

ASX:ACF

Acrow Formwork and Construction Services Limited

C/- Level 5, 126 Phillip Street

Sydney NSW 2000



ASX Release

27 February 2020

Half Yearly Report and Accounts - amended version

Acrow Formwork and Construction Limited (ASX:ACF) advises that in the Half Yearly Report and Accounts released earlier today the Consolidated Statement of Comprehensive Income (page 8) was inadvertently missing from the Financial Statements.

Enclosed is an amended version with the Consolidated Statement of Comprehensive Income included. There are no other changes from the original version.

This release was approved by the Acrow Board of Directors.

-ENDS-

About Acrow

Acrow is a leading hirer of formwork and scaffolding systems to large construction and civil infrastructure providers across Australia, operating a network of formwork and scaffolding branches in six states and employing approximately 245 people. The business services a diversified customer base of approximately 1,300 customers.

Acrow has a high quality and versatile portfolio of assets and has identified a number of near term growth opportunities, most particularly through the investment in capital equipment to take advantage of a range of opportunities in the growing East Coast civil infrastructure market, particularly in New South Wales and Victoria where the business is still underrepresented.

For further information, please contact:

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APPENDIX 4D

Half Yearly Report
Under ASX Listing Rule 4.2A.3.

Acrow Formwork and Construction Services Limited

ABN 36 124 893 465

Details of Reporting Period

Reporting Period 6 months ended 31 December 2019
Previous Reporting Period 6 months ended 31 December 2018

Results for announcement to the market

	2019	2018	% change
	<i>dollars</i>	<i>dollars</i>	
Revenue from ordinary activities*	36,484,322	34,995,406	Up 4%
Net profit after tax from ordinary activities attributable to members	380,140	3,357,289	Down 89%
Share based payments and significant costs*	1,996,724	960,784	Up 108%
Net profit after tax from ordinary activities excluding significant costs*	2,376,864	4,318,073	Down 45%
	<i>Cents</i>	<i>Cents</i>	
Basic earnings per share (cents)	0.21	1.98	Down 89%
Diluted earnings per share (cents)	0.20	1.95	Down 90%
Basic earnings per share (cents) excluding significant costs*	1.32	2.54	Down 48%
Diluted earnings per share (cents) excluding significant costs*	1.23	2.51	Down 51%
Net tangible asset per share (cents)	15.60	22.79	Down 32%

* comparative information has been reclassified in order to comply with current period disclosure requirements, the impact of which is not material to the financial report

Dividend distributions	Amount per security (Cents)
Interim dividend per share (cents) – 100% franked	0.7
Record date for determining entitlements to the dividend	Thursday 23 April 2020
Dividend payment date	Thursday, 14 May 2020
Dividend Reinvestment Plan (“DRP”) is in place, last date for election to participate	Friday, 24 April 2020
The Company paid a final dividend for the year ended 30 June 2019 – 100% unfranked on the 15 November 2019	1.0

The above information is based on the Interim financial report which has been reviewed by Grant Thornton with the Independent auditor’s review report included. Additional disclosure requirements to Appendix 4D can also be found in the Interim financial report.

**Acrow Formwork and Construction Services
Limited
ACN 124 893 465**

Interim financial report for the
half-year ended
31 December 2019

DIRECTORS' REPORT

The directors of Acrow Formwork and Construction Services Limited and its controlled entities (Acrow) present their report together with the consolidated interim financial report for the half year ended 31 December 2019 and the auditor's review report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the period are:

Peter Lancken (Chairman)	Appointed 27 March 2018
Steven Boland (Chief Executive Officer)	Appointed 27 March 2018
Gregg Taylor	Appointed 11 August 2017
Joshua May	Appointed 27 March 2018
Margaret Prokop	Appointed 31 August 2018
David Moffat	Appointed 19 September 2019
Michael Hill	Appointed 24 December 2015, resigned 19 September 2019

PRINCIPAL ACTIVITIES

Acrow operates in the Australian construction services industry, hiring formwork including screen systems, falsework and scaffolding equipment, and is undertaking sales of formwork and scaffolding related consumables. Acrow also operates an industrial scaffolding business.

The Formwork operation involves the supply of the temporary mould that supports concrete structures in their construction.

The Scaffolding operation supplies scaffolding equipment and access solutions to builders and building contractors when working at heights.

The industrial scaffolding operations supplies an industrial labour service to complement its scaffold hire to the energy, mining and industrial sectors.

OPERATING AND FINANCIAL REVIEW

The Group performed soundly for the 6 months to 31 December 2019, with the inclusion of 2 months of the recently acquired Uni-span business.

The business continues to rebase towards the highly engineered civil formwork solutions market, however, is also pursuing higher sales and industrial scaffolding operations since the acquisition of Uni-span during the period.

Financial performance

Net profit after tax of \$0.4m was lower than the pcg of \$3.4m.

- Revenue and other income increased from \$35.2m to of \$37.8m. This was impacted by the softer activity levels in the Natform business and the exit of Sydney and Melbourne two storey residential scaffold markets offset by two months contribution from Uni-span.
- Underlying EBITDA has reduced from \$6.7m to \$5.5m.

- Interest expense (excluding IFRS 16) reduced from \$0.7m to \$0.4m. The pcg included significant refinancing costs from the previous lender. Reported interest of \$1.0m for the half-year includes a \$0.5m impact of IFRS 16.
- Depreciation increased from \$1.4m to \$4.2m which was predominantly due to IFRS 16 (\$2.1m) and additional depreciation on two months of Uni-span results plus impact of capital expenditure.
- Significant items during the period included integration and acquisition expenses of \$0.9m, one off stock write offs of \$0.3m and share based payments of \$0.9m, offset by the \$0.4m movement in the fair value of shares issued at acquisition.

Basic earnings per share was 0.21 cps statutory (pcg 1.98 cps) or 1.32 cps on an underlying basis (pcg 2.54 cps)

A summary of the Underlying Group EBITDA is provided in the below table:

	\$'000
Statutory net profit after tax	380
Add back share-based payments	892
Add back acquisition and integration costs	951
Less gain on fair value of derivative related to acquisition	(350)
Add back one off write down of obsolete hire gear	266
Add back IFRS 16 depreciation	2,056
Add back IFRS 16 interest	493
Less cash lease payments	(2,312)
Underlying net profit after tax	2,377
Add back depreciation	2,193
Add back interest	520
Add back tax expense	459
Underlying EBITDA *	5,549

** EBITDA is a non-statutory disclosure that is calculated as earnings before interest, tax, depreciation, amortisation and share based payments expense. Underlying EBITDA excludes significant items.*

Financial position

Net debt increased from \$3.6m at June 2019 to \$17.5m at December 2019, being cash of \$6.1m less debt of \$23.6m. The increase was predominantly due to the acquisition of Uni-span including a \$13.75m loan facility plus an increase in the equipment finance facility of circa \$4m offset by net cash raised in the capital raising of \$4.9m.

The group entered a \$13.75m secured Bank Bill Business Loan in October 2019 for a period of 4 years with a monthly principal repayment of \$287k plus interest per month.

These loans are secured by interlocking guarantees across all Group companies. Interest on the loan facilities are variable and charged at prevailing market rates.

Property, plant and equipment increased from \$47.0m to \$74.2m due to the acquisition of Uni-span (\$25.2m) and capital expenditure (\$4.9m) offset by depreciation.

Net gearing, being cash less bank debt increased from 7.1% at June 2019 to 24.0%.

ACQUISITION

On 31 October 2019 Acrow acquired 100% shares of Uni-span Pty Limited (Uni-span). Uni-span is a leading provider of engineered formwork systems servicing primarily the civil infrastructure market and scaffold hire solutions, focusing primarily on the industrial markets. In addition, it supplies an industrial labour service to complement its scaffold hire to the energy, mining and industrial sectors currently focusing on the Queensland market.

The acquisition was financed through the issue of 10,000,000 shares in the Group, \$12.9m of debt and cash acquired (additional \$0.8m debt for acquisition costs and integration). Two additional instalments of \$1.5m and \$3.5m are payable on 30 September 2020 and 2021. A further \$4.3m is payable if certain performance targets are met.

DIVIDENDS

The Company paid a 1.0 cent unfranked dividend per share in respect of the financial year ended 30 June 2019, amounting to \$1.75m on 15 November 2019. Shares totalling 1,087,746 were issued under the Dividend Reinvestment Plan at \$0.3141 per share.

Since the end of half-year, the directors declared an interim fully franked dividend of 0.7 cent per share to be paid Thursday 14 May 2020. A Dividend Reinvestment Plan is available for election. The interim dividend has not been provided for in this financial report as it was not declared until after 31 December 2019.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 31 October 2019 the Group acquired 100% interest of Uni-span Group Pty Limited as discussed in the Operating and Financial Review.

There were no other significant changes in the Group's state of affairs.

EVENTS SUBSEQUENT TO THE REPORTING DATE

Subsequent to 31 December 2019, the directors have declared a fully franked dividend of 0.7 cent per share on 27 February 2020.

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

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 7 and forms part of the Directors' report for the period ended 31 December 2019.

Dated at Sydney this 27th February 2020

Signed in accordance with a resolution of the directors:



Peter Lancken
Chairman



Steven Boland
Chief Executive Officer

Auditor's Independence Declaration

To the Directors of Acrow Formwork and Construction Services Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Acrow Formwork and Construction Services Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



N P Smietana
Partner – Audit & Assurance

Sydney, 27 February 2020

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2019

<i>In dollars</i>	Note	31 Dec 2019	31 Dec 2018
Revenue		36,484,322	34,995,406
Other income		1,295,848	192,407
Personnel expenses		(12,496,468)	(10,739,724)
Sub-contract labour costs		(8,824,173)	(8,925,999)
Inventory purchased, net of changes in finished goods		(5,572,344)	(4,634,218)
Property costs		(668,316)	(2,023,180)
Depreciation		(4,249,244)	(1,449,624)
Gain on fair value of derivatives		350,000	-
Other expenses	2	(4,466,114)	(3,115,479)
Results from operating activities		1,853,511	4,299,589
Finance income		17,183	8,045
Finance cost		(1,031,416)	(627,422)
Net finance income/(expense)		(1,014,233)	(619,377)
Profit/(loss) before income tax		839,278	3,680,212
Income tax expense	3	(459,138)	(322,923)
Profit/(loss) for the year		380,140	3,357,289
Other comprehensive income			
<i>Items that may subsequently be reclassified to profit or loss</i>			
Foreign operations - foreign currency translation differences		(186)	33
Total comprehensive income for the half-year		379,954	3,357,322
Earnings per share		Cents	Cents
Basic earnings / (loss) per share (cents)	10	0.21	1.98
Diluted earnings / (loss) per share (cents)	10	0.20	1.95

The Group has initially applied AASB 16 Leases at 1 July 2019, using the modified retrospective approach (refer to note 13). Under this approach, comparative information is not restated and the cumulative effect is recognized in retained earnings at the date of initial application.

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2019

In dollars

	Note	31 Dec 2019	30 Jun 2019
Assets			
Cash and cash equivalents		6,150,235	3,289,617
Receivables		14,812,963	13,104,919
Inventories		5,725,486	3,413,361
Prepayments and others		3,657,461	1,125,992
Assets held for sale	4	71,367	71,296
Total current assets		30,417,512	21,005,185
Property, plant & equipment		74,246,282	46,992,624
Intangibles	5	7,301,902	7,301,902
Right-of-use lease assets	13	16,145,093	-
Other assets		378,658	-
Total non-current assets		98,071,935	54,294,526
Total assets		128,489,447	75,299,711
Liabilities			
Trade payables		13,398,864	10,201,225
Other payables	6	3,621,685	2,230,199
Employee benefits		3,525,572	2,962,801
Lease Liabilities	13	3,848,486	-
Borrowings	7	7,426,527	2,102,006
Current tax liabilities		957,320	556,301
Liabilities held for sale	4	65,943	65,878
Total current liabilities		32,844,397	18,118,410
Other payables	6	3,457,574	2,128,080
Employee benefits		456,609	456,609
Lease Liabilities	13	13,209,865	-
Borrowings	7	16,178,213	4,837,086
Provisions		1,222,061	452,475
Deferred tax liabilities	8	5,927,414	1,683,999
Total non-current liabilities		40,451,736	9,558,249
Total liabilities		73,296,133	27,676,659
Net assets		55,193,314	47,623,052
Share capital		43,167,583	34,814,339
Reserves		2,951,859	2,062,063
Retained earnings		9,073,872	10,746,650
Total equity		55,193,314	47,623,052

The Group has initially applied AASB 16 Leases at 1 July 2019, using the modified retrospective approach (refer to note 13). Under this approach, comparative information is not restated and the cumulative effect is recognized in retained earnings at the date of initial application.

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2019

	Share capital	Share based payments reserve	Foreign currency translation reserve	Retained earnings	Total equity
<i>In dollars</i>					
Balance at 1 July 2018	29,377,927	623,011	56,286	8,669,062	38,726,286
Total comprehensive income for the period					
Profit/(loss) for the period				3,357,289	3,357,289
Other comprehensive income			33		33
Total comprehensive income	-	-	33	3,357,289	3,357,322
Transactions with owners of the Company					
Shares issued net of costs	4,942,114				4,942,114
Dividends paid to shareholders				(864,997)	(864,997)
Equity settled share base payments		571,268			571,268
Balance at 31 December 2018	34,320,041	1,194,279	56,319	11,161,354	46,731,993
Balance at 30 June 2019 as previously reported	34,814,339	2,006,033	56,030	10,746,650	47,623,052
Adjustment from adoption of AASB 16 net of tax				(302,854)	(302,854)
Restated balance at 1 July 2019	34,814,339	2,006,033	56,030	10,443,796	47,320,198
Total comprehensive income for the period					
Profit/(Loss) for the period				380,140	380,140
Other comprehensive income			(186)	-	(186)
Total comprehensive income	-	-	(186)	380,140	379,954
Transactions with owners of the Company					
Shares issued under acquisition agreements	3,050,000				3,050,000
Shares issued under dividend reinvestment plan ("DRP")	341,661				341,661
Shares issued under at capital raising net of costs	4,949,090				4,949,090
Dividends paid to shareholders				(1,750,064)	(1,750,064)
Equity settled share base payments		892,475			892,475
Transfer of option reserves to share capital	2,493	(2,493)			-
Proceed from exercise of options	10,000				10,000
Balance at 31 December 2019	43,167,583	2,896,015	55,844	9,073,872	55,193,314

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flow

For the half-year ended 31 December 2019

In dollars

	Note	31 Dec 2019	31 Dec 2018
Cash flows from operating activities			
Receipts from customers		43,168,745	38,034,288
Payments to suppliers and employees		(38,915,401)	(32,553,816)
Cash generated from operations		4,253,344	5,480,472
Significant costs – acquisition and integration costs		(1,217,120)	(389,516)
Finance income		17,183	8,045
Income tax paid		-	-
Net cash from operating activities		3,053,407	5,099,001
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		1,637,404	962,809
Purchase of property, plant and equipment		(4,867,033)	(5,586,962)
Consideration paid for controlled entities net of cash acquired	11	(12,182,477)	(6,729,486)
Deferred payment on acquisitions		(2,250,000)	-
Net cash used in investing activities		(17,662,106)	(11,353,639)
Cash flows from financing activities			
Proceeds from issue of shares		5,200,000	192,114
Capital raising costs		(250,910)	-
Proceeds from exercise of options		10,000	-
Proceeds from borrowings		19,147,868	7,219,190
Repayment of borrowings		(2,482,221)	(146,000)
Repayment of lease liabilities	13	(1,819,112)	-
Dividends paid		(1,408,403)	(864,997)
Finance costs paid		(927,906)	(584,601)
Net cash from financing activities		17,469,316	5,815,706
Net increase/(decrease) in cash and cash equivalents		2,860,617	(438,932)
Effect of exchange rate fluctuations on cash held		1	12
Cash and cash equivalents at 1 July 2019		3,289,617	4,917,837
Cash and cash equivalents at 31 December 2019		6,150,235	4,478,917

The above statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. General

(a) Reporting entity

Acrow Formwork and Construction Services Limited (Acrow or the Group) is a limited company whose shares are quoted on the Australian Securities Exchange under the issuer code "ACF". The consolidated financial statements of Acrow for the half-year ended 31 December 2019 comprise of the Company and its controlled entities (the Group). The Group is a for-profit entity and is primarily involved in the hire and sale of formwork and construction related services. Acrow's Consolidated Annual Financial Report for previous reporting periods are available upon request from the Group's registered office at Level 5, 126 Phillip Street, Sydney NSW, Australia 2000 or at www.acrow.com.au.

(b) Basis of preparation

The consolidated interim financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 Interim Financial Reporting and Corporations Act 2001, and with IAS 34 Interim Financial Reporting.

The consolidated interim financial report does not include all the information required for a full annual financial report and should be read in conjunction with Acrow's Annual Financial Report for the year ended 30 June 2019. This report should also be read in conjunction with any public announcement made by Acrow during the half-year ended 31 December 2019 in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

The consolidated interim financial report was authorised for issue by the Board of Directors on 27 February 2020.

Following the acquisition of Uni-span group of companies on 31 October 2019, the consolidated interim financial statements include those subsidiaries results from 1 November 2019 to 31 December 2019.

(c) Significant accounting policies

These financial statements are presented in Australian dollars, which is the Group's functional currency. The accounting policies applied by Acrow in this consolidated interim financial report are the same as those applied by the Company in the Annual Financial Report as at and for the year ended 30 June 2019.

This is the first set of the Group's financial statements where AASB16 Leases have been applied from 1 July 2019.

AASB 16 Leases introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets, which are recorded in properties, forklift and office equipment and motor vehicles, representing its rights to use the underlying assets, and lease liabilities representing its obligation to meet lease payments.

Changes to significant accounting policies are set out in note 13.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Interpretation 23 – Uncertainty on income tax treatments

The net profit after tax of the group assumes that certain income tax losses from previous periods relating its subsidiary Acrow Formwork and Scaffold Pty Limited are available to continue offsetting assessable income. These income tax losses are not recognised on the balance sheet. The losses are carried forward under the “same business test” rule which we assume the Australia Tax Office (ATO) would accept. The acquisition of Uni-span Group during the half year has led the group to reassess the ability to continue to carry forward the losses and we believe the same business test is still passed.

If the same business test was determined by the ATO not be passed, the group would be required to back pay taxes on relevant assessable income back to when the same business test was not passed. While tax losses and temporary differences do not expire under current tax legislation, deferred tax assets have not been recognised in respect of these items as certain subsidiaries have experienced a number of years without taxable income and therefore recovery is not considered probable. The tax losses do not expire under current tax legislation. Further information is included in note 8 – utilisation of tax losses.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group.

(e) Comparative information

Where applicable, comparative information has been reclassified in order to comply with current period disclosure requirements, the impact of which is not material to the financial report.

(f) Financial risk management

The Group’s approach to financial risk management is consistent with that disclosed in the Annual Financial Report for the year ended 30 June 2019.

The Group’s borrowings are held at amortised cost, with their fair values best approximated to the principal amount drawn down as disclosed in note 7.

Fair value hierarchy

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Fair value inputs are summarised as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and apply as little as possible on entity specific estimates. If all significant inputs required to fair value as instrument are observable, the instrument is included in level 2.

Level 3: If significant inputs are not based on observable market data, the instrument is included in level 3.

The following assets and liabilities are measured at fair value:

	Fair value hierarchy	Valuation technique
Derivatives (contingent consideration)	Level 2	Calculated as the present value of estimated future cash flows using a market-based yield curve sourced from available market data quoted for all major interest rates.

At interim reporting date, derivative financial instruments continue to be carried at fair value, and trade receivables and payables carrying values continue to approximate their fair value due to their short-term nature.

2. Other Expenses

<i>In dollars</i>	31 Dec 2019	31 Dec 2018
Significant costs - Acquisition and integration related costs	1,217,120	389,516
Freight costs	641,360	320,751
Motor vehicle expenses	316,075	447,651
IT and telecommunication expenses	589,107	430,655
Insurance expenses	368,413	314,211
Plant & equipment operation expenses	148,966	313,405
Consumables	165,173	130,673
Travelling expenses	304,068	219,722
Audit, tax and legal expenses	246,197	189,736
Others	469,635	359,159
	4,466,114	3,115,479

3. Income Tax (Expense)/Benefit

<i>In dollars</i>	31 Dec 2019	31 Dec 2018
Profit/(loss) before income tax	839,278	3,680,212
Income tax (expense)/benefit using the Group's domestic tax rate (30%)	(251,784)	(1,104,064)
(Increase)/decrease in income tax expense due to:		
Non-deductible/(taxable) amounts	(804,300)	(57,837)
(Increase)/decrease in income tax expense due to:		
Origination and reversal of temporary differences	712,711	-
Tax losses not brought to account	(240,280)	-
Recognition of tax losses not previously brought to account	124,515	838,978
Income tax (expense)/benefit	(459,138)	(322,923)

4. Assets and liabilities held for sale

<i>In dollars</i>	31 Dec 2019	30 Jun 2019
Assets classified as held for sale	71,367	71,296
Liabilities classified as held for sale	65,943	65,878

Acrow is still exploring the divestment of Noble Mineral Resources Ghana Ltd, which owns the Group's exploration and evaluation assets in Ghana. The business remains non-core to the Group and has an immaterial financial impact and limited impact on management bandwidth.

5. Intangibles

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at costs less any accumulated impairment losses.

Acrow annually tests goodwill with indefinite useful lives for impairment. An asset that does not generate independent cash flows is tested for impairment as part of a cash generating unit (CGU).

Where there is an impairment loss, it is recognised in the income statement when the carrying amount of an asset exceeds its recoverable amount. The asset's recoverable amount is estimated based on the higher of its value-in-use and fair value less costs to sell.

Acrow Formwork and Construction Services Limited | Interim Financial Report

Impairment testing on Natform companies

Goodwill of \$7,301,902 is recorded at 31 December 2019 with respect to the acquisition of Natform Pty Ltd and Natform (QLD) Pty Ltd. The recoverable amount of CGU is supported on a fair value less costs to sell basis with reference to the market price paid to acquire the business.

	31 Dec 2019	30 Jun 2019
Allocation to CGU Groups		
Natform companies	7,301,902	7,301,902
	7,301,902	7,301,902

The recoverable amount of a CGU is determined based on a value-in-use calculation. This calculation uses discounted cash flow projections based upon management's projected EBITDA and financial budgets approved by the board of directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the cash flows for year 5 and the estimated long-term growth rates.

The discount rate used is the Group's weighted average cost of capital. The terminal growth rate reflects the management's outlook on growth.

	31 Dec 2019	30 Jun 2019
Average growth rate 1 – 5 years	10.6%	13.7%
Terminal growth rate	1.5%	2.5%
Post-tax discount rate	10.0%	10.0%

Sensitivity

Management have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur, the carrying value of goodwill may vary. Any reasonable change in the key assumptions on which the estimates and/or the discount rate are based would not cause the carrying amount of the CGU to exceed the recoverable amount.

6. Other payables

<i>In dollars</i>	31 Dec 2019	30 Jun 2019
Current	3,621,685	2,230,199
Non-current	3,457,574	2,128,080
	7,079,259	4,358,279

Other payables represent present values of deferred considerations due on Natform and Uni-span acquisitions. The first of two equal payments of \$2,250,000 in respect of the acquisition of Natform was paid in September 2019, with the other due in September 2020. A total of \$5,000,000 deferred consideration is payable over two instalments of \$1,500,000 and \$3,500,000 respectively in September 2020 and September 2021, plus a contingent consideration of \$357,557 also payable in September 2021 are accounted for at the present value of these future expected cash flows, based on Acrow's incremental borrowing rate. Any adjustment to the completion payment will be included with the first instalment.

7. Borrowings

<i>In dollars</i>	31 Dec 2019	30 Jun 2019
Current	7,426,527	2,102,006
Non-current	16,178,213	4,837,086
	23,604,740	6,939,092

The Group entered into a \$15,000,000 secured loan agreement in October 2018 for a period of 4 years. The facility consists of four sub-facilities; a \$7,000,000 business loan paying variable rates (balance of \$5,102,000 at 31 December 2019) with a monthly principal repayment obligation of \$146,000; a \$5,000,000 revolving equipment finance facility also charging variable rates (balance of \$4,947,665 at 31 December 2019) and a \$3,000,000 flexible working capital / overdraft facility undrawn upon at balance date.

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The Group entered into another \$13,750,000 secured loan agreement in October 2019 for the acquisition of Uni-span for period of 4 years with a monthly principal repayment obligation of \$287,000 (balance of \$13,176,000 at 31 December 2019).

The loans are secured by interlocking guarantees across all Group companies. Interest on the facilities is variable and charged at the prevailing market rates.

Current balance also includes Insurance premium funding of \$379,075 which expires in May 2020.

8. Deferred tax balances

<i>In dollars</i>	31 Dec 2019	30 Jun 2019
Provisions	1,434,047	141,395
Payables	35,398	9,506
Property, plant and equipment	(7,396,861)	(1,834,900)
Balance	(5,927,414)	(1,683,999)

Unrecognised deferred tax assets and liabilities

<i>In dollars</i>	31 Dec 2019	30 Jun 2019
<i>Deferred tax assets have not been recognised in respect of the following items:</i>		
Revenue tax losses	13,773,521	13,654,771
Capital losses	202,441	202,441
Temporary differences	(3,346,812)	(2,911,668)
	10,629,150	10,945,544

The potential benefit of the deferred tax asset in respect of tax losses carried forward will only be obtained if:

- (i) the subsidiaries continue to derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) the subsidiaries continue to comply with the conditions for deductibility imposed by the law;
- (iii) no changes in tax legislation adversely affect the subsidiaries in realising the asset; and
- (iv) The subsidiaries pass the continuity of ownership test, or the same business test as outlined by the Australian Taxation Office.

9. Share capital

<i>Number of shares</i>	31 Dec 2019	30 Jun 2019
On issue of 1 July	175,006,455	162,982,615
Shares issued under Dividend Reinvestment Plan (i)	1,087,746	11,273,839
Shares issued at Uni-span acquisition (ii)	10,000,000	-
Shares issued through capital raising (iii)	17,333,333	-
Exercise of share options (iv)	50,000	750,001
	203,477,534	175,006,455

- (i) 1,087,746 shares were issued at \$0.3141 per share following the dividend declaration on 29 August 2019 pursuant to the Dividend Reinvestment Plan (DRP);
- (ii) 10,000,000 shares were issued on 15 November 2019 as part of the consideration for the acquisition of Uni-span group of companies, these are escrowed until 31 October 2020;
- (iii) 17,333,333 shares were issued on 4 December 2019 at \$0.30 per share; and
- (iv) 50,000 options were exercised at \$0.20 per share

The holders of these shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

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Dividends

A final unfranked dividend of \$1,750,066 for the year ended 30 June 2019 was paid on 15 November 2019 at 1.0 cent per share, with 1,087,746 new shares issued as part of the DRP.

10. Earnings per share

The following table reflects the income and share data used in the basic and diluted EPS computations:

Earnings reconciliation

<i>In dollars</i>	31 Dec 2019	31 Dec 2018
Profit excluding significant items	2,376,864	4,318,073
Net significant items	(1,996,724)	(960,784)
Net profit	380,140	3,357,289

* includes share-based payments of \$892k, impact on the adoption of AASB 16 Lease accounting \$237k, acquisition and integration costs of \$1,217k less \$350k gain on fair value of derivatives.

	Number of shares	
Number of ordinary shares		
Weighted average number of ordinary shares used in the calculation of basic EPS	180,482,312	169,814,162
Weighted average number of ordinary shares used in the calculation of dilutive EPS	193,201,921	171,989,076
	Cents	Cents
Basic EPS excluding significant items (cents per share)	1.32	2.54
Diluted EPS excluding significant items (cents per share)	1.23	2.51
Basic earnings / (loss) per share (cents)	0.21	1.98
Diluted earnings / (loss) per share (cents)	0.20	1.95

11. Acquisition of Uni-Span group of companies

On 31 October 2019 Acrow acquired 100% of the issued shares of Uni-span Group Pty Ltd ACN 131 921 116 and its subsidiaries:

- Unispan Height Safety Pty Ltd ACN 122 411 198;
- Unispan Australia Pty Ltd ACN 099 939 287; and
- Uni-span Formwork Solutions Pty Ltd ACN 158 121 361

Uni-span is a leading provider of engineered formwork systems servicing primarily the civil Infrastructure market and scaffold hire solutions, focussing on industrial markets, in Queensland and New South Wales. In addition, it supplies an industrial labour service to complement its scaffold hire, to the energy, mining and industrial sectors.

Provisional details of consideration and the fair value of identified assets acquired, liabilities assumed, and goodwill determined are set out in the following tables. These values are provisional as the group is still pending information used to determine performance-based milestones that form part of the consideration, and the fair value of assets acquired on acquisition. Amendments may be made to these values up to 12 months following the date of acquisition if new information is obtained about facts and circumstances that existed at acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

The consideration is comprised of \$12,905,035 cash with adjustments subject to the outcome on the Completion Accounting audit; 10,000,000 Acrow shares valued at \$0.305 each issued on the 15 November 2019, escrowed for 12 months (where if the closing price at end of escrow period is below \$0.35 per share, Acrow is liable to pay each seller the amount of the difference multiplied by the number of shares issued within 7 days or at its

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discretion decide to issue additional shares to the sellers at the then current market value, in lieu of cash); deferred considerations of \$1,500,000 due on 30 September 2020 and \$3,500,000 due on 30 September 2021 respectively; and a contingent payment up-to \$4,250,000 cash provided the Acrow group's EBITDA exceed \$18,000,000 for the 2021 Financial Year, at reporting date contingent payment is estimated to be \$357,557.

A fair value gain of \$350,000 on the 10,000,000 shares has been recognised due to an increase in share price from the issue date to the end of the reporting period (\$0.305 to \$0.34). Remeasurement will continue until the end of the escrow period.

Uni-span Group Pty Ltd and its subsidiaries

<i>In dollars</i>	\$
Fair value of consideration transferred	
Amount settled in cash	12,905,035
Amount settled in equity	3,500,000
Fair value of deferred consideration	4,409,691
Fair value of contingent consideration	357,557
Total consideration	21,172,283
Assets	
Cash and cash equivalents	1,174,659
Receivables	4,956,008
Inventory	2,092,333
Property, plant and equipment	25,185,811
Right-of-use assets	324,938
Provision for income tax	62,622
Other	45,525
Total assets	33,841,896
Liabilities	
Trade and other payables	6,082,218
Lease liabilities	335,959
Provisions	1,530,331
Borrowings	452,101
Deferred tax liabilities	4,269,004
Total liabilities	12,669,613
Fair value of net assets acquired	21,172,283
Purchase consideration paid and payable	21,172,283
Less: Fair value of net identifiable assets acquired	(21,172,283)
Preliminary goodwill on acquisition	-
Consideration transferred in cash	12,905,035
Cash and cash equivalents acquired	(1,174,659)
Loan from related company	452,101
Net cash outflow on acquisition	12,182,477

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The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Asset Acquired	Valuation Technique
Hire equipment	An independent valuer has been engaged to determine depreciated replacement cost of the assets. The depreciated replacement costs reflect adjustments for physical deterioration as well as functional and economic obsolescence.

The consolidated statement of profit and loss and comprehensive income includes the following revenue and net profit resulting from the acquisition made since 31 October 2019:

Revenue	5,135,198
Net profit after tax	380,863

If the acquisition had taken place at the beginning of the financial year (1 July 2019), the following revenue and net profit after tax would have been included:

Revenue	17,515,710
Net profit after tax	1,729,711

12. Operating Segments

The Group manages all its construction-related operations, being all the Australian based formwork and scaffolding subsidiaries as one segment and the mining operation in Ghana as a separate segment. The executive management team (the chief operating decision makers) assesses the financial performance of the construction-related on an integrated basis only and accordingly.

All revenue is generated by external customers in Australia on formwork and construction related services and mineral exploration assets and liabilities are held for sale as detailed in note 4.

The Group has the following segments:

- Formwork and Construction Services: the provision of formwork, scaffolding and related materials for hire and sales; and
- Mineral exploration activities

Segment Information as at 31 December 2019

<i>In dollars</i>	Formwork & Construction	Mineral Exploration	Total
Hire of equipment	17,471,637	-	17,471,637
Provision of labour and contracting services	10,470,982	-	10,470,982
Other hardware sales	8,541,702	-	8,541,702
Segment revenue	36,484,322	-	36,484,322
Other income	1,295,848	-	1,295,848
Segment operating profit	3,228,191	(30,073)	3,198,117
<i>Unallocated corporate overhead costs</i>	-	-	(1,344,607)
Finance costs	(1,014,233)	-	(1,014,233)
Profit (loss) before income tax	-	-	839,278
Income tax expense	(459,138)	-	(459,138)
Profit (loss) after income tax	-	-	380,140
Other material items:			
Goodwill on acquisition	7,301,902	-	7,301,902
Capital expenditure	4,867,033	-	4,867,033
Depreciation and amortisation	2,460,907	-	2,460,907
Segment assets	128,418,080	71,367	128,489,447
Segment liabilities	72,944,333	351,800	73,296,133

Segment Information as at 31 December 2018

<i>In dollars</i>	Formwork & Construction	Mineral Exploration	Total
Hire of equipment	16,915,711	-	16,915,711
Provision of labour and contracting services	11,051,718	-	11,051,718
Other hardware sales	7,027,976	-	7,027,976
Segment revenue	34,995,406	-	34,995,406
Other income	192,407	-	192,407
Segment operating profit	5,483,333	(29,420)	5,453,913
<i>Unallocated corporate overhead costs</i>	-	-	(1,127,939)
Finance costs	-	-	(645,761)
Gain on bargain purchase	-	-	-
Profit (loss) before income tax	-	-	3,680,212
Income tax expense	-	-	-
Profit (loss) after income tax	-	-	3,680,212
Other material items:			
Goodwill on acquisition	7,216,272	-	7,216,272
Capital expenditure	5,586,962	-	5,586,962
Depreciation and amortisation	1,449,624	-	1,449,624
Segment assets	72,398,196	71,086	72,469,282
Segment liabilities	25,455,426	281,863	25,737,289

Geographical Information

The Group's Mineral Exploration segment operates in Ghana.
Construction related segment operates in Australia.

13. Adoption of new accounting standards and interpretations

New and amended accounting standards relevant to the Group as well as their impact on the Group's consolidated interim financial statements that are effective for the period are as follows:

Interpretation 23 – uncertainty over income tax treatments

The impact of interpretation 23 has been documented in note 1(d)

AASB 16 Leases

The Acrow group's leasing activities and accounting policy are described below.

The Acrow group leases various properties, motor vehicles, forklift and office equipment. Property leases typically are for a period of 1 to 10 years and often have extension options, motor vehicle leases range from 1 year to 3 years, all forklift leases are 7 years and there is a master lease agreement that covers all printers for 5 years. With the exception of office equipment, all other leases are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

AASB 16 Leases removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for all lease contracts. The Acrow group adopted AASB 16 on 1 July 2019.

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Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of financial performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over lease term on a straight-line basis.

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

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

The lease payments are discounted using the interest rate implicit in the lease, at the group's incremental borrowing rate.

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

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date, less any lease incentives received.
- Any initial direct costs.
- An estimate of restoration or make good costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of financial performance. Short-term leases are leases with a term of 12 months or less. Low-value assets are mainly IT equipment.

Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or change in circumstance occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension options was immaterial.

i) Impact of adoption on 1 July 2019

On adoption of AASB 16, the Acrow group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the property yields at various locations and the group's incremental borrowing rate for short term finances as at 1 July 2019.

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

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

The Acrow group has also elected not to apply AASB 16 to contracts that were not identified as containing a lease under AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*. The

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recognition of the lease liability can be reconciled to the operating lease commitments disclosed at 30 June 2019 as follows:

• Operating lease commitments disclosed at 30 June 2019	19,744,728
• Discounted using the Acrow group's incremental borrowing rates	(1,227,960)
• (Less): short term leases and low value leases recognised on a straight-line basis as expense	(79,909)
• Lease liability recognised as at 1 July 2019	18,436,859

ii) Impact of adoption on 1 July 2019

All right-of-use assets for leases were measured using Modified Retrospective method as if the new rules had always been applied since the later of either the commencement of the lease or the date of business combinations. In accordance with AASB 16, the Acrow group has not restated comparatives as permitted under the specific transition provisions in the standard.

Following implementation of the standard on 1 July 2019:

- Property, plant and equipment increased by \$17,771,714 to recognise the net right-of-use asset, after the impairment of onerous leases.
- Lease liabilities increased by \$18,436,859
- Retained earnings was reduced by \$302,854
- Deferred tax assets increased by \$21,090
- Accrued lease incentive was reduced by \$341,202

iii) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

For the half year ended 31 December 2019	31 Dec 2019	30 Jun 2019
Right-of-use assets		
Properties	13,592,409	-
Equipment	2,285,801	-
Vehicles	266,883	-
Total right-of-use assets	16,145,093	-
Lease liabilities		
Current	3,848,486	-
Non-current	13,209,865	-
Total lease liabilities	17,058,351	-

iv) Amounts recognised in the statement of financial performance

The statement of financial performance contains the following amounts relating to leases:

For the half year ended 31 December 2019	31 Dec 2019	31 Dec 2018
Depreciation charge for right-of-use assets		
Properties	1,707,276	-
Equipment	203,591	-
Vehicles	145,374	-
Total depreciation charge for right-of-use assets	2,056,241	-
Interest expense (included in finance cost)	492,772	-
Expense relating to short term and low value leases	200,856	-

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The impact on the Acrow group on the consolidated statement of financial performance is set out below:

For the half year ended 31 December 2019	31 Dec 2019	31 Dec 2018
Increase in depreciation expense	(2,056,241)	-
Increase in interest expense	(492,772)	-
Decrease in lease payments	2,311,884	-
Net impact in net profit before tax	(237,129)	-

The statement of cash flows for 31 December 2019 includes cash outflows for lease payments of \$1,819,112 and lease interest of \$492,772 within “cash flows from financing activities”. The cash flows for the half-year ended 31 December 2018 have not been restated, with the cash outflow associated with lease payments included in ‘payments to suppliers and employees’ within “cash flows from operating activities”.

14. Subsequent events

Dividends

On 27 February 2020 the Directors declared a franked dividend of 0.7 cent per share to be paid on Thursday 14 May 2020.

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

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Directors' Declaration

In the opinion of the directors of Acrow Formwork and Construction Services Ltd (the Group):

- (a) the consolidated interim financial statements and notes are in accordance with the Corporations Act 2001, including:
 - ii) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance, for the financial year ended on that date; and
 - iii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Peter Lancken
Chairman



Steven Boland
Director, Chief Executive Officer

Sydney
27 February 2020

Independent Auditor's Report

To the Members of Acrow Formwork and Construction Services Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Acrow Formwork and Construction Services Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Acrow Formwork and Construction Services Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Acrow Formwork and Construction Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Grant Thornton Audit Pty Ltd
Chartered Accountants



N P Smietana
Partner – Audit & Assurance

Sydney, 27 February 2020