MAAS Group Holdings Limited

ABN 84 632 994 542

Financial Report - 30 June 2019

MAAS Group Holdings Limited
Corporate directory
30 June 2019

Directors	Wesley J Maas - Executive Chairman Craig G Bellamy - Executive Director Damien J Porter - Executive Director
Company secretary	Wesley J Maas
Registered office	Unit 3, 148 Brisbane Street Dubbo NSW 2830
Principal place of business	20L Sheraton Road Dubbo NSW 2830
Auditor	BDO Audit Pty Limited Level 10, 12 Creek Street Brisbane QLD 4000
Solicitors	Jones Day Level 31 Riverside Centre 123 Eagle Street Brisbane QLD 4000 Duffy Elliot 148 Brisbane Street Dubbo NSW 2830
Bankers	Commonwealth Bank of Australia Limited Shop 3 188 Macquarie Street Dubbo NSW 2830 National Australia Bank Limited 204 Macquarie Street Dubbo NSW 2830 Westpac Banking Corporation Level 2 60-62 McNamara Lane Orange NSW 2800
Website	www.maasgroup.com.au

MAAS Group Holdings Limited
Directors' report
30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of MAAS Group Holdings Limited (referred to hereafter as the 'company' or 'legal parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

MAAS Group Holdings Limited (MGH) was incorporated on 18 April 2019 and converted to a public company on 23 August 2019. MGH was a shell company incorporated to complete a Merger Transaction and to be the new holding company for the merged group.

The following Merger Transactions occurred on 30 June 2019:

(a) MGH acquired the shares of the entities listed below, referred to as the MGPL group, through the issue of shares in MGH:
- MAAS Group Pty Ltd and its controlled entities;
- MAAS Group Developments Pty Ltd;
- Regional Hardrock Pty Ltd;
- Regional Hardrock (Dubbo) Pty Ltd;
- Regional Hardrock Unit Trust; and
- Eykan Holdings Pty Ltd.

As a consequence of this transaction, the MGPL group became wholly owned subsidiaries of MGH. These entities were under the common control of shareholders' Wesley Maas and his spouse, Emma Maas. This is based on Wesley and Emma Maas being regarded as controlling each of the above entities, as a result of contractual arrangements, acting collectively in making relevant decisions as to the management of these entities. As a result of the contractual arrangements they had the collective power to govern the financial and operating policies of the above combining entities so as to obtain benefits from their activities.

As a result of the Merger Transaction (the transaction), MAAS Group Pty Ltd (MGPL) became a 100% owned subsidiary of MGH. The Directors determined that the transaction did not represent a business combination as defined by AASB 3 'Business combinations' since the transaction was considered to be a combination of entities under common control, hence outside the scope of AASB 3. As there is no specific IFRS requirements on the treatment of such transactions, an accounting policy for the transaction was required to be determined.

The "top-hatting" of the existing group with a newly incorporated holding company (MGH) and the consolidation of the common controlled entities are a restructure of the existing business operations and therefore it was considered that the continuation method of accounting (book value) was most appropriate.

MAAS Group Pty Ltd (MGPL) was the holding company for the civil and hire activities prior to the Merger Transaction and has been identified as the 'acquirer' for accounting purposes. Accordingly, the consolidated financial statements have been prepared as a continuation of the consolidated financials of MGPL and its controlled entities. The comparative financial information from 1 July 2017 to 30 June 2018 presented in the consolidated financial statements is that of MGPL (accounting acquirer) and its controlled entities. The statement of profit or loss and other comprehensive income and the statement of cash flows for the year ended 30 June 2019 represents the results of MGPL and its controlled entities for the period from 1 July 2018 to 30 June 2019.

(b) MGH entered into agreements with the vendors of the entities listed below, and acquired all of the outstanding issued capital in the following entities:
- MAAS Homes Pty Ltd (formerly Nigel Bourke Construction Pty Ltd);
- Machinery Sales Pty Ltd (formerly Rookharp Pty Ltd);
- Large Industries Pty Ltd;
- EMS Plant & Equipment Pty Ltd;
- EMS Group Pty Ltd and its controlled entities;
- EMS International Pty Ltd; and
- Regional Crushing and Screening Pty Ltd.

All entities listed in (b) above, joined the consolidated entity on 30 June 2019 with the exception of Regional Crushing and Screening Pty Ltd which was alread part of the MGPL group (a controlled entity of MAAS Group Pty Ltd) as described in (a) above. MGPL owned 51% of Regional Crushing and Screening Pty Ltd. The remaining 49% shareholding was acquired by the transaction referred to in (b) above.

The other entities party to the Merger Transaction (not under common control) listed in (b) above, except for Regional Crushing and Screening Pty Ltd, are accounted for under AASB 3 as a business combination where applicable. As the merger transaction occurred on 30 June 2019, their results are not included in the statement of profit or loss and other comprehensive income and statement of cash flows for the year ended 30 June 2019. The statement of financial position as at 30 June 2019 represents that of MGPL and its controlled entities and all the other entities party to the Merger Transaction as at that date.

The Merger Transaction was undertaken so as to facilitate the proposed listing of MGH on the Australian Securities Exchange.

MAAS Group Holdings Limited
Directors' report
30 June 2019

Directors

The following persons were directors of MAAS Group Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Wesley J Maas (appointed 18 April 2019)
Craig G Bellamy (appointed 22 August 2019)
Damien J Porter (appointed 22 August 2019)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Construction - civil infrastructure
- Equipment and machinery hire
- Sale of goods - road-base and aggregates
- Property - land development and resale

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2019	2018
	$	$
Dividends paid to the shareholders of MAAS Group Pty Ltd	6,145,000	-
Dividends paid to the shareholders of Eykan Holdings Pty Ltd	367,000	589,000
Dividends paid to the shareholders of Regional Crushing & Screening Pty Ltd	271,460	58,310
	6,783,460	647,310

The above dividend payments occurred prior to the Merger Transaction (refer note 2 of the financial statements).

Review of operations and financial position

The profit for the consolidated entity after providing for income tax amounted to $9,220,253 (30 June 2018: $11,248,027).

The consolidated entity's adjusted EBITDA for the year amounted to $14,436,108 (2018: $18,319,428).

	Consolidated	
	2019	2018
	$	$
Profit before income tax expense	12,676,128	15,283,391
Depreciation and amortisation	3,512,165	3,682,777
Interest revenue	(1,439,934)	(1,373,209)
Finance costs	1,269,405	726,469
Gain from bargain purchase in a business combination	(1,581,656)	-
Adjusted EBITDA	14,436,108	18,319,428

Adjusted EBITDA excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings because of isolated or non-recurring events. It also excludes bargain purchases from business combinations. Interest income and finance costs have been allocated to segments, however going forward this type of activity will be driven by a central treasury function and will therefore not be allocated to segments. Refer to segment note 4 to the financial statements for further details of the consolidated entity's results which have been broken down to 5 segments: (1) Real Estate; (2) Civil and Construction; (3) Tunnelling and Underground Services; (4) Construction Materials; and (5) Other.

The operations of the consolidated entity comprised equipment and machinery hire, civil construction, quarry operations and real estate sales for the entire year. The consolidated entity invested more in the real estate sector through its englobo land acquisitions in June 2019, with the capability of developing residential subdivisions and commercial spaces.

As a result of the Merger Transaction, the consolidated entity acquired the businesses operating in the following sectors:
- Underground equipment and hire
- Electrical services
- Sale of plant and equipment
- House building
- Manufacturing of equipment

As a result of the merger transaction, and other business combinations, $52,326,222 of net assets were acquired and therefore the consolidated entity's assets and liabilities significantly increased from the prior year. Refer to note 36 to the financial statements for further details of the business combinations that occurred during the year.

All of these businesses were domiciled in Australia with the exception of the equipment manufacturing business which is domiciled in Vietnam. As the businesses were acquired as at 30 June 2019, none of these businesses' earnings are included in the results of the consolidated entity for the year ended 30 June 2019.

Significant changes in the state of affairs

For more information on significant changes in the state of affairs of the consolidated entity during the financial year refer to the introduction paragraph at the commencement of the Directors' Report.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

Convertible notes

On 1 July 2019, convertible notes were issued for $20,000,000. The key terms of the notes at issue date were as follows:
- Facility expiry date of 31 May 2021.
- Interest payable at 10% per annum in the event IPO does not occur by 30 November 2019 with interest accruing from this date.
- Interest payable every 6 months.
- The consolidated entity can elect to issue further notes in lieu of accrued interest payment.
- In the event of an IPO, noteholders are entitled to receive a 10% discount on issuance price.
- Notes are subject to various debt covenants.
- Notes are unsecured.

Business combinations and asset acquisitions

Acquisition of Millers Metals

On 7 August 2019, MAAS Group Pty Ltd (MGPL) acquired 100% of the ordinary shares in Millers Metals Forbes Pty Ltd and the business assets of Millers Metals from Manso Holdings Pty Ltd, and acquired the land associated in West Wyalong and Forbes through its wholly owned subsidiaries Regional Hardrock (West Wyalong) Pty Ltd and Regional Hardrock (Forbes) Pty Ltd respectively (collectively referred to as Millers Metals). Millers Metals own and operate quarries in Forbes and West Wyalong and have a substantial fleet of vehicles, plant and machinery. Millers Metals provides mobile crushing and contract blasting, crushing and screening services to private and council owned pits. Aligned with the MAAS Group business model the acquisition provides geographic expansion in both its Construction Materials and Civil and Construction Hire business divisions. The total consideration for the acquisitions was $33,510,772.

Acquisition of Jacon

On 4 September 2019, EMS Group Pty Ltd, EMS International Pty Ltd and VMS Engineering Company Ltd acquired the business operations of Jacon (with the exception of the operations in India). The Jacon business operated through a number of legal entities across different jurisdictions (Australia, Vietnam, Singapore and Indonesia). Jacon design, manufacture and supply concrete pumping, spraying and transportation equipment to the global mining and construction industries, operating in Australia, Vietnam, Indonesia and India. Aligned with the MAAS Group business model the acquisition provides geographic expansion in both its Construction Materials and Civil and Construction Hire business divisions. The total consideration (including contingent consideration) for the acquisitions was $11,138,560.

Acquisition of Bizitay Pty Ltd

On 30 August 2019 MAAS Group Developments Pty Ltd (MGD) executed and completed a share purchase agreement with Rutherford Holdings Pty Ltd (Rutherford) to acquire 100% of the shares in Bizitay Pty Ltd (Bizitay) for the total consideration of $11,820,000 (including acquisition costs). Bizitay Pty Ltd is an investment vehicle for a number of commercial properties in New South Wales and Queensland. Bizitay generates earnings through short term leases on the properties however has no employees or operating systems. MGD will assess individually the commercial properties acquired and either redevelop or divest them at the appropriate time.

Acquisition of Dubbo Sands
On 20 December 2019, Regional Sands (Dubbo) Pty Ltd acquired the business known as Dubbo Sands for a cash consideration of $6,906,467. The business assets comprised a sand quarry, a farm, water licence and plant & equipment and is located near Dubbo NSW. The business was acquired in accordance with the business strategy of the Construction Materials division.

COVID 19
On 11 March 2020, The World Health Organisation classified the COVID 19 virus a pandemic. In an attempt to combat the health risks of COVID 19, governments across the world have implemented various policies aimed at tackling the spread of the virus. Refer to Note 2 for further information in relation to the Directors' assessment of potential impact to the consolidated entity.

Likely developments and expected results of operations
Likely developments in the operations of the consolidated entity that were not finalised at the date of this report included:

- A proposed listing of MAAS Group Holdings Limited on the Australian Securities Exchange (ASX). The company is expected to finalise its prospectus in the first half of calendar year 2020 in order to facilitate a listing on the ASX.

- On 11 March 2020, The World Health Organisation classified the COVID 19 virus a pandemic. In an attempt to combat the health risks of COVID 19, governments across the world have implemented various policies aimed at tackling the spread of the virus. Refer to Note 2 for further information in relation to the Directors' assessment of potential impact to the consolidated entity.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law other than the following:
- Biodiversity Conservation Regulation 2017
- Biodiversity Conservation (Savings and Transitional) Regulation 2017
- Environmental Planning and Assessment Regulation 2000
- Local Government (General) Regulation 2005
- Mining Regulation 2016
- Natural Resources Access Regulator Regulation 2018
- National Parks and Wildlife Regulation 2019
- Protection of the Environment Operations (Clean Air) Regulation 2010
- Protection of the Environment Operations (General) Regulation 2009
- Protection of the Environment Operations (Noise Control) Regulation 2017
- Protection of the Environment Operations (Waste) Regulation 2014
- Roads Regulation 2018

Information on directors

Name:	Wesley J Maas
Title:	Executive Chairman (appointed on 18 April 2019)
Qualifications:	None
Experience and expertise:	Wes was 23 when he launched the business which started out with one Bobcat and a tipper truck. A little over 15 years later, he has grown the business to incorporate a highly successful plant hire operation of 300+ equipment, bulk earthworks, civil construction, quarry business and also a crushing and screening contract hire, along with a residential and commercial property division.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman and Chief Executive Officer
Interests in shares:	160,633,241

Name:	Craig G Bellamy
Title:	Executive Director (appointed 22 August 2019)
Qualifications:	Bachelor of Business (Accountancy), C.A
Experience and expertise:	Craig joined MAAS Group in May 2019 as Chief Financial Officer and is responsible for all financial aspects of the Group including accounting, treasury, budgeting and tax. Craig has over 25 years' experience and has previously held executive roles including Chief Executive Officer and Chief Financial Officer for ASX Listed entities Devine Limited and Unity Pacific Group Limited (formerly Trinity Group Limited).
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chief Financial Officer
Interests in shares:	None

Name:	Damien J Porter
Title:	Executive Director (appointed 22 August 2019)
Qualifications:	None
Experience and expertise:	With 20 years of experience in hire, operations and sales, Damien has a comprehensive knowledge of the equipment and machinery industry. Damien spent a number of years working for a major equipment hire company. Damien has been with MAAS since 2005 and oversees upwards of 100 employees and items of machinery at any given time.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
Wesley J Maas has held the position of company secretary from the date of incorporation. Wesley is the majority shareholder and Executive Chairman of MAAS Group Holdings Limited.

Meetings of directors
MAAS Group Holdings Limited was a proprietary company at 30 June 2019 and at that date only had a sole director - Wesley Jon Maas. Consequently there were no meetings of directors held during the year ended 30 June 2019.

Remuneration report
The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

MAAS Group Holdings Limited was incorporated on 18 April 2019 and registered as a proprietary company. It converted to a public company on 28 August 2019. Wesley J Maas was the sole Director during the period from incorporation to 30 June 2019. Other than Wesley J Maas there were no other key management personnel of the consolidated entity during this period. Wesley J Maas did not receive any remuneration during the financial period to 30 June 2019.

Service agreements
There were no service agreements entered into with any of the key management personnel during the year ended 30 June 2019.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Options
There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2019.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Additional disclosures relating to key management personnel

Shareholding

	Shares issued on incorporation	Additions - Merger Transaction	Balance at the end of the year
Wesley J Maas	10	160,633,231	160,633,241

The shares issued to Wesley J Maas and his personally related entities were issued pursuant to the Merger Transaction (refer to page 1 of the Directors' Report).

Loans to/from key management personnel
Details of loans provided by or made to directors of MAAS Group Holdings Limited and other key management personnel of the consolidated entity, including their close family members and entities related to them, are set out below.

(a) Related party loan liabilities

Related party entity	KMP related to	Balance at beginning of the year $	Dividends payable $	Loan reassigned $	Addition through business combination $	Paid $	Balance at end of the year $
Choice Investments Dubbo Pty Ltd	Wesley J Maas	30,536,911	6,145,000	8,617,199	327,750	(7,295,829)	38,331,031
Maas Family Trust	Wesley J Maas	1,200,127	-	-	-	(1,200,127)	-
Maas Group Properties Pty Limited	Wesley J Maas	8,617,199	-	(8,617,199)	-	-	-
		40,354,237	6,145,000	-	327,750	(8,495,956)	38,331,031

(b) Related party loan receivables

Related party entity	KMP related to	Balance at beginning of the year $	Paid $	Balance at end of the year $
Regional Hardrock Forbes Unit Trust*	Wesley J Maas	-	15,990	15,990
Regional Hardrock West Wyalong*	Wesley J Maas	-	34,470	34,470
		-	50,460	50,460

*These entities were incorporated for the acquisition of the Forbes and West Wyalong quarries subsequent to balance date (refer note 38) and were acquired by the consolidated entity prior to settlement of the quarry acquisition.

All of the above loans were unsecured, non interest bearing and repayable on demand.

This concludes the remuneration report, which has been audited.

Shares under option
There were no unissued ordinary shares of MAAS Group Holdings Limited under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of MAAS Group Holdings Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 32 to the financial statements.

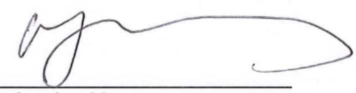
The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 32 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Wesley Jon Maas
Director

20 March 2020
Dubbo

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DECLARATION OF INDEPENDENCE BY K L COLYER TO THE DIRECTORS OF MAAS GROUP HOLDINGS LIMITED

As lead auditor of MAAS Group Holdings Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of MAAS Group Holdings Limited and the entities it controlled during the period.

K L Colyer
Director

BDO Audit Pty Ltd

Brisbane, 20 March 2020

MAAS Group Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $	2018 $
Revenue	5	39,075,545	43,305,489
Other income	6	1,037,066	1,629,974
Interest revenue		1,439,934	1,373,209
Gain from bargain purchase in a business combination	36	1,581,656	-
Expenses			
Changes in inventories, including purchases of raw materials and consumables used	12	(8,259,129)	(9,269,781)
Bad debts		(30,086)	(45,996)
Employee benefits expense		(8,857,432)	(8,266,498)
Depreciation and amortisation expense		(3,512,165)	(3,682,777)
Motor vehicle expenses		(2,864,790)	(3,210,951)
Insurance and registration		(523,525)	(387,074)
Repairs and maintenance		(3,142,053)	(4,474,733)
Travel and accommodation		(371,694)	(373,575)
Other expenses		(1,627,794)	(587,427)
Finance costs	7	(1,269,405)	(726,469)
Profit before income tax expense		12,676,128	15,283,391
Income tax expense	8	(3,455,875)	(4,035,364)
Profit after income tax expense for the year attributable to the owners of MAAS Group Holdings Limited	27	9,220,253	11,248,027
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of MAAS Group Holdings Limited		9,220,253	11,248,027

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

MAAS Group Holdings Limited
Consolidated statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Assets			
Current assets			
Cash and cash equivalents	9	3,368,099	658,048
Trade and other receivables	10	22,711,806	7,138,659
Contract assets	11	3,055,685	-
Inventories	12	36,770,522	147,500
Financial assets at fair value through profit or loss	13	93,086	23,188,628
Other	14	3,325,811	13,288
Total current assets		69,325,009	31,146,123
Non-current assets			
Trade and other receivables	10	12,423,457	28,291,953
Inventories	12	29,760,042	2,125,366
Property, plant and equipment	15	102,514,034	39,369,173
Intangibles	16	28,962,711	49,567
Deferred tax	17	775,546	57,230
Other	14	68,161	-
Total non-current assets		174,503,951	69,893,289
Total assets		243,828,960	101,039,412
Liabilities			
Current liabilities			
Trade and other payables	18	17,693,152	3,852,563
Contract liabilities	19	2,848,426	-
Borrowings	20	67,974,973	40,784,768
Lease liabilities	21	28,087,063	11,204,522
Income tax		6,086,439	1,793,745
Employee benefits	22	995,072	190,768
Provisions	23	1,500,092	-
Total current liabilities		125,185,217	57,826,366
Non-current liabilities			
Borrowings	20	13,712,494	3,450,000
Lease liabilities	21	16,448,277	7,953,919
Deferred tax	24	11,004,231	3,611,755
Total non-current liabilities		41,165,002	15,015,674
Total liabilities		166,350,219	72,842,040
Net assets		77,478,741	28,197,372
Equity			
Issued capital	25	153,643,287	1,593
Reserves	26	(109,000,146)	-
Retained profits	27	30,632,572	28,195,779
Equity attributable to the owners of MAAS Group Holdings Limited		75,275,713	28,197,372
Non-controlling interest		2,203,028	-
Total equity		77,478,741	28,197,372

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

MAAS Group Holdings Limited
Consolidated statement of changes in equity
For the year ended 30 June 2019

Consolidated	**Issued capital $**	**Retained profits $**	**Total equity $**
Balance at 1 July 2017	1,593	17,595,062	17,596,655
Profit after income tax expense for the year	-	11,248,027	11,248,027
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	11,248,027	11,248,027
Transactions with owners in their capacity as owners:			
Dividends paid (note 28)	-	(647,310)	(647,310)
Balance at 30 June 2018	1,593	28,195,779	28,197,372

Consolidated	**Issued capital $**	**Reserves $**	**Retained profits $**	**Non-controlling interests $**	**Total equity $**
Balance at 1 July 2018	1,593	-	28,195,779	-	28,197,372
Profit after income tax expense for the year	-	-	9,220,253	-	9,220,253
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	9,220,253	-	9,220,253
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 25)	153,641,694	-	-	-	153,641,694
Acquisition of subsidiaries	-	-	-	2,203,028	2,203,028
Reserve arising from business combinations under common control	-	(109,000,146)	-	-	(109,000,146)
Dividends paid (note 28)	-	-	(6,783,460)	-	(6,783,460)
Balance at 30 June 2019	153,643,287	(109,000,146)	30,632,572	2,203,028	77,478,741

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

MAAS Group Holdings Limited
Consolidated statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 $	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		44,409,815	49,172,864
Payments to suppliers (inclusive of GST)		(52,601,111)	(32,221,002)
		(8,191,296)	16,951,862
Dividends received		818,190	168,617
Interest received		1,439,850	1,373,209
Interest and other finance costs paid		(1,265,274)	(726,469)
Income taxes paid		(4,015,241)	(4,521,148)
Net cash from/(used in) operating activities	39	(11,213,771)	13,246,071
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	36	(968,325)	-
Payments for financial assets at fair value through profit or loss		(1,221,709)	(24,575,084)
Payments for property, plant and equipment		(59,198)	(2,435,558)
Payments for intangibles		-	(49,567)
Payments for deposits		(2,097,236)	-
Related party loans - net		1,183,777	(8,182,676)
Proceeds from disposal of financial assets at fair value through profit or loss		25,201,066	1,726,115
Proceeds from disposal of property, plant and equipment		1,621,246	5,220,779
Net cash from/(used in) investing activities		23,659,621	(28,295,991)
Cash flows from financing activities			
Proceeds from issue of shares	25	10	-
Proceeds from/(payments of) borrowings and lease liabilities	39	(9,528,065)	15,863,581
Dividends paid		(638,460)	(647,310)
Net cash from/(used in) financing activities		(10,166,515)	15,216,271
Net increase in cash and cash equivalents		2,279,335	166,351
Cash and cash equivalents at the beginning of the financial year		658,048	491,697
Cash and cash equivalents at the end of the financial year	9	2,937,383	658,048

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover MAAS Group Holdings Limited as a consolidated entity consisting of MAAS Group Holdings Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is MAAS Group Holdings Limited's functional and presentation currency.

MAAS Group Holdings Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
Unit 3, 148 Brisbane Street Dubbo NSW 2830	20L Sheraton Road Dubbo NSW 2830

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 20 March 2020. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

At the reporting date the statement of financial position discloses prima facie a deficiency in working capital, being excess of current liabilities over current assets of $55,860,208 (2018: $26,680,243) and a net cash outflow from operating activities of $11,213,771.

The working capital deficiency has arisen due to the following:

- Included in liabilities are contract liabilities totalling $2,848,426 (representing income received in advance);
- Included in current liabilities are amounts owing to director related entities totalling $38,331,031 and amounts owing to shareholder related entities totalling $17,339,553. The company is in the process of preparing for an IPO and these amounts are to be realised on this date and therefore have been classified as a current liability. In the event that the IPO is not successful, confirmation has been sought from the respective parties that these amounts will not be called upon until such time the consolidated entity can meet the repayments and will continue to support the consolidated entity.

The net cash outflow from operating activities arises from the increased investment in inventories of $22,356,185. A significant portion of this investment relates to land held for resale and development which is not expected to be realised within 12 months.

In addition to the above, the directors have considered the potential impact that the global pandemic Covid 19 may have on the operations of the consolidated entity. Given the rapidly changing environment caused by Covid 19 and its impact on the Australian and global economy, along with various policy responses by governments both in Australia and globally, it is not possible to conclusively define the potential impact that Covid 19 may have on the operations of the consolidated entity in time, given the fluidity of government policy decision making. The directors however, based on current available information, are of the view that the consolidated entity has the ability to operate profitability and as a going concern notwithstanding the potential impact of Covid 19 and the current uncertainty it creates in relation to the potential economic impact for both the Australian and global economies.
The reasons the directors believe the going concern basis to be appropriate are as follows:

- The consolidated entity is currently finalising a new senior finance facility of $125m. One lender has notified the consolidated entity that final credit approval for the facility has been received whilst the other lender has advised that facility had credit support with final credit approval expected by 25 March 2020. Loan documentation is currently being prepared with financial close anticipated within 2 weeks of the final credit approval date, with a facility term of 3 years;
- The consolidated entity has a large proportion of contracted works in hand for the year ending 30 June 2020;
- The consolidated entity is favourably disposed to large infrastructure projects through its civil and construction services and construction materials divisions. Apart from the existing workbook, it is anticipated that future stimulus packages introduced by the Australian Federal and State Governments will target large infrastructure projects which is consistent with the consolidated entity's existing operations;
- The consolidated entity has a vertically integrated model which enables it to scale both its overhead and capital expenditure requirements to match prevailing economic conditions. Appropriate scaling of overhead is achieved through the use of appropriate casual labour which can be scaled to match underlying demand. Capital expenditure can also be appropriately scaled to match the underlying economic conditions due to the vertically integrated business model

Note 2. Significant accounting policies (continued)

After considering all the above, the financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

MAAS Group Holding Limited (MGH) (formerly MAAS Group Holdings Pty Ltd) was incorporated as a proprietary company on 18 April 2019. On 23 August 2019 MGH was converted to a public company limited by shares.

As part of a Merger Transaction, MGH acquired the shares of the entities listed below, referred to as the MGPL group, through the issue of shares in MGH:

- MAAS Group Pty Ltd and its controlled entities;
- MAAS Group Developments Pty Ltd;
- Regional Hardrock Pty Ltd;
- Regional Hardrock (Dubbo) Pty Ltd;
- Regional Hardrock Unit Trust; and
- Eykan Holdings Pty Ltd.

These entities were under the common control of shareholders' Wesley Maas and his spouse, Emma Maas. This is based on Wesley and Emma Maas being regarded as controlling each of the above entities, as a result of contractual arrangements, acting collectively in making relevant decisions as to the management of these entities. As a result of the contractual arrangements they had the collective power to govern the financial and operating policies of the above combining entities so as to obtain benefits from their activities.

On 30 June 2019, as a result of the Merger Transaction (the transaction), MAAS Group Pty Ltd (MGPL) became a 100% owned subsidiary of MGH. The Directors determined that the transaction did not represent a business combination as defined by AASB 3 *Business combinations* since the transaction was considered to be a combination of entities under common control, hence outside the scope of AASB 3. As there is no specific IFRS requirements on the treatment of such transactions, an accounting policy for the transaction was required to be determined.

The "top-hatting" of the existing group with a newly incorporated holding company (MGH) and the consolidation of the common controlled entities are a restructure of the existing business operations and therefore it was considered that the continuation method of accounting (book value) was most appropriate. Accordingly, where applicable, book value accounting was adopted whereby:

- assets and liabilities of the acquired entities are recognised at their previous carrying amounts;
- no adjustments are made to reflect fair values;
- no new assets (including goodwill) and liabilities of the acquired (merged) entities are recognised at the date of the restructure;
- any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities; and
- comparative amounts are presented as if the combination had taken place at the beginning of the earliest comparative period presented.

Maas Group Pty Ltd (MGPL) was the holding company for the civil and hire activities prior to the Merger Transaction and has been identified as the 'acquirer' for accounting purposes. Accordingly, the consolidated financial statements have been prepared as a continuation of the consolidated financials of MGPL and its controlled entities. The comparative financial information from 1 July 2017 to 30 June 2018 presented in the consolidated financial statements is that of MGPL (accounting acquirer) and its controlled entities. The statement of profit or loss and other comprehensive income and the statement of cash flows for the year ended 30 June 2019 represents the results of MGPL and its controlled entities for the period from 1 July 2018 to 30 June 2019. The other entities party to the Merger Transaction (not under common control) are accounted for under AASB3 as a business combination where applicable. As the merger transaction occurred on 30 June 2019, their results are not included in the statement of profit or loss and other comprehensive income and statement of cash flows for the year ended 30 June 2019. The statement of financial position as at 30 June 2019 represents that of MGPL and its controlled entities and all the other entities party to the Merger Transaction as at that date.

Refer to note 36 for businesses acquired during the year and note 37 interests in subsidiaries.

Note 2. Significant accounting policies (continued)

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The consolidated entity has adopted the recognition and measurement aspects of the following accounting standards from 1 July 2017:

- AASB 9 Financial instruments
- AASB 15 Revenue from contracts with customers
- AASB 16 Leases

Retrospective adjustments following the adoption of AASB 9, AASB 15 and AASB16 have been made to opening retained earnings.

New standards and interpretations not yet adopted
Except for the adoption of AASB 16, certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the consolidated entity. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Historical cost convention
The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of financial assets at fair value through profit or loss.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 35.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MAAS Group Holdings Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. MAAS Group Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

The acquisition of subsidiaries in a business combination is accounted for using the acquisition method of accounting - refer note 36. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation
Functional and presentation currency
The consolidated financial statements are presented in Australian dollars ($), which is MAAS Group Holdings Limited’s functional and presentation currency.

Note 2. Significant accounting policies (continued)

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

Group companies
The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities are translated at the closing rate at the reporting date
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

MAAS Group Holdings Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Note 2. Significant accounting policies (continued)

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

The group has not yet entered into a tax funding and tax sharing agreement. Currently wholly owned entities fully compensate the head entity for any current tax payable assumed and are compensated by the head entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation.

Financial instruments
Investments and other financial assets

Classification
The consolidated entity classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the consolidated entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the consolidated entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The consolidated entity reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement
At initial recognition, the consolidated entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Measurement of cash and cash equivalents and trade and other receivables are measured at amortised cost.

Debt instruments
Subsequent measurement of debt instruments depends on the consolidated entity's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the consolidated entity classifies its debt instruments:
- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss and other comprehensive income.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss and other comprehensive income.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments
The consolidated entity subsequently measures all equity investments at fair value. The consolidated entity measures its investments in equity instruments at FVPL. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss and other comprehensive income as applicable.

Impairment
The consolidated entity assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and contract assets, the consolidated entity applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables and contract assets.

Note 2. Significant accounting policies (continued)

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Impairment of non-financial assets
At the end of each reporting period, the consolidated entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset’s fair value less costs to sell and value in use, to the asset’s carrying amount. Any excess of the asset’s carrying amount over its recoverable amount is recognised immediately in profit or loss.

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

Finance costs
Finance costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets. The capitalisation rate used to determine the amount of finance costs to be capitalised to qualifying assets is the weighted average interest rate applicable to the entity’s borrowings during the period.

Finance costs include interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and certain exchange differences arising from foreign currency borrowings.

Dividends
Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the reporting period but not distributed at the end of the reporting period.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates and forward-looking information.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Business Combinations
(i) Fair value of consideration - merger transaction
The fair value consideration of the merger transaction has been assessed based upon a valuation of the merged entity as at 30 June 2019 using the capitalisation of future maintainable earnings. The valuation is based on an equity value that accrues to equity holders. These calculations require the use of assumptions including future maintainable earnings, earnings multiples and premiums or discounts that are applicable to the corporate structure of the consolidated entity as at 30 June 2019.

(ii) Deferred consideration
The deferred consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The consolidated entity applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 *Business Combinations*. Thereafter, at each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

(iii) Fair value of net assets acquired
Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 4. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into 4 operating segments: Real Estate; Civil and Construction; Tunnelling and Underground Services and Construction Materials:

Note 4. Operating segments (continued)

Segment	Description of segment
1. Real Estate	- Residential Development: develops, builds and sells residential housing estates - Industrial and Commercial Development: delivers commercial and industrial property developments
2. Civil and Construction	- Civil Construction: civil infrastructure construction, roads, dams and mining infrastructure - Plant Hire and Sales: above ground plant hire for major infrastructure projects - Electrical Services: electrical infrastructure, communications and specialised services
3. Tunnelling and Underground Services	- Underground Equipment Manufacturing and Sales: supplies mobile and electrical equipment for civil tunnelling and underground hard rock mining - Underground Equipment Hire and Repair: hires, maintains, rebuilds and sells second hand mobile and electrical equipment for civil tunnelling and underground hard rock mining
4. Construction Materials	- Quarries: supply of quarry materials to construction projects - Crushing and Screening: mobile crushing and screening for quarries, civil works and mining
Other	This segment includes investments in listed equity securities and head office.

The operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Intersegment transactions
Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Segment assets
Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Segment liabilities
Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment.

Major customers
2019:
Included in revenues arising from the Civil and Construction segment are revenues from two customers of approximately $6,411,514 and $3,946,319 respectively.

2018:
Included in revenues arising from the Civil and Construction segment are revenues from three customers of approximately $6,974,684, $4,696,027 and $6,542,950 respectively.

No other single customer contributed 10% or more to the consolidated entity's revenue in either 2019 or 2018.

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2019	Real Estate $	Civil and Construction $	Tunnelling and Underground Services $	Construction Materials $	Other $	Eliminations and adjustments $	Total $
Revenue							
Sales to external customers	1,122,333	29,447,649	-	6,199,594	-	-	36,769,576
Intersegment sales	-	3,077,770	-	1,711,277	-	(4,789,047)	-
Total sales revenue	1,122,333	32,525,419	-	7,910,871	-	(4,789,047)	36,769,576
Other revenue	126,915	1,363,305	-	114,260	1,672,730	(971,241)	2,305,969
Interest revenue	4	1,439,923	-	7	-	-	1,439,934
Total revenue	1,249,252	35,328,647	-	8,025,138	1,672,730	(5,760,288)	40,515,479
Adjusted EBITDA*	197,959	11,130,712	-	2,884,299	2,556,546	(2,333,408)	14,436,108
Depreciation and amortisation	-	(3,584,820)	-	(29,437)	-	102,092	(3,512,165)
Interest revenue	4	1,439,923	-	7	-	-	1,439,934
Finance costs	(4,991)	(1,058,249)	-	(206,324)	-	159	(1,269,405)
Gain from bargain purchase in a business combination	-	-	-	-	1,581,656	-	1,581,656
Profit/(loss) before income tax expense	192,972	7,927,566	-	2,648,545	4,138,202	(2,231,157)	12,676,128
Income tax expense							(3,455,875)
Profit after income tax expense							9,220,253
Assets							
Segment assets	38,657,584	95,562,314	101,953,332	14,823,812	93,086	(7,261,168)	243,828,960
Total assets							243,828,960
Total assets includes:							
Acquisition of non-current assets	27,634,676	8,569,761	-	4,434,804	-	(227,562)	40,411,679
Liabilities							
Segment liabilities	36,490,294	54,939,808	67,517,554	12,598,169	-	(5,195,606)	166,350,219
Total liabilities							166,350,219

* Adjusted EBITDA excludes the gain from bargain purchase in a business combination.

Note 4. Operating segments (continued)

Consolidated - 2018	Real Estate $	Civil and Construction $	Tunnelling and Underground Services $	Construction Materials $	Other $	Eliminations and adjustments $	Total $
Revenue							
Sales to external customers	2,043,192	35,255,005	-	5,008,154	-	-	42,306,351
Intersegment sales	-	29,398	-	1,819,089	-	(1,848,487)	-
Total sales revenue	2,043,192	35,284,403	-	6,827,243	-	(1,848,487)	42,306,351
Other revenue	18,366	1,178,369	-	5,004	339,159	(541,760)	999,138
Interest revenue	12	1,373,190	-	7	-	-	1,373,209
Total revenue	2,061,570	37,835,962	-	6,832,254	339,159	(2,390,247)	44,678,698
EBITDA	480,795	13,998,464	-	3,332,394	1,048,466	(540,691)	18,319,428
Depreciation and amortisation	-	(3,682,777)	-	-	-	-	(3,682,777)
Interest revenue	12	1,373,190	-	7	-	-	1,373,209
Finance costs	(1,018)	(711,572)	-	(13,879)	-	-	(726,469)
Profit/(loss) before income tax expense	479,789	10,977,305	-	3,318,522	1,048,466	(540,691)	15,283,391
Income tax expense							(4,035,364)
Profit after income tax expense							11,248,027
Assets							
Segment assets	2,097,314	71,678,536	-	6,292,426	23,188,628	(2,217,492)	101,039,412
Total assets							101,039,412
Total assets includes:							
Acquisition of non-current assets	-	9,219,680	-	1,418,245	-	-	10,637,925
Liabilities							
Segment liabilities	1,761,314	67,833,269	-	5,464,038	-	(2,216,581)	72,842,040
Total liabilities							72,842,040

Geographical information
For the financial years ended 30 June 2019 and 30 June 2018, revenue from external customers attributed to foreign countries was not material.

The total non-current assets, other than financial instruments and deferred tax assets, located in Australia amounted to $153,236,442 (2018 - $41,544,106) and non-current assets located in foreign countries (Vietnam) amounted to $7,618,263 (2018 - $nil).

Accounting policy for operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Revenue

	Consolidated 2019 $	Consolidated 2018 $
Revenue from contracts with customers		
Construction - civil infrastructure (i)	18,262,095	20,185,257
Sale of goods - plant, equipment, road-base and aggregates (ii)	6,378,850	5,008,153
Land development and resale (ii)	1,122,333	2,043,192
	25,763,278	27,236,602
Other revenue		
Equipment and machinery hire	11,006,298	15,069,749
Dividends and trust distributions	818,190	168,617
Rent	19,355	-
Other revenue	1,468,424	830,521
	13,312,267	16,068,887
Revenue	39,075,545	43,305,489

Disaggregation of revenue
The consolidated entity derives revenue from the transfer of goods and services over time and at a point in time for all major revenue sources indicated above. All revenue from contracts with customers is derived from the sale of goods and services to customers located in Australia.

(i) Revenue recognised over time
(ii) Revenue recognised at a point in time

Included in the following tables are reconciliations of the disaggregated revenue and other income with the consolidated entity's reportable segments (refer note 4).

	Real Estate $	Civil and Construction $	Construction Materials $	Eliminations $	Total $
2019					
Construction - civil infrastructure	-	21,223,624	-	(2,961,529)	18,262,095
Sale of goods - plant, equipment, road-base and aggregates	-	179,256	7,910,871	(1,711,277)	6,378,850
Land development and resale	1,122,333	-	-	-	1,122,333
Revenue from contracts with customers	1,122,333	21,402,880	7,910,871	(4,672,806)	25,763,278
Equipment and machinery hire	-	11,122,539	-	(116,241)	11,006,298
Total sales revenue per segment	1,122,333	32,525,419	7,910,871	(4,789,047)	36,769,576

	Real Estate $	Civil and Construction $	Construction Materials $	Other $	Eliminations $	Total $
2019						
Other revenue	126,915	12,485,844	114,260	1,672,730	(1,087,482)	13,312,267
Equipment and machinery hire disclosed in sales revenue per segment	-	(11,122,539)	-	-	116,241	(11,006,298)
Total other revenue per segment	126,915	1,363,305	114,260	1,672,730	(971,241)	2,305,969

Note 5. Revenue (continued)

	Real Estate $	Civil and Construction $	Construction Materials $	Eliminations $	Total $
2018					
Construction - civil infrastructure	-	20,191,434	-	(6,177)	20,185,257
Sale of goods - plant, equipment, road-base and aggregates	-	-	6,827,243	(1,819,090)	5,008,153
Land development and resale	2,043,192	-	-	-	2,043,192
Revenue from contracts with customers	2,043,192	20,191,434	6,827,243	(1,825,267)	27,236,602
Equipment and machinery hire	-	15,092,969	-	(23,220)	15,069,749
Total sales revenue per segment	2,043,192	35,284,403	6,827,243	(1,848,487)	42,306,351

	Real Estate $	Civil and Construction $	Construction Materials $	Other $	Eliminations $	Total $
2018						
Other revenue	18,366	16,271,338	5,004	339,159	(564,980)	16,068,887
Equipment and machinery hire disclosed in sales revenue per segment	-	(15,092,969)	-	-	23,220	(15,069,749)
Total other revenue per segment	18,366	1,178,369	5,004	339,159	(541,760)	999,138

Accounting policy for revenue recognition
Construction - civil infrastructure
The consolidated entity derives revenue from the construction of civil infrastructure projects, including roads, railways, tunnels, water, energy and resources facilities across Australia. Contracts entered into may be for the construction of one or several separate stages in a project (deliverables). The construction of each individual deliverable is generally taken to be one performance obligation. Where contracts are entered for the building of deliverables, the total transaction price is allocated across each deliverable based on stand-alone selling prices. The transaction price is normally fixed at the start of the project. It is normal practice for contracts to include bonus and penalty elements based on timely construction or other performance criteria known as variable consideration, discussed below.

The performance obligation is fulfilled over time and as such revenue is recognised over time. As work is performed on the assets being constructed they are controlled by the customer and have no alternative use to the consolidated entity, with the consolidated entity having a right to payment for performance to date.

Generally, contracts identify various inter-linked activities required in the construction process. Revenue is recognised on the measured output of each process based on appraisals that are agreed with the customer on a regular basis.

Revenue earned is typically invoiced monthly or in some cases on achievement of milestones or to match major capital outlay.

Invoices are paid on normal commercial terms, which may include the customer withholding a retention amount until finalisation of the construction. Certain construction projects entered into receive payment prior to work being performed in which case revenue is deferred on the statement of financial position.

Equipment and machinery hire
The consolidated entity generates revenue from the provision of dry hire and wet hire of plant and equipment to many infrastructure projects throughout Australia. Contracts include separate mobilisation and demobilisation fees and a schedule of rates for the dry hire or wet hire. Dry hire revenue is generated from hire of equipment only, no supply of driver, maintenance or fuel, whereas wet hire includes a driver and can include maintenance services and fuel.

These form of contracts may vary in scope however all wet hires have one common performance obligation, being the provision of equipment and driver to the customer which includes mobilisation and dismantling, and maintenance services and any ancillary materials that are required to fulfil the obligation.

The mobilisation fees, maintenance services and ancillary materials are generally taken to be one performance obligation as the customer does not benefit from these services on its own, are not considered distinct and therefore are grouped with other items in the contract, being the hire of equipment.

Note 5. Revenue (continued)

Equipment and machinery rental periods are typically short-term and is recognised at fixed rates over the period of hire. Customers are in general invoiced on a monthly basis and payment is received following invoice on normal commercial terms.

Sales of goods – plant, equipment, road-base and aggregates
The consolidated entity sells plant, equipment, road-base and aggregates. Sale of these goods usually contains only one performance obligation, with revenue recognised at the point in time when the material is transferred to the customer. The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when the goods have been transferred to the customer.

Land development and resale
The consolidated entity develops and sells residential properties in NSW. Property revenue is recognised when control over the property has been transferred to the customer. This is generally at the point when legal title has transferred to the customer as properties are not developed based on the specific needs of individual customers. The revenue is measured at the transaction price agreed under the contract.

Variable consideration
It is common for contracts to include performance bonuses or penalties assessed against the timeliness or cost effectiveness of work completed or other performance related KPIs. Where consideration in respect of a contract is variable, the expected value of revenue is only recognised when the uncertainty associated with the variable consideration is subsequently resolved, known as “constraint” requirements. The consolidated entity assesses the constraint requirements on a periodic basis when estimating the variable consideration to be included in the transaction price. The estimate is based on all available information including historic performance. Where modifications in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification has not been confirmed, an estimate is made of the amount of revenue to recognise whilst also considering the constraint requirement.

Contract assets and liabilities
AASB 15 uses the terms ‘contract asset’ and ‘contract liability’ to describe what is commonly known as ‘accrued revenue’ and ‘deferred revenue’. Contract assets are balances due from customers under contracts as work is performed and therefore a contract asset is recognised over the period in which the performance obligation is fulfilled. This represents the entity’s right to consideration for the services transferred to date. Amounts are generally reclassified to receivables when these have been certified or invoiced to a customer. Contract liabilities arise where payment is received prior to work being performed.

Financing components
The consolidated entity does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer represents a financing component. As a consequence, the consolidated entity does not adjust any of the transaction prices for the time value of money.

Warranties and defect periods
Generally construction and services contracts include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and therefore estimated and included in the total costs of the contracts. Where required, amounts are recognised accordingly in line with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Loss making contracts
A provision is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price where the forecast costs are greater than the forecast revenue.

Dividends and interest
Dividend revenue is recognised when the right to receive a dividend has been established, and interest revenue is recognised using the effective interest method.

Note 6. Other income

	Consolidated 2019 $	Consolidated 2018 $
Net gain on disposal of property, plant and equipment	74,777	985,285
Net fair value gain on financial assets at fair value through profit or loss	883,816	339,159
Insurance recoveries	2,785	95,751
Net reimbursement of expenses	75,688	209,779
Other income	1,037,066	1,629,974

Note 7. Expenses

	Consolidated 2019 $	Consolidated 2018 $
Profit before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	1,269,405	726,469
Superannuation expense		
Defined contribution superannuation expense	496,967	482,634

Note 8. Income tax expense

	Consolidated 2019 $	Consolidated 2018 $
Income tax expense		
Current tax	3,169,730	4,690,861
Deferred tax - origination and reversal of temporary differences	286,145	(655,497)
Aggregate income tax expense	3,455,875	4,035,364
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 17)	(13,959)	(122)
Increase/(decrease) in deferred tax liabilities (note 24)	300,104	(655,375)
Deferred tax - origination and reversal of temporary differences	286,145	(655,497)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	12,676,128	15,283,391
Tax at the statutory tax rate of 30%	3,802,838	4,585,017
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Step down in inventory on consolidation	454	-
Australian tax rate differential	(173,403)	(7,712)
Other non-assessable income	(174,014)	(541,941)
Income tax expense	3,455,875	4,035,364

Note 9. Cash and cash equivalents

	Consolidated 2019 $	Consolidated 2018 $
Current assets		
Cash on hand	2,746	197
Cash at bank	3,365,353	657,851
	3,368,099	658,048

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

	2019 $	2018 $
Balances as above	3,368,099	658,048
Bank overdrafts (note 20)	(430,716)	-
Balance as per statement of cash flows	2,937,383	658,048

Note 10. Trade and other receivables

	Consolidated 2019 $	Consolidated 2018 $
Current assets		
Trade receivables	17,413,242	6,716,211
Other receivables	1,925,943	120,491
GST receivable	3,372,621	301,957
	22,711,806	7,138,659
Non-current assets		
Financial assets at amortised cost:		
Loans due by director related entities	50,460	-
Loans due by non-related entities (i)	12,372,997	28,291,953
	12,423,457	28,291,953

Accounting policy for trade and other receivables
Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The consolidated entity holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

(a) Fair values of trade and other receivables
Due to the short term nature of the current receivables, the carrying amount is considered to be the same as their fair value.

(b) Other financial assets at amortised cost
These amounts generally arise from transactions outside the usual operating activities of the consolidated entity. Interest is charged at commercial rates where the repayment exceeds 12 months. Collateral is not normally obtained. The non-current receivables are due and payable within 2 years from the end of the reporting period.

(c) Fair values of financial assets at amortised cost
For the non-current receivables, the fair values are not significantly different from their carrying amounts.

Note 10. Trade and other receivables (continued)

(d) Impairment and risk exposure
Note 29 sets out information of financial assets and exposure to credit risk.

Loans due by director related entities and non-related entities are denominated in Australian dollars, as a result there is no exposure to foreign currency risk.

Current trade and other receivables include balances denominated in Vietnamese Dong, Refer note 29 for the consolidated entity's exposure to foreign currency risk.

(i) Included in interest revenue is $1,117,929 (2018: $1,121,734) relating to loans due by non-related entities.

Note 11. Contract assets

	Consolidated	
	2019	**2018**
	$	**$**
Current assets		
Contract assets	3,055,685	-

Reconciliation
Reconciliation of the contract assets at the beginning and end of the current and previous financial year are set out below:

	2019 $	2018 $
Opening balance	-	-
Additions	13,000	-
Additions through business combinations (note 36)	3,042,685	-
Closing balance	3,055,685	-

Accounting policy for contract assets
Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Note 12. Inventories

	Consolidated	
	2019	**2018**
	$	**$**
Current assets		
Raw materials - at cost	7,659,194	-
Finished goods - at cost	1,629,528	-
Land held for development and resale	3,168,451	-
Machines held for resale - at cost	24,313,349	147,500
	36,770,522	147,500
Non-current assets		
Land held for development and resale	29,760,042	2,125,366

Note 12. Inventories (continued)

Amounts recognised in profit or loss

	Consolidated	
	2019	**2018**
	$	**$**
Inventories recognised as an expense during the year included in cost of sales and cost of providing services	8,259,129	9,269,781

Accounting policy for inventories
Inventories are carried at the lower of cost and net realisable value and comprise of the following:

- Land held for development and resale
Cost includes the costs of acquisition, development and holding costs such as rates, taxes and finance costs. Holding costs on property developments not under active development are expensed as incurred. Land held for development and resale not expected to be realised within the next 12 months has been classified as non-current.

- Raw materials, finished goods and parts
Raw materials, finished goods and parts are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Note 13. Financial assets at fair value through profit or loss

	Consolidated	
	2019	**2018**
	$	**$**
Current assets		
Listed equity securities	93,086	23,188,628

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	23,188,628	-
Additions	1,221,709	24,574,996
Disposals	(25,201,067)	(1,725,527)
Fair value gain	883,816	339,159
Closing fair value	93,086	23,188,628

Refer to note 30 for further information on fair value measurement.

Note 14. Other

	Consolidated 2019 $	Consolidated 2018 $
Current assets		
Prepaid expenses	951,490	-
Deposits	2,160,290	-
Other current assets	214,031	13,288
	3,325,811	13,288
Non-current assets		
Security deposits	35,900	-
Bank guarantees	32,261	-
	68,161	-

Note 15. Property, plant and equipment

	Consolidated 2019 $	Consolidated 2018 $
Non-current assets		
Land and buildings - at cost	23,880,207	4,644,971
Less: Accumulated depreciation	(1,805,009)	-
	22,075,198	4,644,971
Hire machinery and equipment - at cost	70,134,456	37,872,511
Less: Accumulated depreciation	(11,442,120)	(10,289,848)
	58,692,336	27,582,663
Plant and equipment - at cost	17,212,618	5,940,613
Less: Accumulated depreciation	(8,088,276)	(1,678,539)
	9,124,342	4,262,074
Motor vehicles - at cost	9,050,581	4,695,637
Less: Accumulated depreciation	(2,966,369)	(1,816,172)
	6,084,212	2,879,465
Assets under construction - at cost	6,537,946	-
	102,514,034	39,369,173

Note 15. Property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and Buildings $	Hire equipment and machinery $	Plant and equipment $	Motor vehicles $	Assets under construction $	Total $
Balance at 1 July 2017	3,276,294	27,018,952	3,890,843	2,512,999	-	36,699,088
Additions	1,368,677	6,526,822	1,381,554	1,311,305	-	10,588,358
Disposals	-	(3,492,015)	(371,955)	(371,526)	-	(4,235,496)
Depreciation expense	-	(2,471,096)	(638,368)	(573,313)	-	(3,682,777)
Balance at 30 June 2018	4,644,971	27,582,663	4,262,074	2,879,465	-	39,369,173
Additions	4,292,545	6,123,457	359,755	2,001,246	-	12,777,003
Additions through business combinations (note 36)	13,638,154	27,147,106	5,064,836	2,222,149	6,537,946	54,610,191
Disposals	-	(1,050,356)	(362,263)	(133,850)	-	(1,546,469)
Transfers in/(out)	(488,759)	798,594	488,759	15,364	-	813,958
Depreciation expense	(11,713)	(1,909,128)	(688,819)	(900,162)	-	(3,509,822)
Balance at 30 June 2019	22,075,198	58,692,336	9,124,342	6,084,212	6,537,946	102,514,034

Accounting policy for property, plant and equipment
All property, plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised through profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

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

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

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

Depreciation
The depreciable amount of all fixed assets including land improvements & buildings, but excluding freehold land, is depreciated on either the diminishing value method or units of production method over the asset's useful life to the consolidated entity commencing from the time the asset is held ready for use. Estimated useful lives for each class of depreciable asset are as follows:

Buildings	2-10 years
Leasehold improvements	20-25 years
Plant and equipment	3-10 years
Motor vehicles	4-8 years
Office furniture and equipment	2-10 years

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

Buildings, plant and equipment, and motor vehicles under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter. If the consolidated entity is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying assets useful life.

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

Note 15. Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

Leased assets
Included in the above property, plant and equipment balances are assets under lease. Refer note 21 for details of right-of-use assets and the respective lease liabilities.

Note 16. Intangibles

	Consolidated	
	2019	**2018**
	$	**$**
Non-current assets		
Goodwill - at cost	26,463,144	-
Customer contracts/relationships - at cost	2,450,000	-
Water license - at cost	49,567	49,567
	28,962,711	49,567

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $	Customer contracts/ relationships $	Water license $	Total $
Balance at 1 July 2017	-	-	-	-
Additions	-	-	49,567	49,567
Balance at 30 June 2018	-	-	49,567	49,567
Additions through business combinations (note 36)	26,463,144	2,450,000	-	28,913,144
Balance at 30 June 2019	26,463,144	2,450,000	49,567	28,962,711

Accounting policy for intangible assets
Intangible assets that are acquired are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Customer contracts/relationships
Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed. Goodwill acquired is allocated to each of the Cash Generating Units (“CGU”) expected to benefit from the combination’s synergies. Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions.

Note 16. Intangibles (continued)

In accordance with AASB 3 Business combinations, MAAS Group Holdings Limited has provisionally recognised goodwill of $26,473,140 subject to finalisation of the assessment of fair values of the identifiable assets and liabilities acquired during the measurement period which may result in adjustments to the initial value of goodwill on acquisition.

The calculations use cash flow projections based on cash flow forecasts covering a three-year period. The cash flows are based on past results adjusted for current market conditions and known contracts. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. Goodwill is monitored at the following level:

- EMS Group
- EMS International
- Machinery Sales
- Large Industries
- MAAS Homes

The following table sets out the key assumptions for the value in use:

	Fixed costs per annum (a) $	Annual capital expenditure (b) $	Long term growth rate (c) %	Pre-tax discount rate (d) %	Goodwill attributable to CGU $
EMS Group	12,500,000	21,000,000	1%	17%	10,728,637
EMS International	1,000,000	3,100,000	1%	20%	8,399,058
Machinery Sales	1,200,000	14,000	1%	18%	4,609,384
Large Industries	5,500,000	1,000,000	1%	16%	1,265,868
MAAS Homes	600,000	8,000	1%	20%	1,460,197

(a) Fixed costs of the Company, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures. The amounts disclosed are the average operating costs for the three-year forecast period.
(b) Expected capital cash costs based on the historical experience of management, and the planned refurbishment expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.
(c) This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
(d) Reflects specific risks relating to the relevant segments and the countries in which they operate. In performing the value-in-use calculations for each CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax rates are disclosed in the table.

Sensitivity
Management have made judgements and estimates in respect of impairment testing. Should 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 discount rate are based would not cause the carrying amount of the CGU to exceed the recoverable amount.

Note 17. Deferred tax

	Consolidated	
	2019	**2018**
	$	**$**
Non-current assets		
Deferred tax asset comprises temporary differences attributable to:		
Employee benefits	298,521	57,230
Provisions	450,028	-
Other	26,997	-
Deferred tax asset	775,546	57,230
Movements:		
Opening balance	57,230	57,108
Credited to profit or loss (note 8)	13,959	122
Additions through business combinations (note 36)	704,357	-
Closing balance	775,546	57,230

Note 18. Trade and other payables

	Consolidated	
	2019	**2018**
	$	**$**
Current liabilities		
Trade payables	13,833,147	3,636,835
Other payables	3,860,005	215,728
	17,693,152	3,852,563

Refer to note 29 for further information on financial instruments.

Accounting policy for trade and other payables
Trade payables are amounts due to suppliers for goods purchased or services provided in the ordinary course of business. Trade payables are generally due for settlement within 30 days and therefore are all classified as current.

Other payables and accrued expenses generally arise from normal transactions within the usual operating activities of the consolidated entity and comprise items such as employee taxes, employee on costs, GST and other recurring items.

A liability is recorded for goods and services received prior to balance date, whether invoiced to the consolidated entity or not. Trade payables are normally settled within 30 days.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short term nature.

Note 19. Contract liabilities

	Consolidated 2019 $	Consolidated 2018 $
Current liabilities		
Contract liabilities	246,580	-
Lease income in advance	2,601,846	-
	2,848,426	-

Significant changes in contract liabilities
Reconciliation of the contract liabilities at the beginning and end of the current and previous financial year are set out below:

	Consolidated 2019 $	Consolidated 2018 $
Opening balance	-	-
Additions through business combinations (note 36)	2,848,426	-
Closing balance	2,848,426	-

Under the terms of contract the consolidated entity is sometimes required to provide performance guarantees (refer note 31).

Unsatisfied performance obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $2,848,426 as at 30 June 2019 ($nil as at 30 June 2018) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 2019 $	Consolidated 2018 $
Within 6 months	2,848,426	-

Revenue recognised in relation to contract liabilities

	Consolidated 2019 $	Consolidated 2018 $
Revenue recognised that was included in the contract liability balance at beginning of the year	-	-
Revenue recognised from performance obligations satisfied in previous periods	-	-

Accounting policy for contract liabilities
Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Note 20. Borrowings

	Consolidated	
	2019	**2018**
	$	**$**
Current liabilities		
Bank overdrafts	430,716	-
Bank loans (a)	5,403,248	176,000
Vendor financing	4,906,500	-
Loans due to shareholder related entities	17,339,553	254,530
Loans due to director related entities - refer note 34	38,331,031	40,354,238
Loans - other	1,563,925	-
	67,974,973	40,784,768
Non-current liabilities		
Bank loans (b)	8,327,866	3,450,000
Vendor financing	5,384,628	-
	13,712,494	3,450,000

Refer to note 29 for further information on financial instruments.

Bank overdrafts and bank loans

(a) Current loans
All current bank loans have been assumed as part of the business combination on 30 June 2019. Bank loans include an invoice finance facility of $4,328,215 and various other bank loans. All loans have variable interest rates and are secured against all current and non-current assets of the consolidated entity by floating charge. Covenants include a minimum capital adequacy of 45% as measured on a daily basis and reported quarterly for the EMS Group.

(b) Non-current
Bank loans comprise three facilities secured over respective properties. All loans are interest only, have variable interest rates, terms of 3 years (expiry dates of 29 April 2022, 28 March 2022 and 2 May 2022 respectively) and no financial covenants.

Related party loans and Shareholder loans
All related party and shareholder loans are unsecured, non-interest bearing and repayable on demand.

Vendor Financing
Loans relate to land held for resale and development and are secured against the respective assets.

Vendor financing loans comprise the following terms in relation to land acquired to develop and resale:

(a) Southlakes - carrying amount of $5,074,128, with fixed interest rate of 9.99% and annual repayments (principal and interest) of $1,000,000 and a final payment of $2,000,000 on 6 August 2024.
(b) Bombira – carrying amount of $1,125,000, with a fixed interest rate of 8% and due for payment on 31 March 2020.
(c) Westwinds – carrying amount of $4,092,000, with a variable interest rate. Cash payment of $2,552,000 due on 10 April 2020 and the value of land of $1,540,000 (inclusive of GST) to be transferred on or before 27 February 2022.

Fair value
The fair values of borrowings are not materially different from their carrying amounts, since the interest payable on borrowings is either close to current market rates or the borrowings are of a short term nature.

Compliance with loan covenants
The consolidated entity has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting period.

Note 20. Borrowings (continued)

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2019	**2018**
	$	**$**
Total facilities		
Bank overdrafts	3,500,000	3,500,000
Bank loans	15,405,332	3,950,000
Contract performance guarantees (refer note 31)	5,060,000	4,500,000
Vendor financing	10,291,128	-
Loans due to shareholder related entities	17,339,553	254,530
Loans due to director related entities	38,331,031	40,354,238
Loans - other	1,563,925	-
Lease liability (Hire Purchase)	42,290,547	19,158,441
	133,781,516	71,717,209
Used at the reporting date		
Bank overdrafts	430,716	-
Bank loans	13,731,114	3,626,000
Contract performance guarantees (refer note 31)	4,843,632	4,312,055
Vendor financing	10,291,128	-
Loans due to shareholder related entities	17,339,553	254,530
Loans due to director related entities	38,331,031	40,354,238
Loans - other	1,563,925	-
Lease liability (Hire Purchase)	42,290,547	19,158,441
	128,821,646	67,705,264
Unused at the reporting date		
Bank overdrafts	3,069,284	3,500,000
Bank loans	1,674,218	324,000
Contract performance guarantees (refer note 31)	216,368	187,945
Vendor financing	-	-
Loans due to shareholder related entities	-	-
Loans due to director related entities	-	-
Loans - other	-	-
Lease liability (Hire Purchase)	-	-
	4,959,870	4,011,945

Accounting policy for borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowing costs on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Note 21. Lease liabilities

	Consolidated 2019 $	Consolidated 2018 $
Current liabilities		
Lease liability - land and buildings	469,302	-
Lease liability - plant & equipment and motor vehicles	27,617,761	11,204,522
	28,087,063	11,204,522
Non-current liabilities		
Lease liability - land and buildings	1,775,491	-
Lease liability - plant & equipment and motor vehicles	14,672,786	7,953,919
	16,448,277	7,953,919

Refer to note 29 for further information on financial instruments.

Right-of-use assets

	Land and buildings $	Hire machinery and equipment $	Plant and equipment $	Motor vehicles $
Balance at 1 July 2017	-	20,939,616	1,742,054	1,403,053
Additions	-	5,863,247	1,200,000	795,855
Disposals	-	(3,283,863)	-	(232,477)
Depreciation expense	-	(1,989,827)	(183,465)	(324,340)
Balance at 30 June 2018	-	21,529,173	2,758,589	1,642,091
Additions	-	7,643,635	280,000	1,765,827
Disposals	-	(1,939,138)	(333,841)	(93,890)
Depreciation expense	(11,713)	(1,310,365)	(410,086)	(626,435)
Additions through business combinations	2,038,689	22,568,500	169,500	1,251,000
Balance at 30 June 2019	2,026,976	48,491,805	2,464,162	3,938,593

Land and buildings
The consolidated entity has leases for warehouses and offices. Rental contracts are typically made for a fixed period of 3 - 5 years with options to extend. With the exception of short-term leases and leases of low value underlying assets, each lease is reflected on the statement of financial position. The consolidated entity classifies its right-of-use assets in a consistent manner to its property, plant and equipment. Most extension options have been included in the lease liability.

Plant & equipment and motor vehicles
The consolidated entity leases various plant and equipment under finance lease, hire purchase and good mortgages. The leases are secured over the individual motor vehicles and equipment that the lease relates to.

Accounting policy for lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 21. Lease liabilities (continued)

Accounting policy for right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 22. Employee benefits

	Consolidated	
	2019	**2018**
	$	**$**
Current liabilities		
Annual leave	995,072	190,768

Accounting policy for employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is presented as provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Other long-term employee benefits
The liabilities for long service leave and annual leave which is not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The consolidated entitys obligations for long-term employee benefits are presented as non-current provision for employee benefits the consolidated statement of financial position, except where the consolidated entity does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as a current provision for employee benefits.

Note 23. Provisions

	Consolidated	
	2019	**2018**
	$	**$**
Current liabilities		
Onerous customer contracts	790,092	-
Contingent consideration	660,000	-
Other provisions	50,000	-
	1,500,092	-

Note 23. Provisions (continued)

Onerous contracts
The onerous customer contract provision is discounted using a pre-tax rate that reflects current markets assessments of the time value of money and the risks specific to the liability.

Contingent consideration
The contingent consideration relates to the acquisition of the Westelect business by EMS Group Pty Ltd prior to the Merger Transaction.

Consideration is contingent on the following being met:
- $300,000 due on 31 December 2019, subject to non-compete by the Vendor;
- $300,000 due on 30 June 2020, subject to non-compete by the Vendor; and
- $60,000 due on release of PPSR by the Vendor.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2019	Onerous contracts $	Contingent consideration $	Other $
Carrying amount at the start of the year	-	-	-
Additions through business combinations (note 36)	790,092	660,000	50,000
Carrying amount at the end of the year	790,092	660,000	50,000

Accounting policy for provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Refer to note 36 for accounting policy on contingent consideration.

Note 24. Deferred tax

	Consolidated	
	2019 $	**2018 $**
Non-current liabilities		
Deferred tax liability comprises temporary differences attributable to:		
Property, plant and equipment	10,269,231	3,611,755
Customer contracts/relationships	735,000	-
Deferred tax liability	11,004,231	3,611,755
Movements:		
Opening balance	3,611,755	4,267,130
Charged/(credited) to profit or loss (note 8)	300,104	(655,375)
Additions through business combinations (note 36)	7,092,372	-
Closing balance	11,004,231	3,611,755

Note 25. Issued capital

	Consolidated			
	2019 Shares	**2018 Shares**	**2019 $**	**2018 $**
Ordinary shares - fully paid	204,857,704	1,593	153,643,287	1,593

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 July 2017	1,593		1,593
Balance	30 June 2018	1,593		1,593
Elimination of existing legal acquiree shares		(1,593)	$0.00	(1,593)
Issue of shares on incorporation of MAAS Group Holdings Ltd	18 April 2019	10	$1.00	10
Shares issued to acquire:				
- MAAS Group Pty Ltd (a)	30 June 2019	82,698,526	$0.75	62,023,901
- MAAS Group Developments Pty Ltd (a)	30 June 2019	59,046,400	$0.75	44,284,800
- Regional Hardrock Pty Ltd (a)	30 June 2019	2	$0.75	1
- Regional Hardrock (Dubbo) Pty Ltd (a)	30 June 2019	3,250,000	$0.75	2,437,500
- Regional Crushing & Screening Pty Ltd (b)	30 June 2019	340,716	$0.75	255,537
- Machinery Sales Pty Ltd (c)	30 June 2019	9,441,600	$0.75	7,081,200
- Large Industries Pty Ltd (c)	30 June 2019	4,342,250	$0.75	3,256,688
- EMS Group Pty Ltd (c)	30 June 2019	32,084,327	$0.75	24,063,245
- EMS Plant & Equipment Pty Ltd (c)	30 June 2019	317,673	$0.75	238,255
- EMS International Pty Ltd (c)	30 June 2019	10,575,000	$0.75	7,931,250
- MAAS Homes Pty Ltd (c)	30 June 2019	2,761,200	$0.75	2,070,900
Balance	30 June 2019	204,857,704		153,643,287

(a) These share issues relate to the acquisition of businesses under common control referred to in note 36.
(b) Shares issued to acquire non-controlling interests.
(c) These share issues relate to the business combinations referred to in note 36.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 25. Issued capital (continued)

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The consolidated entity monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'trade and other payables' and 'borrowings' as shown in the statement of financial position) less 'cash and cash equivalents' as shown in the statement of financial position. Total capital is calculated as 'total equity' as shown in the statement of financial position (including non-controlling interest) plus net debt.

The gearing ratio at the reporting date was as follows:

	Consolidated	
	2019	2018
	$	$
Current liabilities - trade and other payables (note 18)	17,693,152	3,852,563
Current liabilities - borrowings (note 20)	67,974,973	40,784,768
Current liabilities - lease liabilities (note 21)	28,087,063	11,204,522
Non-current liabilities - borrowings (note 20)	13,712,494	3,450,000
Non-current liabilities - lease liabilities (note 21)	16,448,277	7,953,919
Total borrowings	143,915,959	67,245,772
Current assets - cash and cash equivalents (note 9)	(3,368,099)	(658,048)
Net debt	140,547,860	66,587,724
Total equity	77,478,741	28,197,372
Total capital	218,026,601	94,785,096
Gearing ratio	64%	70%

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 26. Reserves

	Consolidated	
	2019	2018
	$	$
Business combinations under common control	(109,000,146)	-

Business combinations under common control
Any difference between the cost of the acquisition and the amounts at which the acquired assets and liabilities are recorded for business combinations under common control (refer to the accounting policy - note 36) have been recognised in the *Business combinations under common control* reserve. For details of the current year movements in the reserve refer to note 36.

Note 27. Retained profits

	Consolidated	
	2019	2018
	$	$
Retained profits at the beginning of the financial year	28,195,779	17,595,062
Profit after income tax expense for the year	9,220,253	11,248,027
Dividends paid (note 28)	(6,783,460)	(647,310)
Retained profits at the end of the financial year	30,632,572	28,195,779

Note 28. Dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2019	2018
	$	$
Dividends paid to the shareholders of MAAS Group Pty Ltd	6,145,000	-
Dividends paid to the shareholders of Eykan Holdings Pty Ltd	367,000	589,000
Dividends paid to the shareholders of Regional Crushing & Screening Pty Ltd	271,460	58,310
	6,783,460	647,310

The above dividend payments occurred prior to the Merger Transaction (refer note 2).

Franking credits

	Consolidated	
	2019	2018
	$	$
Franking credits available for subsequent financial years based on a tax rate of 30%	10,416,151	7,556,373

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Accounting policy for dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Note 29. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

The Board has overall responsibility for the determination of the consolidated entity’s risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for day to day management of these risks to the Chief Finance Officer. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group’s competitiveness and flexibility. Further details regarding these policies are set out below:

Market risk

Market risk arises from the use of interest bearing, tradeable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Note 29. Financial instruments (continued)

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date, shown in Australian Dollars, were as follows:

	Consolidated	
	2019	2018
	$	$
Financial assets		
Cash and cash equivalents (VND)	195,743	-
Trade and other receivables (VND)	2,384,237	-
	2,579,980	-
Financial liabilities		
Trade and other payables (VND)	1,471,308	-

Exchange rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity after tax if the VND:AUD exchange rates at reporting date had been 10% basis higher or lower, with all other variables held constant. The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date:

	Consolidated	
	2019	2018
	$	$
Impact on equity		
+10.00%	110,867	-
-10.00%	(110,867)	-

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date.

Price risk
The consolidated entity’s exposure to equity securities price risk arises from investments held by the consolidated entity and classified in the statement of financial position at fair value through profit or loss (FVPL) (note 13). All of the consolidated entity's equity investments are publicly traded on the Australian Securities Exchange. At 30 June 2019 the consolidated entity was not exposed to any significant price risk.

The table below summarises the impact of increases/decreases of the Australian Securities Exchange All Ordinaries index on the consolidated entity’s equity and post-tax profit for the period. The analysis is based on the assumption that the equity index had increased by 10% or decreased by 10% with all other variables held constant, and that all of the consolidated entity’s equity instruments moved in line with the index.

	Average price increase			Average price decrease		
Consolidated - 2019	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Australian Securities Exchange	10%	9,308	9,308	10%	9,308	9,308

	Average price increase			Average price decrease		
Consolidated - 2018	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Australian Securities Exchange	10%	2,318,863	2,318,863	10%	2,318,863	2,318,863

Interest rate risk
The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value interest rate risk.

Note 29. Financial instruments (continued)

As at the reporting date, the consolidated entity had the following variable rate borrowings:

	Consolidated 2019 $	Consolidated 2018 $
Bank overdraft	430,716	-
Bank loans	13,731,114	3,626,000
Net exposure to cash flow interest rate risk	14,161,830	3,626,000

	Consolidated 2019 $	Consolidated 2018 $
Impact on profit and equity		
+1.00%	141,618	36,260
-1.00%	(141,618)	(36,260)

An analysis by remaining contractual maturities is shown in 'liquidity' below.

The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables and contract assets through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk
The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 29. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Non-interest bearing				
Trade payables	13,833,147	-	-	13,833,147
Other payables	3,860,005	-	-	3,860,005
Interest-bearing - variable				
Bank overdraft	430,716	-	-	430,716
Bank loans	5,403,248	8,327,866	-	13,731,114
Vendor financing	4,906,500	6,458,000	2,000,000	13,364,500
Loans due to shareholder related entities	17,339,553	-	-	17,339,553
Loans due to director related entities	38,331,031	-	-	38,331,031
Other loans	1,563,925	-	-	1,563,925
Lease liability	29,715,683	17,648,961	253,684	47,618,328
Total non-derivatives	115,383,808	32,434,827	2,253,684	150,072,319

Consolidated - 2018	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Non-interest bearing				
Trade payables	3,636,835	-	-	3,636,835
Other payables	215,728	-	-	215,728
Interest-bearing - variable				
Bank loans	176,000	3,450,000	-	3,626,000
Loans due to shareholder related entities	-	254,530	-	254,530
Loans due to director related entities	-	40,354,238	-	40,354,238
Lease liability	11,735,865	8,291,533	-	20,027,398
Total non-derivatives	15,764,428	52,350,301	-	68,114,729

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments approximate their fair values.

Note 30. Fair value measurement

Fair value hierarchy
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Listed equity securities	93,086	-	-	93,086
Total assets	93,086	-	-	93,086

Consolidated - 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Listed equity securities	23,188,628	-	-	23,188,628
Total assets	23,188,628	-	-	23,188,628

There were no transfers between levels during the financial year.

The fair values of listed equity securities are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the consolidated entity is the bid price. These instruments are included in Level 1.

Accounting policy for fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 31. Contingent liabilities

	Consolidated	
	2019 **$**	**2018** **$**
Contract performance guarantees	4,843,632	4,312,055

Note 32. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Limited, the auditor of the company, and its network firms:

	Consolidated	
	2019 $	2018 $
Audit services		
Audit or review of the financial statements	343,230	230,000
Other services		
Tax consulting	19,406	-
Due diligence	65,000	-
	84,406	-
Total remuneration of BDO - Australia	427,636	230,000
Audit services - network firms of BDO		
Audit or review of the financial statements	31,147	-

The audit fees paid/payable to BDO Audit Pty Ltd includes fees paid/payable for the audit of the MAAS Aggregated Group which was required to be audited for the proposed Initial Public Offering.

Note 33. Key management personnel disclosures

At 30 June 2019 MAAS Group Holdings Limited was a proprietary company and Wesley Jon Maas was the sole Director and Chief Executive Officer. Other than Wesley Maas there were no other key management personnel of the consolidated entity at 30 June 2019 and 30 June 2018. Wesley Maas did not receive any remuneration during the financial years ended 30 June 2019 and 30 June 2018.

Note 34. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 37.

Key management personnel
Disclosures relating to key management personnel are set out in note 33 and the remuneration report included in the directors' report.

Transactions with related parties
Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

Note 34. Related party transactions (continued)

2019

Related party entity	KMP related to	Balance at beginning of the year $	Dividends payable $	Loan reassigned $	Addition through business combination $	Paid $	Balance at end of the year $
Related party loan liabilities:							
Choice Investments Dubbo Pty Ltd	Wesley J Maas	30,536,911	6,145,000	8,617,199	327,750	(7,295,829)	38,331,031
Maas Family Trust	Wesley J Maas	1,200,127	-	-	-	(1,200,127)	-
Maas Group Properties Pty Limited	Wesley J Maas	8,617,199	-	(8,617,199)	-	-	-
		40,354,237	6,145,000	-	327,750	(8,495,956)	38,331,031
Related party loan receivables:							
Regional Hardrock Forbes Unit Trust	Wesley J Maas	-	-	-	-	15,990	15,990
Regional Hardrock west Wyalong	Wesley J Maas	-	-	-	-	34,470	34,470
		-	-	-	-	50,460	50,460

2018

Related party entity	KMP related to	Balance at beginning of the year $	Other net movements $	Balance at end of the year $
Related party loan liabilities:				
Choice Investments Dubbo Pty Ltd	Wesley J Maas	18,905,283	11,631,628	30,536,911
Maas Family Trust	Wesley J Maas	3,430,127	(2,230,000)	1,200,127
Maas Group Properties Pty Limited	Wesley J Maas	44,708	8,572,491	8,617,199
		22,380,118	17,974,119	40,354,237

All of the above loans were unsecured, non interest bearing and repayable on demand.

Note 35. Parent entity information

Set out below is the supplementary information about the legal parent entity (MAAS Group Holdings Limited).

Statement of profit or loss and other comprehensive income

	Parent 2019 $
Profit after income tax	-
Total comprehensive income	-

Note 35. Parent entity information (continued)

Statement of financial position

	Parent 2019 $
Total current assets	10
Total assets	153,643,287
Total current liabilities	-
Total liabilities	-
Equity	
Issued capital	153,643,287
Total equity	153,643,287

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019.

Subsequent to year end the parent entity provided a guarantee in relation to a debt of a subsidiary.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019.

Comparatives
MAAS Group Holdings Limited was incorporated on 18 April 2019 and consequently there are no comparatives.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 36. Business combinations

Summary of acquisitions
Acquisition of MAAS Group
On 30 June 2019, MAAS Group Holdings Limited (MGH) acquired 100% of the ordinary shares of MAAS Group Pty Ltd (MGPL), MAAS Group Developments Pty Ltd, Regional Hardrock Pty Ltd and Regional Hardrock (Dubbo) Pty Ltd in terms of a share exchange agreement, for the total consideration of $108,746,202. MGH was a shell company incorporated to complete the Merger Transaction and to be the new holding company for the combined group. The Merger Transaction included the combination of a number of entities which have common ownership and therefore excluded from AASB 3 *Business combinations* and the acquisition of unrelated entities (refer below). MGPL has been identified as the acquirer for the business combinations resulting from the Merger Transaction. The Merger Transaction was undertaken so as to facilitate the proposed listing of MGH on the Australian Securities Exchange.

The difference between the cost of the acquisition of the entities under common control and the amounts at which the assets and liabilities have been recorded is recognised in the *Business combinations under common control* reserve (refer note 26).

Note 36. Business combinations (continued)

Acquisition of Hamcon Group
On 22 January 2019, MAAS Group Pty Limited acquired 100% of the share capital in Hamcon Civil Pty Ltd and Hamcon Hire Pty Ltd, and through its wholly owned subsidiary Regional Hardrock (Orange) Pty Ltd, purchased the land and quarry at Bonenore NSW (Bald Hill Quarry). The land sale agreement was interdependent with the share sales agreement and both contracts were completed simultaneously. The total consideration transferred was a cash payment of $3,900,000. The Hamcon Group is aligned with the MAAS Group business model and the acquisition provided geographic expansion into Orange and surrounding districts.

Considering the integrated nature of the Hamcon business operations and the independency of the purchase agreements the transactions are considered linked for the purpose of the acquisition accounting and the provisions of AASB 3 *Business combinations* have been applied as a combined transaction.

At the time of the due diligence for the acquisition it was assessed that the quarry had 10 years useful life and a valuation was agreed on this basis. Subsequent work has identified that the quarry has an estimated remaining extraction life of 30 years. The uplift in the valuation for the quarry over the purchase price for this asset largely accounts for the discount on bargain purchase of $1,581,656.

Acquisition of Machinery Sales Pty Ltd
On 30 June 2019, MAAS Group Holdings Limited entered in share exchange agreement to acquire 100% of the share capital of Machinery Sales Pty Ltd (formerly known as Rookharp Pty Ltd) (trading as Nationwide) for a total consideration of $7,081,200. Based in Dubbo NSW, Machinery Sales Pty Ltd sells, buys and hires earth-moving machines, and sells buckets and attachments. MAAS Group Holdings Limited issued 9,441,600 ordinary shares to acquire Machinery Sales Pty Ltd at $0.75 per share.

The excess of the purchase consideration over the fair value of the net assets acquired has been classified as goodwill and represents the value of expected synergies, growth arising from the acquisition and the workforce of the acquired business. The goodwill will not be deductible for tax purposes.

Acquisition of Large Industries Pty Ltd
On 30 June 2019, MAAS Group Holdings Limited entered in share exchange agreement to acquire 100% of the share capital of Large Industries Pty Ltd (trading as JL Electrical) for a total consideration of $3,256,688. Based in Dubbo NSW, JL Electrical ("JLE") provides electrical infrastructure, communications and specialised services to the electrical industry in Central West and Regional NSW. JLE is an accredited Level 1A ASP specialising in underground and overhead power line construction and high voltage and low voltage cable jointing for supply authorities and mining professionals. MAAS Group Holdings Limited issued 4,342,250 ordinary shares at $0.75 per share to acquire Large Industries Pty Ltd.

The excess of the purchase consideration over the fair value of the net assets acquired has been classified as goodwill and represents the value of expected synergies, growth arising from the acquisition and the workforce of the acquired business. The goodwill will not be deductible for tax purposes.

Acquisition of EMS Group
On 30 June 2019, MAAS Group Holdings Limited entered in share exchange agreement to acquire 100% of the share capital of EMS Group Pty Ltd and its controlled entities, and EMS Plant & Equipment Pty Ltd for a total consideration of $24,301,500. Based in Dubbo and with offices in Orange, Sydney, Perth and Brisbane, EMS Group specialises in labour hire, electrical equipment, machinery sales and solutions that support Australia's underground mining, tunnelling, civil construction and rail companies and industries. MAAS Group Holdings Limited issued 32,084,327 and 317,673 ordinary shares to acquire EMS Group Pty Ltd and EMS Plant & Equipment Pty Ltd respectively, at $0.75 per share.

Considering the integrated nature of the EMS Group business operations and the independency of the purchase agreements the transactions are considered linked for the purpose of the acquisition accounting and the provisions of AASB 3 *Business combinations* have been applied as a combined transaction.

The excess of the purchase consideration over the fair value of the net assets acquired has been classified as goodwill and represents the value of expected synergies, growth arising from the acquisition and the workforce of the acquired businesses. The goodwill will not be deductible for tax purposes.

Acquisition of EMS International Group
On 30 June 2019, MAAS Group Holdings Limited entered in share exchange agreement to acquire 75% of the share capital of EMS International Pty Ltd and its controlled entities for a total consideration of $7,931,250. Based in Dong Nai province in Vietnam, EMS International provides general engineering manufacturing. MAAS Group Holdings Limited issued 10,575,000 ordinary shares at $0.75 per share to acquire EMS International Group.

The excess of the purchase consideration over the fair value of the net assets acquired has been classified as goodwill and represents the value of expected synergies, growth arising from the acquisition and the workforce of the acquired business. The goodwill will not be deductible for tax purposes.

Note 36. Business combinations (continued)

Acquisition of MAAS Homes Pty Ltd
On 30 June 2019, MAAS Group Holdings Limited entered in share exchange agreement to acquire 100% of the share capital of MAAS Homes Pty Ltd (formerly known as Nigel Bourke Construction Pty Ltd) for a total consideration of $2,070,900. Based in Dubbo NSW, the company builds stand-alone homes and commercial buildings in the NSW. MAAS Group Holdings Limited issued 2,761,200 ordinary shares at $0.75 per share to acquire MAAS Homes Pty Ltd.

The excess of the purchase consideration over the fair value of the net assets acquired has been classified as goodwill and represents the value of expected synergies, growth arising from the acquisition and the workforce of the acquired business. The goodwill not be deductible for tax purposes.

Details of the acquisitions are as follows:

	Hamcon Group Fair value $	Machinery Sales Pty Ltd Fair value $	Large Industries Pty Ltd Fair value $	EMS Group Fair value $	EMS International Group Fair value $	MAAS Homes Pty Ltd Fair value $	Total $
Cash and cash equivalents	309,716	255,838	1,237,286	198,612	197,948	732,275	2,931,675
Trade receivables	27,831	1,921,177	1,693,308	8,088,148	-	1,136,686	12,867,150
Other receivables	-	73,696	5,031	332,708	2,384,236	-	2,795,671
Inventories	24,000	13,975,919	291,989	14,153,514	3,978,920	-	32,424,342
Contract assets	-	-	311,575	2,401,190	419,117	(89,197)	3,042,685
Prepayments	-	-	-	595,759	385,047	-	980,806
Other current assets	-	845	644	54,399	81,810	1,299	138,997
Land and buildings	3,514,333	-	-	2,555,533	7,568,288	-	13,638,154
Plant and equipment	1,999,750	12,347	244,250	2,308,271	500,218	-	5,064,836
Hire machinery and equipment	-	-	-	27,147,106	-	-	27,147,106
Motor vehicles	-	20,534	1,213,500	988,115	-	-	2,222,149
Assets under construction	-	-	-	6,537,946	-	-	6,537,946
Customer contracts/relationships	-	170,000	990,000	1,290,000	-	-	2,450,000
Deferred tax asset	36,452	1,643	61,784	597,098	-	7,380	704,357
Deposits	-	-	1,400	35,900	25,754	-	63,054
Trade and other payables	(98,636)	(69,328)	(2,012,300)	(8,329,790)	(1,632,353)	(717,338)	(12,859,745)
Current tax liability	(184,982)	(609,327)	(372,622)	(3,666,196)	(175,054)	16,095	(4,992,086)
Deferred tax liability	(25,300)	(51,000)	(367,786)	(6,644,656)	-	(3,630)	(7,092,372)
Employee benefits	(37,319)	-	(224,669)	(440,410)	-	(26,836)	(729,234)
Onerous contracts	-	-	-	(790,092)	-	-	(790,092)
Contingent consideration	-	-	-	(660,000)	-	-	(660,000)
Other provisions	-	-	(50,000)	-	-	-	(50,000)
Payables to non-related entities	-	-	-	(7,214,135)	(7,136,746)	-	(14,350,881)
Contract liabilities	-	-	-	(2,601,846)	(246,580)	-	(2,848,426)
Bank loans	-	-	-	(4,663,515)	(820,033)	-	(5,483,548)
Lease liability	(84,189)	-	(742,141)	(17,825,203)	-	-	(18,651,533)
Other loans	-	-	-	(551,268)	(945,352)	-	(1,496,620)
Loans - shareholder related entities	-	(13,230,528)	(290,429)	3,425	(2,850,000)	(446,031)	(16,813,563)
Loans - director related entities	-	-	-	(327,750)	-	-	(327,750)
Net assets acquired	5,481,656	2,471,816	1,990,820	13,572,863	1,735,220	610,703	25,863,078
Goodwill	-	4,609,384	1,265,868	10,728,637	8,399,058	1,460,197	26,463,144
Net assets acquired	5,481,656	7,081,200	3,256,688	24,301,500	10,134,278	2,070,900	52,326,222

Note 36. Business combinations (continued)

	Hamcon Group Fair value $	Machinery Sales Pty Ltd Fair value $	Large Industries Pty Ltd Fair value $	EMS Group Fair value $	EMS International Group Fair value $	MAAS Homes Pty Ltd Fair value $	Total $
Representing:							
Cash paid or payable to vendor	3,900,000	-	-	-	-	-	3,900,000
MAAS Group Holdings Limited shares issued to vendor	-	7,081,200	3,256,688	24,301,500	7,931,250	2,070,900	44,641,538
Non-controlling interests	-	-	-	-	2,203,028	-	2,203,028
Gain from bargain purchase	1,581,656	-	-	-	-	-	1,581,656
	5,481,656	7,081,200	3,256,688	24,301,500	10,134,278	2,070,900	52,326,222
Cash used to acquire business, net of cash acquired:							
Acquisition-date fair value of the total consideration transferred	3,900,000	7,081,200	3,256,688	24,301,500	10,134,278	2,070,900	50,744,566
Less: cash and cash equivalents	(309,716)	(255,838)	(1,237,286)	(198,612)	(197,948)	(732,275)	(2,931,675)
Less: shares issued by company as part of consideration	-	(7,081,200)	(3,256,688)	(24,301,500)	(7,931,250)	(2,070,900)	(44,641,538)
Less: non-controlling interests	-	-	-	-	(2,203,028)	-	(2,203,028)
Net cash used/(received)	3,590,284	(255,838)	(1,237,286)	(198,612)	(197,948)	(732,275)	968,325

Revenue and profit contribution
If the acquisitions had occurred on 1 July 2018, the consolidated pro-forma revenue and profit for the year ended 30 June 2019 would have been as follows:

	Hamcon (a) $	Machinery Sales Pty Ltd (b) $	Large Industries Pty Ltd (b) $	EMS Group (b) $	EMS International Group (b) $	MAAS Homes Pty Ltd (b) $	Mass Group $	Total $
Revenue	3,743,578	22,929,860	15,486,246	41,737,070	1,081,643	9,002,055	37,222,714	131,203,166
Net profit/(loss) for the period after tax	1,466,239	4,167,345	1,627,291	2,687,770	(308,042)	664,002	8,139,454	18,444,059

The amounts in the above table have been calculated using the results of each subsidiary and adjusting them for:
- differences in the accounting policies between the consolidated entity and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2018, together with the consequential tax effects.

(a) The acquired business contributed revenues of $2,140,680 and net profit after tax of $1,080,799 to the consolidated entity for the period from 22 January 2019 to 30 June 2019.
(b) As the acquisition occurred on 30 June 2019, the acquired entity did not contribute any revenue or net profit/loss from the date of acquisition to 30 June 2019.

As all acquisitions occurred on 30 June 2019, none of the acquired entities contributed any revenue or net profit/loss from the date of acquisition to 30 June 2019.

Note 36. Business combinations (continued)

Acquired receivables

	Hamcon Group $	Machinery Sales Pty Ltd $	Large Industries Pty Ltd $	EMS Group $	EMS International Group $	MAAS Homes Pty Ltd $	Total $
Fair value of acquired receivables	27,831	1,994,873	1,698,339	8,420,856	2,384,236	1,136,686	15,662,821
Gross contractual amount due	(27,831)	(1,994,873)	(1,698,339)	(8,420,856)	(2,384,236)	(1,136,686)	(15,662,821)
Loss allowance recognised on acquisition	-	-	-	-	-	-	-

Acquisition-related costs
Acquisition-related costs of $111,567 that were not directly attributable to the issue of shares are included in Other Expenses in the statement of profit or loss and other comprehensive income.

Fair values
The valuation techniques used for measuring the fair value of material assets acquired and the consideration amount of the shares issued were as follows:

Assets acquired	Valuation technique
Land and buildings	Hamcon: Market value in the interest in the Bald Hill Quarry has been determined by using the capitalised notional royalty income stream method. For surplus land, market sales of similar rural land with and without improvements has been used in determining fair value. EMS International Group: Management have adopted the cost of the Land and buildings as these assets had recently constructed during the 2019 financial year and therefore reflect depreciated replacement cost. EMS Group: Land and buildings mainly comprise of offices and warehouses under operating lease. Extension options have been included in the liability calculation and a discount rate of 4% has been adopted to calculate the present value of the future lease payments. The discount rate used is based on the lessee’s incremental borrowing rate (hire purchases liabilities of EMS).
Plant and equipment	Market comparison approach was predominantly used to determine values by an independent valuer. Market comparison approach involves obtaining recent sales data and offering prices for like or similar assets.
Motor vehicles	Market comparison approach was predominantly used to determine values by an independent valuer. Market comparison approach involves obtaining recent sales data and offering prices for like or similar assets.
Customer contracts/relationships	The Multi-Period Excess Earnings Methodology (‘MEEM’) to assess the value of customer contracts and relationships has been adopted and was prepared by an independent expert. Main assumptions adopted: - A customer attrition rate of 33.3%; - Post tax discount rates ranging from 16% to 18%; - EBIT margin ranging from 13.8% to 24% - Contributory asset charge ranging from 0.84% to 14.91%.
Shares issued as consideration	Fair Market Value of the consolidated entity is based upon a capitalisation of future maintainable earnings methodology. The fair value of consideration was calculated by an independent expert as the number of shares issued to each entity multiplied by the assessed value per share for MGH (being $0.75 per share). The equity value (non-marketable, minority basis) has been calculated to be in the range of $0.67 to $0.82 per share (mid-point of $0.75 per share).

Note 36. Business combinations (continued)

Accounting policy choice for non-controlling interests
The consolidated entity recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in MAAS Group Holdings Limited, the consolidated entity elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

Accounting policy for business combinations
The acquisition method of accounting is used to account for business combinations, unless it is a combination involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Where the acquisition of entities that are deemed to be under common control occurs then consideration is required to determine the accounting acquirer. A new entity formed to effect a business combination through the issue of equity interests will not be regarded as the accounting acquirer, rather one of the combining entities that existed prior to the business combination shall be identified as the accounting acquirer. The predecessor value method is adopted for business combinations under common control. Under the predecessor method:
- assets and liabilities of the acquired entities are recognised at their previous carrying amounts;
- no adjustments are made to reflect fair values;
- no new assets (including goodwill) and liabilities of the acquired entities are recognised at the date of the business combination;
- any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities (as adjusted to achieve uniform accounting policies); and
- comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

Note 37. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
MAAS Group Pty Ltd (formerly MAAS Group Holdings Pty Ltd)	Australia	100%	100%
MAAS Administration Pty Ltd	Australia	100%	100%
MAAS Plant Hire Pty Ltd	Australia	100%	100%
MAAS Civil Pty Ltd	Australia	100%	100%
Hamcon Civil Pty Ltd	Australia	100%	-
Hamcon Hire Pty Ltd	Australia	100%	-
Machinery Sales Pty Ltd (formerly Rookharp Pty Ltd)	Australia	100%	-
Large Industries Pty Ltd	Australia	100%	-
MAAS Group Developments Pty Ltd	Australia	100%	-
MAAS Group Properties Durham Park Pty Ltd	Australia	100%	-
Eykan Holdings Pty Ltd	Australia	100%	100%
MAAS Group Westwinds Pty Limited	Australia	100%	-
MAAS Group Properties Ulan Pty Ltd	Australia	100%	-
MAAS Group Properties Highlands Pty Ltd	Australia	100%	-
MAAS Group Properties Magnolia Pty Ltd	Australia	100%	-
MAAS Group Properties Bombira Pty Ltd	Australia	100%	-
MAAS Group Properties Southlakes Pty Ltd	Australia	100%	-
MAAS Homes Pty Ltd (formerly Nigel Bourke Construction Pty Ltd)	Australia	100%	-
EMS Plant & Equipment Pty Ltd	Australia	100%	-
EMS Group Pty Ltd	Australia	100%	-
EMS Sales Pty Ltd	Australia	100%	-
EMS Labour Hire Pty Ltd	Australia	100%	-
EMS Repairs Pty Ltd	Australia	100%	-
EMS Equipment Hire Pty Ltd	Australia	100%	-
EMS Admin Pty Ltd	Australia	100%	-
Regional Transport Spares Pty Ltd	Australia	100%	-
EMS Mine Site Electrical Pty Ltd	Australia	100%	-
EMS International Pty Ltd	Australia	100%	-
VMS Engineering Company Ltd	Vietnam	75%	-
EMS Power Solutions UK Ltd	United Kingdom	100%	-
Regional Hardrock(Dubbo) Pty Ltd	Australia	100%	-
Regional Hardrock (Orange) Pty Ltd	Australia	100%	-
Regional Hardrock Unit Trust	Australia	100%	100%
Regional Quarries Australia Pty Ltd	Australia	100%	100%
Regional Crushing & Screening Pty Ltd	Australia	100%	51%

Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares that are held directly by the consolidated entity, and the proportion of ownership interests held equals the voting rights held by the consolidated entity.

Note 37. Interests in subsidiaries (continued)

Summarised financial information
Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity are set out below:

	VMS Engineering Company Ltd 2019 $
Summarised statement of financial position	
Current assets	940,324
Non-current assets	7,618,263
Total assets	8,558,587
Current liabilities	369,461
Total liabilities	369,461
Net assets	8,189,126
Other financial information	
Accumulated non-controlling interests at the end of reporting period	2,203,029

Note 38. Events after the reporting period

Convertible notes
On 1 July 2019, convertible notes were issued for $20,000,000. The key terms of the notes at issue date were as follows:
- Facility expiry date of 31 May 2021.
- Interest payable at 10% per annum in the event IPO does not occur by 30 November 2019 with interest accruing from this date.
- Interest payable every 6 months.
- The consolidated entity can elect to issue further notes in lieu of accrued interest payment.
- In the event of an IPO, noteholders are entitled to receive a 10% discount on issuance price.
- Notes are subject to various debt covenants.
- Notes are unsecured.

The accounting for the above convertible note resulted in a financial derivative liability of $1,659,117 and a liability at amortised cost of $18,340,833 being recognised on 1 July 2019.

Business combinations and asset acquisitions

Acquisition of Millers Metals
On 7 August 2019, MAAS Group Pty Ltd (MGPL) acquired 100% of the ordinary shares in Millers Metals Forbes Pty Ltd and the business assets of Millers Metals from Manso Holdings Pty Ltd, and acquired the land associated in West Wyalong and Forbes through its wholly owned subsidiaries Regional Hardrock (West Wyalong) Pty Ltd and Regional Hardrock (Forbes) Pty Ltd respectively (collectively referred to as "Millers Metals"). Millers Metals own and operate quarries in Forbes and West Wyalong and have a substantial fleet of vehicles, plant and machinery. Millers Metals provides mobile crushing and contract blasting, crushing and screening services to private and council owned pits. Aligned with the MAAS Group business model the acquisition provides geographic expansion in both its Construction Materials and Civil and Construction Hire business divisions.

The total consideration for the acquisitions was $33,510,772 consisting of a cash settlement of $14,465,121 and vendor financing of $19,045,651. The vendor financing is payable in 2 instalments of $12,573,000 and $7,404,500 respectively which are due on the first and second anniversary of the transaction completion date.

A discount on acquisition of $1,194,898 arose in this transaction due to the valuation of the equipment which was underutilised by the previous owners and because of the requirement to present value the consideration amount payable.

Note 38. Events after the reporting period (continued)

Considering the integrated nature of the Miller business operations and the inter-dependency of the purchase agreements, the transactions are considered linked for the purpose of the acquisition accounting, and the provisions of AASB3 *Business combinations* have been applied as a combined transaction.

In accordance with accounting standards, the acquisitions have been completed on a provision basis and finalisation of the assessment of fair values of the identifiable assets and liabilities acquired may result in adjustments to the amounts disclosed in the table below.

Acquisition of Jacon
On 4 September 2019, EMS Group Pty Ltd, EMS International Pty Ltd and VMS Engineering Company Ltd acquired the business operations of Jacon (with the exception of the operations in India). The Jacon business operated through a number of legal entities across different jurisdictions (Australia, Vietnam, Singapore and Indonesia). Jacon design, manufacture and supply concrete pumping, spraying and transportation equipment to the global mining and construction industries, operating in Australia, Vietnam, Indonesia and India. Aligned with the MAAS Group business model the acquisition provides geographic expansion in both its Construction Materials and Civil and Construction Hire business divisions.

The total consideration for the acquisitions was $11,138,560 consisting of a cash settlement of $6,200,000, contingent consideration of $2,300,000, deferred consideration of $278,184 and vendor financing of $2,360,376. The contingent consideration is payable over 3 years of which $1,300,000 is related to staff retention and $1,000,000 related to the recoverability of inventory.

Although there are a number of vendors and purchasers the acquisition is treated as a single transaction for accounting purposes due to the integrated contract and combined payment provisions.

In accordance with accounting standards, the acquisitions have been completed on a provision basis and finalisation of the assessment of fair values of the identifiable assets and liabilities acquired may result in adjustments to the amounts in the table below.

Acquisition of Bizitay Pty Ltd
On 30 August 2019, MAAS Group Developments Pty Ltd (MGD) executed and completed a share purchase agreement with Rutherford Holdings Pty Ltd (Rutherford) to acquire 100% of the shares in Bizitay Pty Ltd (Bizitay) for the total consideration of $11,820,000 (including acquisition costs of $820,000). Bizitay Pty Ltd is an investment vehicle for a number of commercial properties in New South Wales and Queensland. Bizitay generates earnings through short term leases on the properties however has no employees or operating systems. MGD will assess individually the commercial properties acquired and either redevelop or divest them at the appropriate time.

With reference to AASB *3 Business combinations*, it has been determined that the acquisition of Bizitay by MGD is not a business combination and will be accounted for as an asset acquisition. The cost of the acquisition, including the consideration paid to the vendor, transaction costs, and liabilities assumed, will be allocated across of the relative fair value of the assets acquired.

Acquisition of Dubbo Sands
On 20 December 2019, Regional Sands (Dubbo) Pty Ltd acquired the business known as *Dubbo Sands* for a cash consideration of $6,906,467. The business assets comprised a sand quarry, a farm, water licence and plant & equipment and is located near Dubbo NSW. The business was acquired in accordance with the business strategy of the Construction Materials division.

COVID 19
On 11 March 2020, The World Health Organisation classified the COVID 19 virus a pandemic. In an attempt to combat the health risks of COVID 19, governments across the world have implemented various policies aimed at tackling the spread of the virus. Refer to Note 2 for further information in relation to the Directors' assessment of potential impact to the consolidated entity.

Note 38. Events after the reporting period (continued)

Details of the acquisitions are as follows:

	Millers Metals Fair value $	Jacon Fair value $	Bitizay Pty Ltd Fair value $	Dubbo Sands Fair value $
Cash and cash equivalents	154,168	-	-	-
Trade receivables	1,918,479	-	-	-
Other receivables	67,770	-	-	-
Inventories	454,456	10,412,742	-	304,905
Land and buildings	10,850,000	655,362	11,820,000	2,300,000
Plant and equipment	21,600,000	3,847,407	-	3,530,000
Deferred tax asset	50,257	179,954	-	7,879
Other payables	(70,260)	-	-	-
Provision for income tax	(151,678)	-	-	-
Employee benefits	(167,522)	(599,848)	-	(26,264)
Lease liability	-	(655,362)	-	-
Other liabilities	-	(2,701,695)	-	-
Net assets acquired	34,705,670	11,138,560	11,820,000	6,116,520
Goodwill	-	-	-	789,947
Acquisition-date fair value of the total consideration transferred	34,705,670	11,138,560	11,820,000	6,906,467
Representing:				
Cash paid or payable to vendor	14,465,121	6,200,000	10,820,000	6,906,467
Contingent consideration	-	2,300,000	-	-
Vendor financing	19,045,651	2,360,376	-	-
Deferred consideration	-	278,184	1,000,000	-
Gain from bargain purchase	1,194,898	-	-	-
	34,705,670	11,138,560	11,820,000	6,906,467

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 39. Cash flow information

Reconciliation of profit after income tax to net cash from/(used in) operating activities

	Consolidated 2019 $	Consolidated 2018 $
Profit after income tax expense for the year	9,220,253	11,248,027
Adjustments for:		
Depreciation and amortisation	3,509,822	3,682,777
Net gain on disposal of property, plant and equipment	(74,777)	(985,285)
Net fair value gain on financial assets	(883,815)	(339,159)
Gain on bargain purchase	(1,581,656)	-
Other non-cash items	(20)	(491)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	2,082,238	2,034,093
Increase in contract assets	(13,000)	-
Decrease/(increase) in inventories	(22,356,185)	587,579
Decrease/(increase) in deferred tax assets	457,284	(75,457)
Decrease in prepayments	29,316	-
Increase in other operating assets	(61,746)	(8,861)
Decrease in trade and other payables	(746,026)	(2,525,653)
Increase/(decrease) in provision for income tax	(699,391)	168,256
Decrease in deferred tax liabilities	(171,139)	(578,584)
Increase in employee benefits	75,071	38,829
Net cash from/(used in) operating activities	(11,213,771)	13,246,071

Non-cash investing and financing activities

	Consolidated 2019 $	Consolidated 2018 $
Acquisition of plant and equipment by means of finance leases	12,717,805	8,152,798
Dividends credited to related party account	6,145,000	-
Shares issued to acquire MGPL Group	108,746,202	-
Partial settlement of business combinations through the issue of shares	44,641,538	-
Shares issued to acquire minority interests in Regional Crushing and Screening Pty Ltd	255,537	-

Note 39. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Bank loans $	Vendor financing $	Leases $	Other loans $	Loans due to shareholder related entities $	Loans due to director related entities $	Total $
Balance at 1 July 2017	500,000	-	16,240,492	256,220	-	22,380,118	39,376,830
Net cash from/(used in) financing activities	3,126,000	-	(5,234,849)	(256,220)	254,530	17,974,120	15,863,581
Acquisition of plant and equipment by means of finance leases	-	-	8,152,798	-	-	-	8,152,798
Balance at 30 June 2018	3,626,000	-	19,158,441	-	254,530	40,354,238	63,393,209
Net cash from/(used in) financing activities	4,621,566	-	(5,992,439)	67,305	271,460	(8,495,957)	(9,528,065)
Land held for resale	-	10,291,128	-	-	-	-	10,291,128
Dividends credited to related party loan account	-	-	-	-	-	6,145,000	6,145,000
Acquisition of plant and equipment by means of finance leases	-	-	12,717,805	-	-	-	12,717,805
Changes through business combinations (note 36)	5,483,548	-	18,651,533	1,496,620	16,813,563	327,750	42,773,014
Balance at 30 June 2019	13,731,114	10,291,128	44,535,340	1,563,925	17,339,553	38,331,031	125,792,091

MAAS Group Holdings Limited
Directors' declaration
30 June 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and 30 June 2019 and of its performance for the financial years then ended; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.

Wesley Jon Maas
Director

20 March 2020
Dubbo

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INDEPENDENT AUDITOR'S REPORT

To the members of MAAS Group Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MAAS Group Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018 and 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of MAAS Group Holdings Limited, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and 30 June 2019 and of its financial performance for the years ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

K L Colyer

K L Colyer
Director

Brisbane, 20 March 2020