tax Effect of			
– Franking Credits on Dividends Received		(5,743)	(6,317)
– Other Deductible Items		(467)	-
Income tax attributable to the Group		2,486	9,593
The Applicable Weighted Average Effective Tax Rate as*		41%	30%

*Permanent tax difference of \$1m arising from the impairment of goodwill has increased the tax rate from 30% to 41% for the year.

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Sections to the Financial Statements

For the Year Ended 30 June 2020

3.6 Taxation (continued)

		30 June 2020 \$'000	30 June 2019 \$'000
3.6.2 Tax Assets and Liabilities	Section		
(a) Tax Assets			
Non-Current			
Deferred Tax Assets comprise			
Provisions	3.6.3(c)	5,725	4,671
Losses	3.6.3(c)	2,733	8,293
Other	3.6.3(c)	15,101	549
Total Non-Current Tax Assets		23,559	13,513
(b) Tax Liabilities			
Current			
Income tax		2,169	3,732
Total Current Tax Liabilities		2,169	3,732
Non-Current			
Deferred Tax Liabilities comprises:			
Depreciation		-	4,306
Other		-	20
Total Non-Current Tax Liabilities	3.6.3(b)	-	4,326

3.6.3 Reconciliations

(a) Gross Movements

The Overall Movement In the Deferred Tax Account is as follows

Opening Balance	9,187	8,305
(Charge)/Credit To Income Statement	14,372	882
(Charge)/Credit To Equity	-	-
Closing Balance	23,559	9,187

(b) Deferred Tax Liabilities

The Movement In Deferred Tax Liabilities For Each Temporary Difference During the Year is as follows:

Depreciation and Other:

Opening Balance	4,326	2,959
Charge/(Credit) To Income Statement	(4,326)	1,367
Charge/(Credit) To Equity	-	-
Closing Balance	-	4,326

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For the Year Ended 30 June 2020

3.6 Taxation (continued)

	30 June 2020 \$'000	30 June 2019 \$'000
3.6.3 Reconciliations (continued)	Section	
(c) Deferred Tax Assets		
The Movement In Deferred Tax Assets For Each Temporary Difference During the Year is as follows:		
Provisions:		
Opening Balance	4,671	3,980
Credit To Income Statement	1,054	691
Closing Balance	5,725	4,671
Losses:		
Opening Balance	8,293	6,585
(Charge)/Credit To Income Statement	(5,560)	1,708
Closing Balance	2,733	8,293
Other:		
Opening Balance	549	700
(Charge)/Credit To Income Statement	14,552	(151)
Charge/(Credit) To Equity	-	-
Closing Balance	15,101	549

3.7 Profit / (Loss) from Discontinued Operations

Accounting Policies

A discontinued operation is a component of the entity that either has been disposed of, ceased operation or is classified as held for sale, and

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, is presented in a single amount in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. This amount comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale (if any).

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

3.7 Profit / (Loss) from Discontinued Operations (continued)

Discontinued Operations

On 21 January 2020, the Group announced the cessation of the operations in Brazil. This followed the termination of the contract at Antas for AVB Mineracao Ltda, a subsidiary of Oz Minerals Ltd. The Group is in the progress of relocating the plant and equipment back to Australia for deployment to existing and new projects.

The financial performance of the discontinued operations, is included in profit/(loss) from discontinued operations on the face of Consolidated Statement of Profit or Loss and Other Comprehensive Income, is as follows:

Section	30 June 2020 \$'000	30 June 2019 \$'000
Revenue	12,186	25,772
Other Income	211	(401)
Direct Costs	(21,426)	(24,717)
Impairment	(1,952)	-
Finance Costs	(365)	(718)
Foreign Exchange Gains / (Losses)	(2,358)	54
Profit / (Loss) Before Income Tax	(13,704)	(10)
Income Tax Expense	3,232	3
Profit / (Loss) After Tax from Discontinued Operations	(10,472)	(7)

The net cash flows of the discontinued operations, which have been incorporated into the Consolidated Statement of Cash Flows, are as follows:

Net Cash Provided By / (Used In) Operating Activities	27,240	17,170
Net Cash Provided By / (Used In) Investing Activities	1,603	(3,308)
Net Cash Provided By / (Used In) Financing Activities*	(38,778)	(6,612)
Net Cash Increase / (Decrease) in Cash Held	(9,935)	7,250

*Included in the net cash used in financing activities for the year ended 30 June 2020, is an amount of \$29.3m loan repayment made to the parent entity.

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Sections to the Financial Statements

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3.8 Earnings per Share

Accounting Policies

Basic EPS

Basic EPS is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares during the financial year.

Diluted EPS

Diluted EPS is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares and performance rights for the effects of all dilutive potential ordinary shares.

	30 June 2020 \$'000	30 June 2019 \$'000
Reconciliation Of Earnings To Profit and Loss		
Profit After Tax from Continuing Operations	3,583	22,422
(Profit) / Loss Attributable To Non-Controlling Interest	(418)	(1,841)
Profit Attributable to Members of Parent Entity from Continuing Operations	3,165	20,581
Profit / (Loss) Attributable to Members of Parent Entity from Discontinued Operations	(21,039)	(7)
Profit / (Loss) Attributable to Members of Parent Entity from Continuing and Discontinued Operations	(17,874)	20,574
From Continuing and Discontinued Operations		
Earnings Used To Calculate Basic EPS	(17,874)	20,574
Earnings Used in the Calculation of Dilutive EPS	(17,874)	20,574
From Continuing Operations		
Earnings Used To Calculate Basic EPS	3,165	20,581
Earnings Used in the Calculation of Dilutive EPS	3,165	20,581
From Discontinued Operations		
Earnings Used To Calculate Basic EPS	(21,039)	(7)
Earnings Used in the Calculation of Dilutive EPS	(21,039)	(7)
Weighted Avg. No. of Ord. Shares Outstanding During the Year (Basic EPS)	268,008	268,008
Weighted Average Number of Dilutive Options Outstanding	3,879	2,592
Weighted Avg. No. of Ord. Shares Outstanding During the Year (Diluted EPS)	271,887	270,600

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

Section 4 Assets and Liabilities

This Section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in Section 5.

4.1 Trade and Other Receivables, Loans to Other Companies and Other Financial Assets

Accounting Policies

Trade and other receivables represent the asset outstanding at the end of the reporting period for goods and services provided by the Group during the reporting period which remain unpaid. The balance is recognised as a current asset with the amount normally being received within 30 to 60 days of recognition of the receivable. The Group's impairment loss allowance accounting policy for receivables is outlined in note 5.3.

	Section	30 June 2020 \$'000	30 June 2019 \$'000
Trade and Other Receivables			
Trade and Other Debtors - Current		191,554	155,405
Less: Provision for Impairment		(48,415)	-
		143,139	155,405
Debtors Subject to Payment Arrangements - Current		11,190	20,244
Total Current		154,329	175,649
Debtors Subject to Payment Arrangements - Non-Current		-	15,139
Total Trade and Other Receivables		154,329	190,788
Loans to Other Companies			
Loans to Other Companies - Current		-	22,300
Loans to Other Companies - Non-Current		26,841	25,655
Total Loans to Other Companies		26,841	47,955
Other Financial Assets			
Shares in Listed Corporations at Fair Value - Current		69	7,076
Shares in Listed Corporations at Fair Value - Non-Current		-	6,514
Total Other Financial Assets		69	13,590

Credit Risk

The Group has approximately 22% (2019: 23.4%) of post-impairment credit risk with a single counterparty or group of counterparties. Failure or default of a major counterparty would have a material impact on earnings. Management of credit risk is discussed in Section 5.3 Financial Risk Management. The class of assets described as "trade and other receivables" and "loans to other companies" are considered to be the main source of credit risk related to the Group.

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

4.1 Trade and Other Receivables, Loans to Other Companies and Other Financial Assets (continued)

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balance of receivables that remain within initial trade terms (as detailed in the table) are considered to be of acceptable credit quality.

	Gross amount \$'000	Past due and impaired \$'000	Past due but not impaired \$'000	Within initial trade terms \$'000
30 June 2020				
Trade and Term Receivables	198,049	48,415	18,806	130,828
Other Receivables	4,695	-	-	4,695
Total Trade and Other Receivables	202,744	48,415	18,806	135,523

30 June 2019				
Trade and Term Receivables	175,649	-	30,686	144,963
Other Receivables	15,139	-	15,139	-
Total Trade and Other Receivables	190,788	-	45,825	144,963

	30 June 2020 \$'000	30 June 2019 \$'000
Receivables and Loans as Financial Assets measured at Amortised Cost		
Trade and Other Receivables		
- Total Current (net of impairment)	154,329	175,649
- Total Non-Current	-	15,139
	154,329	190,788

Loans to Other Companies		
- Total Current	-	22,300
- Total Non-Current (Secured)*	26,841	25,655
	26,841	47,955

* Loan to Carabella Resources Pty Ltd has first ranking securities over the company assets.

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

4.2 Inventory and Work In Progress (WIP)

Accounting Policies

Inventory and work in progress are measured at the lower of cost or net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

	30 June 2020 \$'000	30 June 2019 \$'000
Inventory and Work In Progress (WIP)		
Inventory	12,438	14,306
WIP	1,201	1,717
Total Inventory and Work in Progress (WIP)	13,639	16,023

4.3 Other Current Assets

	30 June 2020 \$'000	30 June 2019 \$'000
Other Current Assets		
Prepayments	777	894
Deposit*	4,773	921
Total Other Current Assets	5,550	1,815

*Included in the balance as at 30 June 2020, amount of \$4.6m is cash deposit-backed security bonds.

4.4 Property, Plant and Equipment

Accounting Policies

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity, all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and other comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

4.4 Property, Plant and Equipment (continued)

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a diminishing value or straight line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold Improvements	2.50%
Plant and Equipment	10% – 40.0%
Low Value Pool	18.75% – 37.5%
Motor Vehicles	18.75% – 50%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Leases

As permitted by AASB 16, the carrying amount of \$163.76m as at 1 July 2019 for the plant and equipment and motor vehicles that were under finance lease arrangement have been reclassified as Right-Of-Use Assets ("ROUA"). No restatement of comparative figures has been made.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

4.4 Property, Plant and Equipment (continued)

Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period are as follows:

	30 June 2020 \$'000	30 June 2019 \$'000
Plant and Equipment – at Cost		
- Owned	405,691	634,613
- Right-Of-Use Assets	276,951	-
Total Cost	682,642	634,613
Accumulated Depreciation		
- Owned	(325,162)	(403,198)
- Right-Of-Use Assets	(82,003)	-
Total Accumulated Depreciation	(407,165)	(403,198)
Carrying Amount - Plant and Equipment	275,477	231,415
Motor Vehicles – at Cost		
- Owned	4,370	10,005
- Right-Of-Use Assets	3,752	-
Total Cost	8,122	10,005
Accumulated Depreciation		
- Owned	(3,807)	(7,311)
- Right-Of-Use Assets	(2,126)	-
Total Accumulated Depreciation	(5,933)	(7,311)
Carrying Amount - Motor Vehicles	2,189	2,694
Land and Building		
- Owned at Fair Value	3,272	3,272
- Right-Of-Use Assets	16,458	-
Total	19,730	3,272
Accumulated Depreciation		
- Owned at Fair Value	(487)	(464)
- Right-Of-Use Assets	(5,018)	-
Total Accumulated Depreciation	(5,505)	(464)
Carrying Amount - Land and Building	14,225	2,808

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

4.4 Property, Plant and Equipment (continued)

	30 June 2020 \$'000	30 June 2019 \$'000
Low Value Pool – at Cost	481	466
Accumulated Depreciation	(416)	(372)
Carrying Amount - Low Value Pool	65	94
Leasehold Improvements – at Cost	2,980	2,591
Accumulated Depreciation	(1,618)	(1,322)
Carrying Amount - Leasehold Improvements	1,362	1,269
Total Carrying Amounts - Owned	85,304	238,280
Total Carrying Amounts - Right-Of-Use Assets	208,014	-
Total Carrying Amounts - Property, Plant and Equipment	293,318	238,280

The Group's lease portfolio includes buildings, plant and equipment and motor vehicles.

Options to Extend or Terminate

The options to extend or terminate are contained in several of the property leases of the Group. There were no extension options for equipment leases. These clauses provide the Group opportunities to manage leases in order to align with its strategies. All of the extension or termination options are only exercisable by the Group. The extension options or termination options which management were reasonably certain to be exercised have been included in the calculation of the lease liability.

Impairment of Property, Plant and Equipment

The Group monitors market conditions for indications of impairment of its operating assets. Where a trigger event occurs which indicates an impairment may have occurred, a formal impairment assessment is performed. The following trigger events have occurred at 30 June 2020:

- The carrying amount of the Group's net assets exceed the Company's market capitalisation as at 30 June 2020.

As a result, an assessment has been made of the recoverable amounts of each of the Operating Segments. The Groups Mining Services segment is split into Mining and Crushing CGU's for evaluation of impairment. Similarly, Civil and Infrastructures are also assessed independent CGU's. Cash flows have been projected for 5 years from the continuing use of assets within each CGU as well as the disposal of any assets, and have been discounted using a Weighted Average Cost of Capital (WACC) rate. Projected future cash flows from the continuing use of assets for FY21 have been based on current contracted work in hand plus an allowance for estimated new work, thereafter growth has been allowed at 2.3% with a terminal growth rate of 2.0% has been applied. The FY20 WACC rate has been applied to discount the projected cash flows of each of these CGU's to measure any impairment.

The assessment has resulted in no impairment to the plant and equipment employed in all the CGUs.

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

4.4 Property, Plant and Equipment (continued)

Key Assumptions used for value in use calculations

- EBITDA Margin
- Discount Rates
- Growth rates used to extrapolate cash flows beyond the forecast period
- Capital expenditure

The EBITDA Margin is based on management's best estimate taking into account past performance and expected market conditions. Working Capital has been adjusted to reflect the required working capital for the forecast future cashflows.

Capital expenditure has considered both required replacement capital and idle equipment which could be utilised to sustain the current Work in Hand schedule. Capital expenditure has been matched to depreciation levels in the terminal year.

Growth rates and discount rates applied are shown below.

Growth Rate

CGU	FY21	FY22	FY23	FY24	FY25	Terminal Year
Crushing	5.00%	2.30%	2.30%	2.30%	2.30%	2.00%
Mining	12.00%	2.30%	2.30%	2.30%	2.30%	2.00%
Civil	10.00%	2.30%	2.30%	2.30%	2.30%	2.00%
Infrastructure	10.00%	2.30%	2.30%	2.30%	2.30%	2.00%
Interquip	10.00%	2.30%	2.30%	2.30%	2.30%	2.00%

	Post-Tax Discount Rate	Pre-Tax Discount rate
Discount Rate used in all CGU analysis	10.10%	11.10%

As disclosed above management have made judgements and estimates in respect of impairment testing of plant and equipment. Any adverse changes to key assumptions may result in an impairment in the future. The sensitivities are as follows

CGU	Sensitivity Analysis	
	Decrease in Revenue required to incur an impairment	Increase in Discount Rate to incur an impairment
Crushing	60.1%	51.4%
Mining	19.9%	13.5%
Civil	42.8%	27.0%
Infrastructure *	see note 4.5 Impairment of Goodwill	
Interquip	33.6%	44.5%

* Infrastructure separated from Civil CGU to address the impact of COVID 19 on the State of Victoria.

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Sections to the Financial Statements

For the Year Ended 30 June 2020

4.4 Property, Plant and Equipment (continued)

	Plant and Equipment	Motor Vehicles	Land and Buildings	Right-Of- Use Assets	Low Value Pool	Leasehold Improvement	Total
Consolidated:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 01 Jul 18	107,268	3,153	2,832	-	128	1,404	114,785
Additions	165,431	427	-	-	-	62	165,920
Disposals	(769)	(225)	-	-	(6)	-	(1,000)
Forex movements	1,238	-	-	-	-	-	1,238
Depreciation expense	(41,753)	(661)	(24)	-	(28)	(197)	(42,663)
Balance at 30 Jun 19	231,415	2,694	2,808	-	94	1,269	238,280

	Plant and Equipment	Motor Vehicles	Land and Buildings	Right-Of- Use Assets	Low Value Pool	Leasehold Improvement	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 01 Jul 19	231,415	2,694	2,808	-	94	1,269	238,280
<i>Adoption of AASB 16</i>							
- Reallocation from PPE	(161,888)	(1,867)	-	163,755	-	-	-
- Recognition of ROUA	-	-	-	13,138	-	-	13,138
Restated Bal. at 01 Jul 19	69,527	827	2,808	176,893	94	1,269	251,418
Additions	38,231	12	-	85,842	17	423	124,525
Disposals	(5,238)	(79)	-	-	-	(10)	(5,327)
Reallocation from ROUA	7,703	-	-	(7,703)	-	-	-
Forex movements	(5,100)	-	-	-	-	-	(5,100)
Depreciation expense	(24,594)	(197)	(23)	(47,018)	(46)	(320)	(72,198)
Balance at 30 Jun 20	80,529	563	2,785	208,014	65	1,362	293,318

AASB 16 related amounts recognised in the income statement for the year ended 30 June 2020

	\$'000
Depreciation charge related to right-of-use assets	47,018
Interest expense on lease liabilities (under finance cost)	6,834
Short-term leases expense	338

Depreciation and interest charged for the year ended 30 June 2020, in respect to the operating leases that were previously accounted for under AASB117, amounted to \$2.46m.

4.5 Intangible Assets

Accounting Policies

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- (iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

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4.5 Intangible Assets (continued)

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interest is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

		30 June	30 June
		2020	2019
Goodwill	Section	\$'000	\$'000
Carrying Value of Goodwill		-	3,187

Allocation of Goodwill to Cash Generating Unit

Goodwill is allocated to the Group's cash generating units identified according to operating segment. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment. The carrying amount of goodwill was allocated to cash generating units as follows:

Goodwill		
MACA Infrastructure	3,187	3,187
Less: Impairment	(3,187)	-
Goodwill Carrying Amount	-	3,187

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For the Year Ended 30 June 2020

4.5 Intangible Assets (continued)

Impairment Test for Goodwill

The recoverable amount of the goodwill in each cash generating unit is based on value in use calculations. These calculations use cash flow projections based on the FY21 current work in hand, thereafter the average growth rate of 2.3% for the forecast period. Project closures resulting from COVID19 is expected to have an impact on the first half of FY21 and has resulted in an impairment of goodwill of \$3.2million.

The key assumptions used in the value in use calculations as at 30 June 2020 and 30 June 2019 were as follows:

- growth rate used to extrapolate cash flows beyond the terminal period: 2.0% (2019: 2.5%);
- discount rate: 10.4% (2019: 14.0%); and
- Revenue, EBIT, working capital adjustments and maintenance capital expenditure, based on established norms.

4.6 Trade and Other Payables

Accounting Policies

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 45 days of recognition of the liability.

		30 June 2020 \$'000	30 June 2019 \$'000
Payables	Section		
Current			
Unsecured Liabilities:			
Trade Creditors		80,388	69,263
Sundry Creditors and Accruals		35,690	18,679
Total Trade and Other Payables		116,078	87,942

Creditors are non-interest bearing and settled at various terms up to 45 days.

Trade and Other Payables as Financial Liabilities measured at Amortised Cost

Trade and Other Payables			
- Total Current		116,078	87,942
- Total Non-Current		-	-
Total Trade and Other Payables		116,078	87,942

4.7 Provisions

Accounting Policies

Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

MACA Limited

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4.7 Provisions (continued)

	30 June 2020 \$'000	30 June 2019 \$'000
Employee Entitlements	15,976	13,657
Movement in Provisions		
Opening Balance	13,657	11,838
Additional Provisions	11,714	8,598
Amounts Used	(9,395)	(6,779)
Closing balance	15,976	13,657

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Section 5 Capital Structure and Financing Costs

This Section outlines how the Group manages its capital structure, including its balance sheet liquidity and access to capital markets.

The Directors determine the appropriate capital structure of MLD, specifically, how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's activities both now and in the future. The Directors consider the Group's capital structure and dividend policy at least annually and do so in the context of its ability to continue as a going concern, to execute the strategy and to deliver its business plan.

During FY20, the Group complied with all the financial covenants of its borrowing facilities.

5.1 Cash and Cash Equivalents

Accounting Policies

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. The Group does not have any bank overdraft facilities.

		30 June 2020 \$'000	30 June 2019 \$'000
5.1.1 Cash and Cash Equivalents	Section		
Cash and Cash Equivalents as Financial Assets measured at Amortised Cost		114,650	59,292
5.1.2 Cash Flow Information			
Reconciliation of Cash Flow from Operations with Profit for the Year			
Profit / (Loss) for the Year		(17,456)	22,415
Non-Cash Flows in Profit			
Depreciation and Amortisation	4.4	72,198	42,663
Impairment	3.1(c) , 3.7	53,554	-
Net (Gains)/Losses on Disposal of Plant and Equipment		(2,165)	(630)
Net (Gains)/Losses on Disposal of Investments		(846)	216
Foreign Exchange (Gains)/Losses		13,560	(1,721)
Total Non-Cash Flows in Profit		136,301	40,528
Movements in Working Capital			
(Increase)/Decrease in Trade and Other Receivables		(13,143)	(27,372)
(Increase)/Decrease in Other Assets		(4,026)	(420)
(Increase)/Decrease in Inventories and Work-In-Progress		432	(4,397)
Increase/(Decrease) in Trade and Other Payables		28,136	23,323
Increase/(Decrease) in Income Tax Payable		(1,562)	2,506
Increase/(Decrease) in Deferred Tax		(14,371)	(880)
Increase/(Decrease) in Provisions		2,319	1,818
Total Working Capital Movements		(2,215)	(5,422)
Net Cash Increase/(Decrease) from Operating Activities		116,630	57,521

5.1.3 Non-Cash Financing and Investing Activities

During the year the Group acquired \$61.1 million in plant and equipment (2019: \$76.6m) by means of finance leases (included in right-of-use assets), directly from original equipment manufacturers. These acquisitions are not reflected in the statement of cash flows.

There were no business combinations for the year ended 30 June 2020 and 30 June 2019.

Shares Issued

During 2020 no shares were issued as a result of performance rights vesting to KMPs and other Executives (2019: nil).

Insurance Bonding and Bank Guarantee Facilities

The Group has insurance bonding and bank guarantee facilities totalling \$43.8 million. At 30 June 2020 the amount drawn on the facilities was \$23.6 million (2019: \$15.4 million).

MACA Limited

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5.2 Interest Bearing Liabilities

Accounting Policies

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

		30 June 2020 \$'000	30 June 2019 \$'000
5.2.1 Financial Liabilities measured at Amortised Cost	Section		
Current			
Secured Lease Liability		52,941	-
Unsecured Lease Liability		2,186	-
Finance Lease Liability		-	42,272
Total Current Interest Bearing Liabilities		55,127	42,272
Non-Current			
Secured Lease Liability		122,772	-
Unsecured Lease Liability		10,173	-
Finance Lease liability		-	99,848
Total Non-Current Interest Bearing Liabilities		132,945	99,848
Total Current and Non-Current Interest Bearing Liabilities		188,072	142,120
Carrying Amounts of Non-Current Assets Pledged as Security		197,940	161,695

Unsecured lease liabilities (in respect to operating lease under AASB 117) recognised in the statement of financial position at the date of initial application of AASB 16 are reconciled as follows:

	\$'000
Operating lease commitments disclosed as at 30 June 2019	16,064
Changes to extension options assumptions and discounting using the lessee's incremental borrowing rate at the date of initial application	(2,281)
Lease liability recognised as at 1 July 2019	13,783

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, using the lessee's incremental borrowing rate on the date of initial application.

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

5.3 Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, loans to other companies and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements are as follows:

Accounting Policies

The Board of Directors ("the Board") is responsible for, amongst other issues, monitoring and managing financial risk exposures of the Group. The Board monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, liquidity risk, currency risk, financing risk and interest rate risk.

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments (if any), credit risk policies and future cash flow requirements.

		30 June	30 June
		2020	2019
Financial Assets	Section	\$'000	\$'000
Financial Assets at Amortised Cost:			
— Cash and Cash Equivalents	5.1.1	114,650	59,292
— Trade and Other Receivables	4.1	154,329	190,788
— Loans to Other Companies	4.1	26,841	47,955
Financial Assets at Fair Value Through Profit or Loss:			
— Listed Investments	4.1	69	13,590
Total Financial Assets		295,889	311,625
Financial Liabilities			
Financial Liabilities at Amortised Cost:			
— Trade and Other Payables	4.6	116,078	87,942
— Interest Bearing Liabilities	5.2.1	188,072	142,120
Total Financial Liabilities		304,150	230,062

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and equity price risk.

Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 30 to 60 days from the invoice date. The Group considers various debt recovery methodologies and has entered into repayment arrangements with Beadell Resources Ltd (Great Panther Mining Ltd). Since the commencement of the arrangement in June 2018, Beadell Resources Ltd has reduced debt by in excess of \$50 million as at the date of this report.

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

5.3 Financial Risk Management (continued)

Credit Risk (continued)

Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets which may be claimed against in the event of any default. In addition MACA is a secured debt holder of Carabella Resources Pty Ltd. Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Board has otherwise cleared as being financially sound.

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain subsidiaries (refer Section 6.6 Parent Entity Disclosures for details).

Trade Receivables and Contract Assets

The Group applies the simplified approach to provide for the Expect Credit Loss ("ECL") for all trade receivables. The simplified approach required the loss allowance to be measured at an amount equal to the lifetime ECL.

The Group uses a provision matrix to measure the lifetime ECL allowance for trade receivables. In measuring the ECL, trade receivables are grouped based on shared credit risk characteristics and days past due.

Internal Rating Grades		Definition	Basis for Recognition and Measurement of ECL
Performing		The counterparty has a low risk of default and does not have any past due amounts	12-mth ECL
Under-Performing		There has been a significant increase in credit risk since initial recognition	Lifetime ECL (not credit-impaired)
Non-Performing		There is evidence indicating that the asset is credit-impaired	Lifetime ECL (credit-impaired)

In calculating the ECL rates, the Group considers historical loss rates for each category of customers and adjust for forward looking macroeconomic data.

The Group considers the trade receivables as in default when the counterparty fail to make contractual payments for a prolonged period of time when they fall due, and the Group may also consider financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet their obligations. Trade receivables are written off when there is no reasonable expectation of recovering the contractual cash flow. When trade receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the debts. Where recoveries are made, these are recognised in profit or loss.

Receivables for which an impairment/expected credit loss provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

The creation and release of the provision for impaired and expected credit loss receivables has been shown separately in the consolidated statement of profit or loss.

The Group's credit risk exposure in relation to Trade Receivables and Contract Assets at 30 June 2020 is set out in Section 4.1.

Carabella Resources Pty Ltd was identified individually as a credit risk, their payments have fallen outside credit terms and the PCI coal price has decreased significantly over the period. Accordingly management has obtained an independent valuation on secured assets, and performed a discounted cash flow to determine recoverable value resulting in a provision for doubtful debts of \$48.4 million against the debtor amounts owed by Carabella Resources Pty Ltd. Further, the Group has assessed and concluded that all other trade receivables are not subject to material credit loss. There has been no change in the estimation techniques or significant assumptions made during the financial period.

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

5.3 Financial Risk Management (continued)

Credit Risk (continued)

		30 June 2020 \$'000	30 June 2019 \$'000
Provision for Impairment and Expected Credit Losses of Trade Receivables	Section		
At 1 July		-	-
Provision (reversed) / recognised during the year	4.1	48,415	-
Receivables written off during the year as uncollectable		-	-
At 30 June		48,415	-

Other Receivables

The Group applies the general approach to provide for the ECL for other receivables. Under the general approach, the loss allowance is measured at an amount equal to the 12-month ECL at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

The Group has approximately 22% (2019: 23.4%) of post-impairment credit risk with a single counterparty or group of counterparties. Failure or default of a major counterparty would have a material impact on earnings. The classes of assets described as Trade and Other Receivables and Loans to Other Companies are considered to be main source of credit risk related to the Group.

The loan to Carabella Resources Pty Ltd ("Carabella") under the working capital facility of \$26.84m remains outstanding, it is repayable from free cashflows from the project. Both loan and receivables are secured over the project assets and subject to its parent company guarantee, which is expected to be sufficient to cover the exposure of the outstanding balance after impairment.

Trade and other receivables that remain within initial trade terms are considered to be of acceptable quality and fully recoverable.

Credit risk related to balances held with banks and other financial institutions are only invested with counterparties with a Standard & Poor's rating of at least AA-.

Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cashflow analysis in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The Group's policy is to ensure that all lease agreements entered into, are over a period that will ensure that adequate cash flows will be available to meet repayments.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

5.3 Financial Risk Management (continued)

Liquidity Risk (continued)

Financial Liability and Financial Asset Maturity Analysis	Section	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
		2020 '000	2019 '000	2020 '000	2019 '000	2020 '000	2019 '000	2020 '000	2019 '000
Financial Liabilities Due for Payment									
Trade and Other Payables	4.6	116,078	87,942	-	-	-	-	116,078	87,942
Interest Bearing Liabilities	5.2.1	55,127	42,272	132,945	99,848	-	-	188,072	142,120
Total Contractual Outflows		171,205	130,214	132,945	99,848	-	-	304,150	230,062
Total Expected Outflows		171,205	130,214	132,945	99,848	-	-	304,150	230,062
Financial Assets - Cash Flows Realisable									
Cash and Cash Equivalents	5.1.1	114,650	59,292	-	-	-	-	114,650	59,292
Trade and Other Receivables	4.1	154,329	175,649	-	15,139	-	-	154,329	190,788
Investments and Loan Receivables	4.1	69	29,376	26,841	32,169	-	-	26,910	61,545
Total Anticipated Inflows		269,048	264,317	26,841	47,308	-	-	295,889	311,625
Net (Outflow)/Inflow on Financial Instruments		97,843	134,103	(106,104)	(52,540)	-	-	(8,261)	81,563

No financial assets have been pledged as security for debt.

Market Risk

Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Floating Interest Rate		Fixed Interest Rate				Non-interest Bearing		Total		Weighted Average Effective Interest Rate	
	2020 '000	2019 '000	Within 1 Year 2020 '000	Within 1 Year 2019 '000	1 to 5 Years 2020 '000	1 to 5 Years 2019 '000	2020 '000	2019 '000	2020 '000	2019 '000	2020 %	2019 %
Financial Assets												
Cash	114,650	59,292	-	-	-	-	-	-	114,650	59,292	-	0.80
Trade and Other Receivables	-	-	11,190	20,244	-	15,139	143,139	155,405	154,329	190,788	0.50	6.40
Loans to Other Companies	-	-	-	22,300	26,841	25,655	-	-	26,841	47,955	9.00	9.50
Total Financial Assets	114,650	59,292	11,190	42,544	26,841	40,794	143,139	155,405	295,820	298,035		
Financial Liabilities												
Interest Bearing Liabilities	-	-	55,127	42,272	132,945	99,848	-	-	188,072	142,120	3.80	4.00
Trade and Other Payables	-	-	-	-	-	-	116,078	87,942	116,078	87,942	N/A	N/A
Total Financial Liabilities	-	-	55,127	42,272	132,945	99,848	116,078	87,942	304,150	230,062		

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Sections to the Financial Statements

For the Year Ended 30 June 2020

5.3 Financial Risk Management (continued)

Price Risk

The Group is also exposed to securities price risk on investments held for trading or for medium to longer terms. The risk associated with these investments has been assessed as reasonably not having a significant impact on the Group.

Foreign Exchange Risk

The Group is exposed to fluctuations in foreign currencies. The currency exposure relates to Brazilian Real and US Dollar being cash in bank, trade receivables subject to repayment and intercompany loan. Both Brazilian Real and US Dollar are unhedged. The original investment into the Brazilian subsidiary is exposed to fluctuations in the Brazilian Real. On 21 January 2020, the Group announced its decision to cease the operations in Brazil, which resulted in the realisation of the foreign currency translation reserve to income statement (see Note 5.6(b)). The BRL has been devalued by 31.5% against the AUD during the financial year ended 30 June 2020.

Summarised Sensitivity Analysis

The following illustrates sensitivities to the Group's exposures to changes in interest rates, foreign exchange and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of the other variables.

	Profit	Equity
	\$'000	\$'000
Year ended 30 Jun 2020		
+/- 2% in Interest Rates	+/- 708	+/- 708
+/- 10% in the Value of Listed Investments	+/- 7	+/- 7
+/- 10% in AUD/BRL Exchange Rate	+/- 300	+/- 1,140
+/- 10% in AUD/USD Exchange Rate	+/- 2,159	+/- 2,159
Year ended 30 Jun 2019		
+/- 2% in Interest Rates	+/- 10	+/- 10
+/- 10% in the Value of Listed Investments	+/- 1,359	+/- 1,359
+/- 10% in AUD/BRL Exchange Rate	+/- 1	+/- 451
+/- 10% in AUD/USD Exchange Rate	+/- 1,042	+/- 1,042

5.4 Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

5.4 Financial Instruments (continued)

Classification and subsequent measurement

Financial Liabilities

Financial instruments are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in a effective hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship are recognised in profit or loss.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial Assets

Financial Assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial assets; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

5.4 Financial Instruments (continued)

Financial Assets (continued)

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading and not a contingent consideration recognised by an acquirer in a business combination to which AASB 3:Business Combinations applies, the Group made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

De-recognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

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Sections to the Financial Statements

For the Year Ended 30 June 2020

5.4 Financial Instruments (continued)

Impairment

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (eg amounts due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the general approach; and
- the simplified approach

General approach

Under the general approach, at each reporting period, the Group assesses whether the financial instruments are credit-impaired, and if:

- the credit risk of the financial instrument has increased significantly since initial recognition, the Group measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; or
- there is no significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

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For the Year Ended 30 June 2020

5.5 Equity

	30 June 2020 \$'000	30 June 2019 \$'000
Issued Capital		
268,007,708 (2019: 268,007,708)		
Fully Paid Ordinary Shares With No Par Value	269,806	269,806

Ordinary Shares	No.	No.
At the Beginning of the Reporting Period	268,007,708	268,007,708
Shares Issued During the Year	-	-
Shares at Reporting Date	268,007,708	268,007,708

The Company has no authorised share capital. Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Performance Rights

For information relating to performance rights, including details of performance rights issued, exercised and lapsed during the financial year, refer to Section 5.8.

Capital Management

Management controls the capital of the Group in order to maintain a prudent debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

		30 June 2020 \$'000	30 June 2019 \$'000
	Section		
Total Borrowings	5.2.1	188,072	142,120
Less Cash and Cash Equivalents	5.1.1	(114,650)	(59,292)
Net Debt/(Cash)		73,422	82,828
Total Equity		309,660	332,666
Total Capital		383,082	415,494
Gearing ratio		19%	20%

MACA Limited

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For the Year Ended 30 June 2020

5.6 Reserves

Accounting Policies

Equity Settled Employee Benefits Reserve

The equity-settled employee benefits reserve relates to performance rights granted by the Company to its Executives and employees under its Employee Long-Term Incentive Plan. Rights granted during the year were made via an Employee Share Trust and as a result there was no movement in the Equity Settled Employee Benefits Reserve.

Foreign Operations

The financial transactions of foreign operations whose functional currency is different from the presentation currency are translated at the exchange rates prevailing at the date of the transaction. At the end of the reporting period, assets and liabilities are re-translated at the rates prevailing at that date. Income and expenses are re-translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency translation reserve in the Consolidated Statement of Financial Position. These differences are recognised in profit and loss in the period in which the operation is disposed or discontinued.

Foreign Currency Translation Reserve

Exchange differences arising on translation of foreign controlled operations are taken to the exchange fluctuation reserve. Gains or losses accumulated in equity are recognised in the income statement when a foreign operation is disposed or discontinued.

Other Reserves

The other reserves represent the cumulative effective portion of gains or losses arising on changes in fair value of forward foreign exchange contracts entered into for cash flow hedges, and interest rate swaps. The gain or loss that is recognised in the other reserve will be reclassified to profit or loss only when the transaction affects the profit or loss.

	30 June 2020 \$'000	30 June 2019 \$'000
Reserves	Section	
Equity-Settled Employee Benefits Reserve	590	590
Foreign Currency Translation Reserve	-	(8,495)
Other Reserves	(5,888)	(5,888)
Total Reserves	(5,298)	(13,793)
(a) Other Reserves		
Balance at the Beginning of the Year	(5,888)	(5,888)
Transactions with Members	-	-
Balance at the End of the Year	(5,888)	(5,888)
(b) Foreign Currency Translation Reserve		
Balance at the Beginning of the Year	(8,495)	(12,650)
Exchange Differences Arising on Translating the Foreign Operations	(2,072)	4,155
Transfer of Forex Reserve on Discontinued Operations	10,567	-
Balance at the End of the Year	-	(8,495)

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5.7 Dividends

In respect of FY20, the Directors declared the payment of a Final Dividend of 2.5 cents per share fully franked to the holders of fully paid ordinary shares on the Company's register at 4th September 2020 with payment date of 18th September 2020

The amount of the Final Dividend is \$6.7 million. No provision has been made for the Final Dividend in the Financial Statements as the final dividend was not declared or determined by the Directors on or before the end of the financial year.

	30 June 2020		30 June 2019	
	Cents Per Share	\$'000	Cents Per Share	\$'000
Distributions Paid/Payable				
Interim Dividend in respect of FY20/FY19	2.5	6,700	2.000	5,360
Final Dividend in respect of FY20/FY19	2.5	6,700	2.500	6,700
Total	5.0	13,400	4.500	12,060
Balance of franking account at year end		51,991		44,576

5.8 Share-Based Compensation

Options

There were no options issued for the year ended 30 June 2020. The weighted average fair value of options granted during the previous year was Nil.

Performance Rights

The Company issues performance rights to Senior executives in accordance with the terms of the Long-Term Incentive Plan and the Performance Rights Plan as approved by Shareholders. When vested, each performance right is converted into one ordinary share for no consideration. Performance rights granted carry no dividend or voting rights.

During the 2020 financial year 1,906,909 (2019: 1,473,587) performance rights were granted under the Group's Performance Rights Plan and 1,452,208 (2019: 1,252,194) performance rights were forfeited. Subject to the achievement of designated performance hurdles, these performance rights will vest in June 2022. As at 30 June 2020 there were 2,690,578 (2019: 2,235,877) performance rights outstanding.

The following performance rights arrangement was in existence at 30 June 2020:

	Number	Expiry Date
Unlisted Performance Rights	1,097,291	30-Jun-21
Unlisted Performance Rights	1,593,287	30-Jun-22
	2020	2019
	Number	Number
Outstanding at the Beginning of the Year	2,235,877	2,014,485
Granted	1,906,909	1,473,586
Vested	-	-
Cancelled or Expired	(1,452,208)	(1,252,194)
Outstanding at the End of the Year	2,690,578	2,235,877

An independent valuation was completed on performance rights granted during the year. Market based vesting conditions were valued using a hybrid share option pricing model that simulates the share price of the Company as at the test date using a Monte-Carlo simulation model. For non-market based vesting conditions no discount was made to the underlying valuation model.

The weighted average fair value of the performance rights granted during the year ended 30 June 2020 was \$0.54 per right. Payments were made to the MACA ERT Trust for delivery of shares under the Performance Rights Plan. Inputs used to determine the fair value of performance rights granted during the year ended 30 June 2020 were:

- Share price \$0.956 being the 30 day VWAP of the Company on the last trading day prior to 30 June 2019
- Exercise price: Nil
- Volatility: 49.80%
- Option life: 3 years
- Dividend yield: 5.1%
- Risk Free Rate 0.955%

MACA Limited

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For the Year Ended 30 June 2020

Section 6 Other

6.1 Business Combinations

Accounting Policies

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Refer 4.5 Intangible Assets for treatment and calculation of goodwill.

There were no business combinations during the year ended 30 June 2020 and 30 June 2019.

6.2 Controlled Entities

Details of the Company's subsidiaries at the end of the reporting period are as follows:

	Country of Incorporation	Percentage Owned (%)	
		30 June	30 June
		2020	2019
Parent Entity:			
MACA Limited	Australia	-	-
Subsidiaries:			
MACA Mining Pty Ltd	Australia	100%	100%
MACA Plant Pty Ltd	Australia	100%	100%
MACA Crushing Pty Ltd	Australia	100%	100%
MACA Civil Pty Ltd	Australia	100%	100%
Riverlea Corporation Pty Ltd	Australia	100%	100%
MACA Mineracao e Construc�o Civil Ltda	Brazil	100%	100%
Alliance Contracting Pty Ltd	Australia	100%	100%
MACA Infrastructure Pty Ltd	Australia	100%	100%
Marniyarra Mining and Civils Pty Ltd	Australia	50%	50%
Interquip Pty Ltd	Australia	60%	60%
Interquip Construction Pty Ltd*	Australia	60%	60%
OPMS Cambodia Co Ltd	Cambodia	100%	100%

*Interquip Construction Pty Ltd wholly owned by Interquip Pty Ltd

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

6.3 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Transactions with related parties:

Key Management Personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

Information regarding individual directors or executives remuneration is provided in the Remuneration Report included in the Director's Report.

The total of remuneration paid to KMP's of the Group during the year was as follows:

	30 June 2020 \$'000	30 June 2019 \$'000
Short-Term Employee Benefits	4,426	4,187
Post-Employment Benefits	483	196
Other Long-Term Benefits	-	-
Long-Term Incentive Payments	709	798
Total Remuneration	5,618	5,181

Controlled Entities

Interests in controlled entities are set out Section 6.2.

During the year, funds have been advanced between entities within the Group for the purposes of working capital requirements.

Other Related Parties

Other related parties include entities over which key management personnel exercise significant influence.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Key Management Person and/or Related Party	Transaction	30 June 2020 \$'000	30 June 2019 \$'000
Partnership comprising entities controlled by current director Mr G.Baker and former directors Mr J.Moore, Mr D.Edwards & Mr F.Maher.	Rent on Division St Business premises.	1,548	1,520
Kirk Mining Consultants - a company controlled by current director Mr L.Kirk.	Mining consulting fees	41	10
Hensman Properties Pty Ltd - a company controlled by current director Mr R.Ryan.	Consulting fees	113	5
Gateway Equipment Parts & Services Pty Ltd - a company controlled by director Mr G.Baker and former directors Mr D.Edwards, Mr F.Maher and Mr J.Moore.	Hire of equipment and purchase of equipment, parts and services.	4,974	2,456
Gateway Equipment Parts & Services Pty Ltd - a company controlled by current director Mr G.Baker and former directors Mr D.Edwards, Mr F.Maher and Mr J.Moore.	Sale of equipment (Revenue)	430	-

Amounts payable at year end arising from the above transactions

Gateway Equipment Parts & Services Pty Ltd - a company controlled by current director Mr G.Baker and former directors Mr D.Edwards, Mr F.Maher and Mr J.Moore.	150	177
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MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

6.4 Contingent Liabilities

Performance Guarantees

MLD has indemnified its bankers and insurance bond providers in respect of bank guarantees, insurance bonds and letters of credit to various customers and suppliers for satisfactory contract performance and warranty security, in the following amounts:

30 Jun 2020:	\$23.6 million	30 Jun 2019:	\$15.4 million
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Claims

Certain claims arising out of engineering and construction contracts have been made by, or against, controlled entities in the ordinary course of business. The Directors do not consider the outcome of any of these claims will be materially different to the position taken in the financial accounts of the Group.

6.5 Events After Balance Sheet Date

The Directors have recommended a final dividend payment of 2.5 cents per share. Refer to Section 5.7 for details.

Subsequent to the year end, the following major contracts have been awarded to the Group:

- Award of Corunna Downs Mining Contract by Atlas Iron which is expected to generate revenue of \$230 million over the 62 month term;
- Award of Mt Magnet Mining Contract Extension by Ramelius Resources which is expected to generate revenue of \$130 million over the 3 year term; and
- 10% Non-Owner Participant in the Southwest Connex Alliance for Bunbury Outer Ring Road Project which is expected to generate revenue of \$85m over the three and half year term
- As announced on 21 August 2020, MACA recognised an impairment of \$48m in relation to the carrying amount of the Carabella Resources receivable, in addition to impairing goodwill by \$3m.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

MACA Limited

Sections to the Financial Statements

For the Year Ended 30 June 2020

6.6 Parent Entity Disclosures

The following information has been extracted from the books and records of the Company and has been prepared in accordance with Accounting Standards

	30 June 2020 \$'000	30 June 2019 \$'000
Statement of Financial Position		
Assets		
Current Assets	38,073	46,761
Total Assets	379,041	380,157
Liabilities		
Current Liabilities	1,718	4,498
Total Liabilities	1,718	4,498
Equity		
Issued Capital	362,329	362,329
Reserves	591	591
(Accumulated Losses) / Retained Profits	14,403	12,739
Total Equity	377,323	375,659
Statement of Financial Performance		
Profit For the Year (Including Interco Dividends)	15,064	17,128
Total Comprehensive Income	15,064	17,128

Guarantees

MACA Limited has entered into guarantees for certain equipment finance facilities in the current financial year, in relation to the debts entered into by its subsidiaries.