

Acrow Formwork and
Constructions Services Limited
ABN 36 124 893 465

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APPENDIX 4E

PRELIMINARY FINAL REPORT
Under ASX Listing Rule 4.3A

Acrow Formwork and Construction Services Limited

ABN 36 124 893 465

Details of Reporting Period

Reporting Period 12 months ended 30 June 2020
Previous Reporting Period 12 months ended 30 June 2019

Results for announcement to the market

	2020	2019	% change
	<i>dollars</i>	<i>dollars</i>	
Revenue from ordinary activities*	86,984,246	71,010,327	Up 22%
Net profit after tax from ordinary activities attributable to members	3,013,335	4,948,715	Down 39%
Share based payments and significant costs*	5,968,036	2,558,492	Up 133%
Net profit after tax from ordinary activities excluding significant costs*	8,981,371	7,507,206	Up 20%
	<i>Cents</i>	<i>Cents</i>	
Basic earnings per share (cents)	1.55	2.88	Down 46%
Diluted earnings per share (cents)	1.54	2.69	Down 43%
Basic earnings per share (cents) excluding significant costs*	4.62	4.36	Up 6%
Diluted earnings per share (cents) excluding significant costs*	4.58	4.08	Up 12%
Net tangible asset per share (cents)	25.73	24.00	Up 7%

* 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

	Amount per security (Cents)
Dividend distributions	
Interim dividend per share (cents)	Nil
Final dividend per share fully franked (cents)	1.05
Record date for determining entitlements to the dividend	Wednesday, 22 October 2020
Dividend payment date	Friday, 13 November 2020
Dividend Reinvestment Plan ("DRP") is in place, last date for election to participate	Friday, 23 October 2020
The Company paid a final dividend for the year ended 30 June 2019 – 100% unfranked on the 15 November 2019	1.0

Dividend

The Company has declared a fully franked dividend of 1.05 cents per share for the period ending 30 June 2020. The Dividend will be paid on 13 November 2020 to holders on the Company's fully paid ordinary share register on 22 October 2020 (Record Date).

Dividend Reinvestment Plan

The Company has a Dividend Reinvestment Plan (DRP) that will be available to holders of fully paid ordinary shares (shares). The DRP allows shareholders to reinvest part or all of their dividends into new Acrow Formwork and Construction Limited shares. The issue price of the shares will be at a 2.5% discount to the Market Value which is calculated as the arithmetic average of the daily volume weighted average sale price for a Share (rounded to four decimal places) sold through a Normal Trade on ASX on the ten trading days commencing on the second trading day following the Record Date. The last date for receipt of an election notice for participation in the DRP is 23 October 2020.

Control gained over entities

On 31 October 2019 Acrow Formwork and Construction Services Limited acquired all of the shares of Uni-span Group 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, \$12.6m of debt and cash acquired (additional \$1.1m debt for acquisition costs and integration). Two additional instalments of \$1.5m and \$3.5m are payable on 31 October 2020 and 2021. A further amount up to \$4.3m is payable on 31 October 2021 if certain performance targets are met.

Commentary

The Acrow business continued to perform strongly for the 12 months to 30 June 2020, with the inclusion of 9 months of the acquired Uni-span business.

The business continued to re-base towards the value added, highly engineered civil formwork solutions market as well as an increased focus on equipment sales and expanding its new Industrial Scaffold division.

On an underlying basis, the key highlights for the year included:

- Sales revenue up 22% and EBITDA up 30% on the prior comparative period, assisted by the contribution from the Uni-span acquisition, a strong focus on product sales, and improved trading from the Natform screens business.
- Underlying EBITDA of \$15.0m, up 30%, and EBITDA margin of 17.3%, up 100 bpts.
- Underlying net profit after tax of \$9.0m, up 20%, assisted by a tax credit but offset by a higher depreciation charge and higher funding costs.
- Significant items relating primarily to acquisition & integration costs, and share-based payments of \$4.6m.
- A final dividend of 1.05cps (fully franked) was declared, previously 1.0cps (unfranked).
- Underlying Earnings per Share 4.62 cents, up 6% from previous year.
- Balance sheet remains strong with net gearing of 20%¹.
- Operating cash profit (Underlying EBITDA less Maintenance Capex) of \$11.2m, up 27%.

¹ Gearing = $\text{net debt} / (\text{net debt} + \text{equity})$.

Segment Underlying EBITDA

Year end 30 June (\$'000) AASB 16)	(Pre- FY19	FY20	FY20/ FY19
Formwork	39,370	50,676	29%
Commercial & Residential Scaffold	31,640	26,149	-17%
Industrial Scaffold	-	10,159	na
Total Revenue	71,010	86,984	22%
Formwork	27,586	34,205	24%
Commercial & Residential Scaffold	15,029	12,926	-14%
Industrial Scaffold	-	4,845	na
Total Contribution	42,615	51,976	22%
<i>Contribution Margin</i>	<i>60.0%</i>	<i>59.8%</i>	<i>0%</i>
Yard Related Expenses	13,977	15,221	9%
Labour	14,029	17,263	23%
Other	3,060	4,474	46%
Total Overheads	31,065	36,958	19%
Underlying EBITDA	11,550	15,018	30%
<i>Margin</i>	<i>16.3%</i>	<i>17.3%</i>	<i>6%</i>

FY20 Reconciliation of Reported Net Profit after Tax to Underlying EBITDA

	Underlying	Significant items	AASB 16 impact	Reported
EBITDA (Pre AASB 16)	15,018	(3,276)		11,742
Depreciation	(4,994)	(266)		(5,260)
Net interest	(1,363)			(1,363)
AASB 16 impact	-		(1,082)	(1,082)
Pre tax profit	8,661	(3,542)	(1,082)	4,037
Share based payments	-	(1,345)		(1,345)
Tax expense (credit)	321			321
Net profit after tax	8,982	(4,887)	(1,082)	3,013

Audit

This Appendix 4E and Preliminary Financial Report is based on financial statements which are in the process of being audited by Grant Thornton.

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

Preliminary Financial Report
30 June 2020

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

In dollars

	Note	2020	2019
Continuing operations			
Revenue	3	81,681,600	68,858,910
Other income	4	2,096,471	881,092
Personnel expenses		(26,611,704)	(22,589,627)
Sub-contract labour costs		(18,498,438)	(18,005,200)
Inventory purchased, net of changes in finished goods		(13,303,195)	(9,120,271)
Depreciation		(9,639,607)	(3,261,936)
IT and telecommunication expenses		(1,331,878)	(876,211)
Freight costs		(1,252,113)	(810,466)
Property costs		(838,757)	(4,203,516)
Gain on fair value of derivatives		100,000	-
Other expenses	5	(7,202,173)	(4,901,037)
Profit before net finance costs and income tax		5,200,206	5,971,738
Finance income		37,211	11,261
Finance costs		(2,544,787)	(975,131)
Net finance costs		(2,507,576)	(963,870)
Profit before income tax		2,692,630	5,007,868
Income tax benefit/(expense)	6	320,705	(59,153)
Profit from continuing operations		3,013,335	4,948,715
Other comprehensive income			
Items that may be reclassified to profit / (loss)			
Foreign operations - foreign currency translation differences		(312)	(256)
Total comprehensive income for the year		3,013,023	4,948,459
Earnings per share from continuing operations			
Basic EPS (cents per share)	21	1.55	2.88
Diluted EPS (cents per share)	21	1.54	2.69

The Group applied AASB 16 Leases effective 1 July 2019 using the modified retrospective approach, per note 12. Under this approach, comparative information is not restated, and the cumulative effect is recognised 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 30 June 2020

In dollars

	Note	2020	2019
Current assets			
Cash and cash equivalents		7,238,511	3,289,617
Trade and other receivables	7	17,014,660	13,104,919
Inventories	8	5,577,745	3,413,361
Prepayments and other assets	9	2,355,240	1,125,992
Assets held for sale	10	72,854	71,296
Total current assets		32,259,010	21,005,185
Non-current assets			
Property, plant and equipment	11	76,038,493	46,992,624
Right-of-use lease assets	12	32,393,595	-
Intangibles	13	7,428,704	7,301,902
Other assets	9	99,411	-
Total non-current assets		115,960,203	54,294,526
Total assets		148,219,213	75,299,711
Current liabilities			
Trade payables	14	16,234,858	10,201,226
Other payables	14	3,842,952	2,230,199
Employee benefits	15	4,129,727	2,962,801
Lease liabilities	12	3,420,761	-
Loans and borrowings	16	5,981,098	2,102,006
Current tax liabilities		556,301	556,301
Liabilities held for sale	10	67,317	65,878
Total current liabilities		34,233,014	18,118,411
Non-current liabilities			
Other payables	14	3,331,309	2,128,080
Employee benefits	15	595,571	456,609
Lease liabilities	12	30,729,513	-
Loans and borrowings	16	15,837,398	4,837,086
Provisions	17	469,274	452,474
Deferred income tax liability	18	4,727,900	1,683,999
Total non-current liabilities		55,690,965	9,558,248
Total liabilities		89,923,979	27,676,659
Net assets		58,295,234	47,623,052
Equity			
Issued capital	19	45,674,176	34,814,339
Reserves		914,264	2,062,063
Retained earnings		11,706,794	10,746,650
Total equity		58,295,234	47,623,052

The Group applied AASB 16 Leases effective 1 July 2019 using the modified retrospective approach, per note 12. Under this approach, comparative information is not restated, and the cumulative effect is recognised 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 year ended 30 June 2020

	Issued capital	Share based payments reserve	Foreign currency translation reserve	Retained earnings	Total equity
<i>In dollars</i>					
Balance at 30 June 2018	29,377,927	623,011	56,286	8,988,391	39,045,615
Adjustment from adoption of AASB 9 net of tax	-	-	-	(584,408)	(584,408)
Restated balance at 1 July 2018	29,377,927	623,011	56,286	8,403,983	38,461,207
Total comprehensive income for the period					
Profit for the year	-	-	-	4,948,715	4,948,715
Other comprehensive income	-	-	(256)	-	(256)
Total comprehensive income	-	-	(256)	4,948,715	4,948,459
Transactions with owners of the Group					
Shares issued, net of costs	5,249,027	-	-	-	5,249,027
Dividends paid to shareholders	-	-	-	(2,107,019)	(2,107,019)
Shares issued under a Dividend Reinvestment Plan (DRP)	-	-	-	(499,029)	(499,029)
Equity settled share base payments	-	1,420,406	-	-	1,420,406
Options exercised	187,385	(37,384)	-	-	150,001
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 for the year	-	-	-	3,013,335	3,013,335
Other comprehensive income	-	-	(312)	-	(312)
Total comprehensive income	-	-	(312)	3,013,335	3,013,023
Transactions with owners of the Group					
Shares issued net of cost	4,949,090	-	-	-	4,949,090
Shares issued under acquisition agreements	3,050,000	-	-	-	3,050,000
Performance rights converted to shares, net of costs	2,454,140	(2,475,000)	-	-	(20,860)
Dividends paid to shareholders	-	-	-	(1,750,337)	(1,750,337)
Shares issued under a Dividend Reinvestment Plan (DRP)	341,661	-	-	-	341,661
Equity settled share base payments	-	1,345,059	-	-	1,345,059
Transfer of option reserves to issued capital	17,546	(17,546)	-	-	-
Proceeds from exercise of options	47,400	-	-	-	47,400
Balance at 30 June 2020	45,674,176	858,546	55,718	11,706,794	58,295,234

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

In dollars

	Note	2020	2019
Cash flows from operating activities			
Receipts from customers		87,707,020	73,815,600
Payments to suppliers and employees		(71,418,334)	(64,260,069)
Cash generated from operations		16,288,686	9,555,531
Significant costs - acquisition and integration related costs		(2,999,612)	(896,610)
Finance income		37,211	11,261
Income tax paid		-	(114,729)
Net cash inflow from operating activities		13,326,285	8,555,453
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		5,302,646	2,151,417
Purchase of property, plant and equipment		(13,101,140)	(9,784,502)
Consideration paid for controlled entities, net of cash acquired*	23	(12,182,477)	(6,729,487)
Deferred payment on acquisitions	14	(2,250,000)	-
Net cash outflow from investing activities		(22,230,971)	(14,362,572)
Cash flows from finance activities			
Proceeds from issue of shares	19	5,200,000	-
Capital raising costs	19	(271,771)	-
Proceeds from exercise of options	19	47,400	150,000
Proceeds from borrowings		19,915,010	8,091,239
Repayment of borrowings		(5,035,606)	(1,152,147)
Repayment of lease liabilities	12	(3,299,167)	-
Dividends paid net of DRP shares	19	(1,408,676)	(2,107,019)
Finance costs paid		(2,293,610)	(803,174)
Net cash inflow from financing activities		12,853,580	4,178,899
Net increase / (decrease) in cash and cash equivalents		3,948,894	(1,628,220)
Cash and cash equivalents at the beginning of the year		3,289,617	4,917,837
Cash and cash equivalents at the end of the year		7,238,511	3,289,617

* Reconciles to Note 23 Acquisition of Uni-span Group Pty Ltd, being cash consideration paid of \$12,905,035 less cash and cash equivalents acquired of \$1,174,659 plus a related company loan of \$452,101.

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

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Notes to the Financial Statements

1. Reporting entity

Acrow Formwork and Construction Services Limited (Acrow or the Group) is a limited company incorporated in Australia and whose shares are traded on the Australian Securities Exchange under the issuer code "ACF".

The preliminary consolidated financial statements of Acrow for the year ended 30 June 2020 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 falsework, formwork, scaffolding and screen equipment, and other construction services.

Acrow's Annual Report for prior reporting periods are available upon request from the Group's registered office located at Level 5, 126 Phillip Street, Sydney NSW 2000, Australia or at www.acrow.com.au.

2. Basis of preparation

(a) Basis of accounting

The preliminary consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The preliminary consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and were authorised for issue by the Board of Directors on 25 August 2020.

The Group adopted AASB 16 Leases (formerly AASB 117 Leases) from 1 July 2019 and this is the first set of the Group's annual preliminary consolidated financial statements where AASB16 Leases has been applied. Further details are set out in note 12 Leases.

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 for properties, forklifts, motor vehicles and office equipment, representing its rights to use the underlying assets, and lease liabilities representing its obligation to meet lease payments.

The Group acquired the Uni-span group of companies on 31 October 2019 and the preliminary consolidated financial statements includes those subsidiaries financial statements from 1 November 2019 to 30 June 2020.

(b) Basis of measurement

The preliminary consolidated financial statements have been prepared on the historical cost basis except for derivatives that are measured at fair value.

(c) Functional and presentation currency

The preliminary consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

(d) Use of estimates and judgements

The preparation of preliminary consolidated 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.

2. Basis of preparation (continued)

In particular, information about significant areas of estimations, uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the preliminary consolidated financial statements include the following:

- (i) Valuation of goodwill, refer to note 13; and
- (ii) Determination of expected credit losses of receivables, see note 7; and
- (iii) Utilisation of tax losses, per note 18.

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

(e) Comparative information

Where applicable, comparative information is reclassified to comply with disclosure requirements and improve comparability. The impact of which is not material to the financial report.

(f) Rounding

Acrow is a company of the kind referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016 and in accordance with that Legislative Instrument, amounts in these preliminary consolidated financial statements have been rounded off to the nearest dollar and are shown as such, unless stated otherwise.

(g) COVID-19 impact

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these preliminary consolidated financial statements. The estimation uncertainty is associated with:

- (i) The extent and duration of the disruption to businesses arising from the actions by governments, businesses and consumers to contain the spread of the virus.
- (ii) The extent and duration of the expected economic downturn. This includes the disruption to capital markets, deteriorating availability of credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and
- (iii) The effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

The Group has developed estimates in these preliminary consolidated financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2020 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

(h) Basis of consolidation

The preliminary consolidated financial statements have been prepared by aggregating the financial statements of all the entities that comprise the Group, being Acrow Formwork and Construction Services Limited and its controlled entities.

All inter-entity balances and transactions are eliminated in these preliminary consolidated financial statements.

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3. Revenue

In dollars

	2020	2019
<i>Revenue from contracts with customers</i>		
Provision of labour and contracting services	22,266,865	22,075,424
Other sales of goods	22,215,220	13,642,786
	44,482,085	35,718,210
<i>Other revenue</i>		
Hire of equipment	37,199,515	33,140,700
	81,681,600	68,858,910

4. Other income

In dollars

	2020	2019
Disposal of property, plant and equipment		
Proceeds	5,302,646	2,151,417
Written down value	(3,206,175)	(1,270,325)
Net gain on disposal of property, plant and equipment	2,096,471	881,092

5. Other expenses

In dollars

	2020	2019
Significant items - acquisition and integration related expenses	(2,999,612)	(896,610)
Audit, tax and legal expenses	(395,868)	(363,633)
Consumables	(328,187)	(318,622)
Doubtful debt expense	322,690	(368,828)
Due diligence	(306,687)	-
Insurance expenses	(810,623)	(593,153)
Motor vehicle expenses	(613,544)	(825,575)
Plant & equipment operation expenses	(298,541)	(647,904)
Travelling expenses	(494,081)	(425,852)
Others	(1,277,720)	(460,860)
	(7,202,173)	(4,901,037)

6. Income tax benefit/(expense)

In dollars

	2020	2019
Profit before income tax	2,692,630	5,007,868
Income tax (expense) using the Group's domestic tax rate (30%)	(807,789)	(1,502,360)
(Increase)/decrease in income tax expense due to:		
Non-deductible/(taxable) amounts	(602,176)	(456,930)
(Increase)/decrease in income tax expense due to:		
Origination and reversal of temporary differences	950,133	1,775,998
Tax losses not brought to account	(185,728)	(174,591)
Recognition of tax losses not previously brought to account	966,265	298,730
Income tax benefit/(expense)	320,705	(59,153)

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7. Trade and other receivables

In dollars

	2020	2019
Trade receivables	18,211,600	14,134,327
Provision for doubtful debts	(1,196,940)	(1,029,408)
	17,014,660	13,104,919
Current	8,084,287	6,395,010
31 to 60	6,401,245	4,046,059
61 to 90	1,446,874	1,144,164
90+	2,279,194	2,549,094
Impaired	(1,196,940)	(1,029,408)
	17,014,660	13,104,919

8. Inventories

In dollars

	2020	2019
Finished goods	5,881,998	3,688,216
Provision for slow moving stock	(304,253)	(274,855)
	5,577,745	3,413,361

9. Prepayments and other assets

In dollars

	2020	2019
Current		
Contract assets	239,747	259,316
Other receivables	933,026	158,013
Prepayments	1,182,467	708,663
	2,355,240	1,125,992
Non-current		
Other assets	99,411	-

10. Assets and liabilities held for sale

In dollars

	2020	2019
Assets classified as held for sale	72,854	71,296
Liabilities classified as held for sale	67,317	65,878

Acrow continues to explore 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, has an immaterial financial and limited management impacts.

11. Property, plant and equipment

	Land and buildings	Plant and equipment	Hire equipment	Total
<i>In dollars</i>				
At 30 June 2019				
Cost	388,645	11,051,856	49,732,154	61,172,655
Accumulated depreciation	335,940	10,541,142	3,302,949	14,180,031
Net book value	52,705	510,714	46,429,205	46,992,624
At 30 June 2020				
Cost	475,989	11,528,314	82,765,705	94,770,008
Accumulated depreciation	354,558	10,693,801	7,683,156	18,731,515
Net book value	121,431	834,513	75,082,549	76,038,493

12. Leases

AASB 16 Leases replaces AASB 117 Leases and was adopted by the Group on 1 July 2019.

The Group leases property, forklifts, motor vehicles and office equipment.

Property lease terms are from 1 to 10 years and often include extension options. Forklift lease terms are for 7 years, motor vehicle lease terms from 1 to 3 years, whilst all office equipment are for a 5-year lease term.

All leased office equipment forms one master lease agreement while all other leases are negotiated on an individual basis and contain a broad range of terms and conditions.

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 the recognition of an asset (the right to use the underlying asset) and a financial liability to pay rentals for all lease contracts.

Leases are recognised as a right-of-use asset and a corresponding lease 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 (interest). The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the lease term on a straight-line basis.

The right-of-use asset and lease liability are initially measured at the net present value of the future minimum lease payments.

Lease payments include:

- 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;

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- Fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- Payment of penalties for terminating the lease, if the lease term reflects Acrow exercising that option.

Lease payments are discounted using the interest rate implicit in the lease, if determinable or at the Group's incremental borrowing rate.

Right-of-use assets are measured at cost and comprise:

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

Payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Comprehensive Income. A short-term lease is a lease at commencement date with a lease term of 12 months or less. A low value asset per AASB 16 Leases has an asset value of USD5,000 or lower per IFRS 16. BC100. Low value assets mainly represent 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.

Impact of the adoption of AASB 16 Leases on 1 July 2019

On adoption of AASB 16 Leases, the 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 Leases for the first time, the Group has used the following practical expedients permitted by the standard:

- Relying on previous assessments as to whether a lease is onerous.
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The exclusion of initial direct costs for the measurement of the right-to-use asset at the date of initial application.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- 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 Group has also elected not to apply AASB 16 Leases to contracts that were not identified as containing a lease under AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease.

The 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 Group's incremental borrowing rates	(1,227,960)
Less: Short-term leases and low value leases recognised on a straight-line basis as an expense	(79,909)
Lease liability recognised as at 1 July 2019	18,436,859

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All right-of-use assets for leases were measured using the 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 Leases, the Group has not restated comparatives as permitted under the specific transition provisions in the standard.

Following implementation of AASB 16 Leases 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 reduced by \$302,854
- Deferred tax assets increased by \$21,090
- Accrued lease incentive was reduced by \$341,202

Lease amounts recognised in the Consolidated Statement of Financial Position:

<i>In dollars</i>	2020	2019
Properties	29,896,913	-
Forklifts and office equipment	2,130,164	-
Motor vehicles	366,518	-
Total right-of-use assets	32,393,595	-
Lease liabilities		
Current	3,420,761	-
Non-current	30,729,513	-
Total lease liabilities	34,150,274	-

Lease amounts recognised in the Consolidated Statement of Comprehensive Income:

<i>In dollars</i>	2020	2019
Depreciation charge for right-of-use assets:		
Properties	3,686,922	-
Forklifts and office equipment	402,223	-
Motor vehicles	290,336	-
Total depreciation charge for right-of-use assets	4,379,481	-
Interest expense (included in finance costs)	1,144,161	-
Expenses relating to short term and low value asset leases	272,842	-

Impacts to the Consolidated Statement of Comprehensive Income are:

<i>In dollars</i>	2020	2019
(Increase) in depreciation expense	(4,379,481)	-
(Increase) in interest expense	(1,144,161)	-
Decrease in lease payments	4,443,328	-
Net impact to net profit before income tax	(1,080,314)	-

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The Consolidated Statement of Cash Flows at 30 June 2020 includes cash outflows for lease payments of \$3,299,167 and lease interest of \$1,144,161 within cash flows from financing activities. The cash flows for the year ended 30 June 2019 have not been restated. Cash outflows associated with lease payments are included in payments to suppliers and employees within cash flows from operating activities.

13. 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 consolidated statement of comprehensive income 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.

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.

	2020	2019
Average growth rate 1 - 5 years	9.5%	13.7%
Terminal growth rate	1.5%	2.5%
Post-tax discount rate	10.7%	10.0%

<i>In dollars</i>	2020	2019
Opening goodwill balance	7,301,902	7,301,902
Additions	126,802	-
Reductions	-	-
Closing balance	7,428,704	7,301,902

Allocation to CGU Groups

<i>In dollars</i>	2020	2019
Natform companies	7,301,902	7,301,902
Uni-span companies	126,802	-
	7,428,704	7,301,902

Impairment testing on Natform companies

Goodwill of \$7,301,902 was recorded at 31 August 2018 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. No indicators of impairment have arisen since the acquisition date.

Impairment testing on Uni-span companies

Goodwill of \$126,802 was recorded on 31 October 2019 on acquisition of the Uni-span Group Pty Ltd and its subsidiaries. No indicators of impairment have arisen since acquisition.

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.

14. Trade and other payables

In dollars

	2020	2019
Current		
Trade payables		
Trade payables	10,353,721	6,925,662
Accrued expenses	5,881,137	3,275,564
	16,234,858	10,201,226
Other payables		
Natform deferred consideration	2,230,661	2,230,199
Uni-span deferred consideration	1,612,291	-
	3,842,952	2,230,199
Non-current		
Other payables		
Natform deferred consideration	-	2,128,080
Uni-span deferred consideration	3,331,309	-
	3,331,309	2,128,080

Other payables represent the present values of deferred considerations relating to the acquisitions of the Natform and Uni-span group of companies and completion adjustments.

Two equal payments of \$2,250,000 relating to Natform were payable. The first payment of \$2,250,000 was paid in September 2019 and the second payment of \$2,250,000 is payable in September 2020.

Two payments relating to Uni-span totalling \$5,000,000 are payable. The first payment of \$1,500,000 is payable in September 2020 and the second payment of \$3,500,000 is payable in September 2021. A contingent consideration payable in September 2021 has not been provided for as the probability is deemed low. Refer to note 23 for further details.

All Natform and Uni-span deferred considerations are recognised at the present value of future expected cash outflows, based on Acrow's incremental borrowing rate.

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15. Employee benefits

In dollars

	2020	2019
Current		
Annual leave	1,690,499	1,169,722
Long service leave	1,357,493	1,068,654
Other employee benefits	1,081,735	724,425
	4,129,727	2,962,801
Non-current		
Long service leave	595,571	456,609

All employees have defined contribution plans for superannuation and the expense recognised during the year was \$1,935,108 (2019: \$1,465,313).

16. Loans and borrowings

In dollars

	2020	2019
Current	5,981,098	2,102,006
Non-current	15,837,398	4,837,086
	21,818,496	6,939,092

Borrowings are represented by the following finance facilities:

Secured amortising business loan of \$13,750,000, commenced in October 2019, maturing in 30 April 2024 (Uni-span acquisition).	12,602,000	-
Secured amortising business loan of \$5,394,000, commenced in October 2018, maturing in 8 May 2023 (Natform acquisition).	4,664,000	5,978,000
Equipment finance facility, revolving 3-year limit of \$5,000,000	4,539,975	961,092
Headroom	460,025	4,038,908
Working capital facility, \$3m including \$1.4m bank guarantee (2019: \$0.9m) and \$1.6m bank overdraft (2019: \$2.1m):	-	-
Headroom	1,600,000	2,100,000
Insurance premium funding	12,521	-
Borrowings utilised	21,818,496	6,939,092
Headroom	2,060,025	6,138,908
Total borrowings	23,878,521	13,078,000

All borrowings are secured by interlocking guarantees across all Group companies.

Interest rates on secured amortised business loans are variable and dependent on prevailing market rates and bank margins.

The maturity date of the two secured business loans includes an extension of 6 months agreed to by our banker as part of our response to the Covid-19 response.

All borrowing costs incurred in the year have been expensed.

17. Provisions

In dollars

	2020	2019
Make good	469,274	452,474

Movements during the year were as follows:

Balance at 1 July	452,474	452,474
Addition through a business combination	769,587	-
Amounts used during the year	(752,787)	-
Balance at 30 June	469,274	452,474

18. Deferred income tax

In dollars

	2020	2019
Deferred income tax liability movement during the year:		
Opening balance at 1 July	1,683,999	-
Provisions	(709,364)	(141,395)
Accruals	(216,032)	(9,506)
Property, plant and equipment	5,350,418	1,834,900
Revenue tax loss	(1,381,122)	-
Closing balance at 30 June	4,727,900	1,683,999

Unrecognised deferred tax assets

Deferred tax assets not recognised for the following items:

Revenue tax losses	12,877,219	13,654,771
Capital losses	674,802	202,441
Temporary differences	(4,592,901)	(2,911,668)
	8,959,119	10,945,544

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.

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.

19. Issued capital

	2020	2019
Number of shares		
On issue of 1 July	175,006,455	162,982,615
Issue of shares (i)	1,087,746	11,273,839
	176,094,201	174,256,454
Shares issued at Uni-span acquisition (ii)	10,000,000	-
	186,094,201	174,256,454
Issue of shares for cash (iii)	17,333,333	-
	203,427,534	174,256,454
Shares issued through conversion of performance rights (iv)	12,375,000	-
	215,802,534	174,256,454
Exercise of share options (v)	237,000	750,001
	216,039,534	175,006,455

- (i) 1,087,746 shares were issued at \$0.3141 cents 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 the Uni-span group of companies and are escrowed until 31 October 2020;
- (iii) 17,333,333 shares were issued on 4 December 2019 at \$0.30 cents per share;
- (iv) 12,375,000 shares were issued through the exercise of performance rights and
- (v) 237,000 options were exercised at \$0.20 cents 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 Group.

Dividends

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved prior to the reporting date.

The following dividends were declared and paid by the Group during the year:

<i>In dollars</i>	2020	2019
Dividends on ordinary shares declared and paid:		
Final dividend in respect of the previous reporting period:		
FY 19: 1.0 cent per share (FY18: 0.5 cent per share)		
- Paid in cash	1,408,676	672,803
- Paid via DRP	341,661	192,114
Interim dividend for the current reporting period:		
FY 20: Nil (FY19: 1.0 cent per share)		
- Paid in cash	-	1,434,216
- Paid via DRP	-	306,914
	1,750,337	2,606,047

A final unfranked dividend of \$1,750,337 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.

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An interim dividend of 0.7 cents per share fully franked was declared on 27 February 2020. This dividend was cancelled on 30 March 2020 in light of the Covid-19 pandemic in order to prudently preserve cash.

Subsequent to balance date, the Directors declared a dividend of 1.05 cents per share fully franked on 25 August 2020.

Franking credit balance at 30 June 2020 was \$3,016,901 (2019: \$1,958,742).

20. Capital management

Management monitors the capital of the Group in order to maintain a good 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 borrowings.

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.

The Board is targeting a dividend payout ratio of between 30% and 50% of its operating cash profit which it defines as EBITDA less maintenance capital expenditure and less tax paid.

21. Earnings per share

Basic EPS is calculated by dividing profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the net profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

<i>In dollars</i>	2020	2019
Earnings reconciliation		
Profit excluding significant items	8,981,371	7,507,206
Net share-based payments and significant items*	(5,968,036)	(2,558,491)
Net profit after tax	3,013,335	4,948,715
* Jun-20 includes the net impact of IFRS 16 Leases adoption so that profit excluding significant items are comparable, per note 5		
	2020	2019
Number of ordinary shares:		
Weighted average number of ordinary shares used in the calculation of basic EPS	194,591,893	172,002,461
Weighted average number of ordinary shares used in the calculation of diluted EPS	195,904,881	183,997,435
Basic EPS excluding significant items (cents per share)	4.62	4.36
Diluted EPS excluding significant items (cents per share)	4.58	4.08

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Basic EPS (cents per share)	1.55	2.88
Diluted EPS (cents per share)	1.54	2.69

22. Group entities

The preliminary consolidated financial statements include the financial statements of the following wholly owned subsidiaries:

	Place of incorporation	% Equity interest
Acrow Holdings Pty Limited (a), (b)	NSW	100%
Acrow Formwork and Scaffolding Pty Ltd (a), (b)	NSW	100%
Natform Pty Ltd (a), (b)	NSW	100%
Natform (QLD) Pty Ltd (a), (b)	QLD	100%
Uni-span Group Pty Ltd (a), (b)	QLD	100%
Uni-span Height Safety Pty Ltd (a), (b)	QLD	100%
Unispan Australia Pty Ltd (a), (b)	QLD	100%
Uni-span Formwork Solutions Pty Ltd (a), (b)	QLD	100%
Acrow Group Investments Pty Ltd (a), (b)	NSW	100%
Noble Mineral Resources Ghana Limited	Ghana	100%

- (a) These subsidiaries have been granted relief from the necessity to prepare financial reports under the option available to the Group under ASIC Corporations (Wholly Owned Companies) Instrument 2016/785.
- (b) These subsidiaries, along with Acrow Formwork and Construction Services Limited (the parent entity of the Group), form the Deed of Cross Guarantee Group.

23. Acquisition of Uni-span Group Pty Ltd

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

- Uni-span 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.

Details of the consideration and the fair value of identified assets acquired, liabilities assumed, and goodwill determined are set out below.

The consideration is comprised of the following:

- (i) \$12,905,035 cash with adjustments subject to the outcome on the completion accounting audit;
- (ii) 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 discretion decide to issue additional shares to the sellers at the then current market value, in lieu of cash);

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- (iii) Deferred considerations of \$1,500,000 due on 30 September 2020 and \$3,500,000 due on 30 September 2021 respectively; and
- (iv) A contingent payment up to \$4,250,000 cash, provided the Acrow group's EBITDA exceeds \$18,000,000 for the 2021 Financial Year. At reporting date the contingent payment is estimated to be nil.

A fair value gain of \$100,000 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 \$0.315).

Remeasurement will continue until the end of the escrow period.

Uni-span Group Pty Ltd and its subsidiaries

In dollars

\$

Fair value of consideration transferred	
Amount settled in cash	12,905,035
Amount settled in equity	3,500,000
Fair value of deferred consideration	4,464,691
Fair value of contingent consideration	-
Total consideration	20,869,726

Assets

Cash and cash equivalents	1,174,659
Receivables	4,856,007
Inventory	1,413,399
Property, plant and equipment	24,721,898
Right-of-use lease assets	324,938
Provision for income tax	62,622
Other	45,525
Total assets	32,599,048

Liabilities

Trade and other payables	6,089,417
Lease liabilities	335,959
Provisions	1,530,331
Borrowings	452,101
Deferred tax liabilities	3,448,316
Total liabilities	11,856,124

Fair value of net assets acquired	20,742,924
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Purchase consideration paid and payable	20,869,726
Less: Fair value of net identifiable assets acquired	(20,742,924)
Preliminary goodwill on acquisition	126,802

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 comprehensive income includes the following revenue and net profit resulting from the acquisition made since 31 October 2019:

Revenue	20,581,574
Net profit after tax	768,085

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	30,872,361
Net profit after tax	1,152,098

24. 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 operations on an integrated basis only and accordingly.

All revenue is generated by external customers in Australia on formwork and construction-related services.

The mineral exploration assets and liabilities are held for sale per note 10.

The Group has the following segments:

- Formwork and construction services: the provision of falsework, formwork, scaffolding, screens and related materials for hire and sales; and
- Mineral exploration activities

Segment Information as at 30 June 2020

<i>In dollars</i>	Formwork and construction services	Mineral exploration	Total
Hire of equipment	37,199,515	-	37,199,515
Provision of labour and contracting services	22,266,865	-	22,266,865
Other hardware sales	22,215,220	-	22,215,220
Other income	2,096,471	-	2,096,471
Segment revenue	83,778,071	-	83,778,071
Segment operating profit	7,048,045	(70,117)	6,977,928
Unallocated corporate overhead costs			(1,777,722)
Finance costs	(2,507,576)	-	(2,507,576)
Profit before income tax			2,692,630
Income tax benefit	320,705	-	320,705
Profit after income tax			3,013,335
Other material items:			
Goodwill on acquisition	7,428,704	-	7,428,704
Capital expenditure	13,101,140	-	13,101,140

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Depreciation and amortisation	5,260,125	-	5,260,125
Segment assets	148,146,232	72,981	148,219,213
Segment liabilities	89,526,237	67,317	89,923,979

Segment Information as at 30 June 2019

<i>In dollars</i>	Formwork and construction services	Mineral exploration	Total
Hire of equipment	33,140,700		33,140,700
Provision of labour and contracting services	22,075,424		22,075,424
Other hardware sales	13,642,786		13,642,786
Other income	881,092		881,092
Segment revenue	69,740,002	-	69,740,002
Segment operating profit	7,888,356	(67,532)	7,820,824
Unallocated corporate overhead costs			(1,849,086)
Finance costs	(963,870)	-	(963,870)
Profit before income tax			5,007,868
Income tax (expense)	(59,153)	-	(59,153)
Profit after income tax			4,948,715
Other material items:			
Goodwill on acquisition	7,301,902	-	7,301,902
Capital expenditure	9,784,502	-	9,784,502
Depreciation and amortisation	3,261,936	-	3,261,936
Segment assets	75,228,415	71,296	75,299,711
Segment liabilities	27,610,781	65,878	27,676,659

Geographical information

The Group's formwork and construction-related services segment operates in Australia and the mineral exploration segment operates in Ghana.

25. Net tangible assets

	2020	2019
Net tangible assets per ordinary shares (cents)	25.73	24.00

26. Subsequent events

On 25 August 2020 the Directors declared a franked dividend of 1.05 cents per share to be paid on Friday 13 November 2020. Dividend Reinvestment Plan is available for election. The dividend has not been provided for in this financial report as it was not declared until after 30 June 2020.

Other than the above matter there has not otherwise arisen between the end of the year end 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.