

Acrow Formwork and
Constructions Services Limited
ABN 36 124 893 465

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APPENDIX 4E

PRELIMINARY FINAL REPORT
Under ASX Listing Rule 4.3A

Acrow Formwork and Construction Services Limited

ABN 36 124 893 465

Details of Reporting Period

Reporting Period 12 months ended 30 June 2021
Previous Reporting Period 12 months ended 30 June 2020

Results for announcement to the market

	2021	2020	% change
	<i>dollars</i>	<i>dollars</i>	
Revenue from ordinary activities	105,743,622	86,984,246	Up 22%
Net profit after tax from ordinary activities attributable to members	3,962,998	3,013,335	Up 32%
Share based payments and significant costs*	4,749,831	4,887,852	Down 3%
Net profit after tax from ordinary activities excluding significant costs*	8,712,829	7,901,186	Up 10%
	<i>Cents</i>	<i>Cents</i>	
Basic earnings per share (cents)	1.82	1.55	Up 18%
Diluted earnings per share (cents)	1.77	1.54	Up 15%
Basic earnings per share (cents) excluding significant costs*	4.00	4.06	Down 1%
Diluted earnings per share (cents) excluding significant costs*	3.88	4.03	Down 4%
Net tangible asset per share (cents)	27.65	25.73	Up 7%

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

Amount per security (Cents)

Dividend distributions	
Interim dividend per share fully franked (cents)	0.75
Final dividend per share fully franked (cents)	1.15
Record date for determining entitlements to the dividend	Thursday, 4 November 2021
Dividend payment date	Thursday, 25 November 2021
Dividend Reinvestment Plan ("DRP") is in place, last date for election to participate	Friday, 5 November 2021
The Company paid a dividend for the year ended 30 June 2020 – 100% franked on the 13 November 2020	1.05

Dividend

The Company has declared a fully franked dividend of 1.15 cents per share for the period ending 30 June 2021. The Dividend will be paid on 25 November 2021 to holders on the Company's fully paid ordinary share register on 4 November 2021 (Record Date).

Dividend Reinvestment Plan

The Company has a Dividend Reinvestment Plan (DRP) that will be available to holders of fully paid ordinary shares (shares). The DRP allows shareholders to reinvest part or all of their dividends into new Acrow Formwork and Construction Services Limited shares. The issue price of the shares will be at a 5% discount to the Market Value which is calculated as the arithmetic average of the daily volume weighted average sale price for a Share (rounded to four decimal places) sold through a Normal Trade on ASX on the ten trading days commencing on the second trading day following the Record Date. The last date for receipt of an election notice for participation in the DRP is 5 November 2021.

Control gained over entities

Nil

Commentary

The Acrow group continued to perform strongly for the 12 months to 30 June 2021.

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

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

- Group revenue up 22% on the prior comparable period "pcp" to \$105.7m, attributable to a very strong trading performance from the Industrial Services business, a significant uplift from the Formwork division across the east coast markets, the strategic focus on expanding product sales, and an additional 4-months contribution from the Uni-span acquisition (which was acquired 31 October 2019).
- Sales contribution of \$61.4m, was up 18% on pcp.
- Underlying EBITDA of \$24.3m, up 25% on pcp, and EBITDA margin of 23.0%, up 60bps
- Underlying Net Profit After Tax up 10% to \$8.7m, impacted by a higher effective tax rate
- Significant items of \$2.5m relating to final Uni-span integration costs, redundancies, and a one-off pre-acquisition related tax expense.
- Net gearing (net debt /(net debt + equity)) of 26.7%, up 6.7% from 30 June 2020.
- A final dividend of 1.15cps (fully franked) was declared.
- Underlying Earnings per Share 4.00 cents down slightly from 4.06 cents per share in 2020.

Segment Underlying EBITDA

Year end 30 June (\$000)	FY20	FY21	\$ Mvt	% chg PCP
Formwork	50,676	60,463	9,787	19%
Industrial Services	10,159	21,719	11,560	114%
Commercial Scaffold	26,149	23,561	- 2,588	-10%
Total Revenue	86,984	105,744	18,759	22%
Formwork	34,205	41,192	6,987	20%
Industrial Services	4,845	10,112	5,267	109%
Commercial Scaffold	12,926	10,120	- 2,806	-22%
Total Contribution	51,976	61,424	9,447	18%
<i>Contribution Margin*</i>	<i>59.8%</i>	<i>58.1%</i>		<i>-2%</i>
Yard Related Expenses	10,778	11,629	851	8%
Labour	17,263	20,977	3,714	22%
Other	4,474	4,470	-4	0%
Total Overheads	32,515	37,075	4,560	14%
Underlying EBITDA	19,461	24,349	4,888	25%
<i>EBITDA Margin*</i>	<i>22.4%</i>	<i>23.0%</i>		<i>1%</i>

FY21 Reconciliation of Reported Net Profit after Tax to Underlying EBITDA

	Underlying	Significant items	Reported
Underlying EBITDA	24,349	(1,150)	23,199
Depreciation	(11,179)	(384)	(11,563)
Net interest	(2,948)	(300)	(3,248)
Pre tax profit	10,222	(1,834)	8,388
Share based payments expense		(2,246)	(2,246)
Tax expense	(1,509)	(670)	(2,179)
Net profit after tax	8,713	(4,750)	3,963

Audit

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

Acrow Formwork and Construction Services Limited
ACN 124 893 465

Preliminary Financial Report
30 June 2021

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

<i>In dollars</i>	Note	2021	2020
Continuing operations			(Restated)
Revenue	3	94,608,887	81,681,600
Other income	4	6,552,430	2,096,471
Personnel expenses		(36,585,402)	(26,534,361)
Sub-contract labour costs		(16,646,962)	(18,529,985)
Inventory purchased, net of changes in finished goods		(18,276,344)	(13,407,935)
Depreciation		(11,563,598)	(9,639,607)
IT and telecommunication expenses		(1,542,961)	(1,267,705)
Freight costs		(1,664,296)	(1,339,966)
Property costs		(155,347)	(885,883)
Insurance expenses		(813,198)	(829,980)
Gain on fair value of derivatives		350,000	100,000
Settlement of contingent consideration related to Uni-span acquisition		(148,264)	-
Other expenses	5	(4,725,176)	(6,242,837)
Profit before net finance costs and income tax		9,389,769	5,199,812
Finance income		-	37,211
Finance costs		(3,247,616)	(2,544,393)
Net finance costs		(3,247,616)	(2,507,182)
Profit before income tax		6,142,153	2,692,630
Income tax (expense)/benefit	6	(2,179,155)	320,705
Profit from continuing operations		3,962,998	3,013,335
Other comprehensive income			
Items that may be reclassified to profit / (loss)			
Foreign operations - foreign currency translation differences		(1,407)	(312)
Total comprehensive income for the year		3,961,591	3,013,023
Earnings per share from continuing operations			
Basic EPS (cents per share)	21	1.82	1.55
Diluted EPS (cents per share)	21	1.77	1.54

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

Consolidated Statement of Financial Position

As at 30 June 2021

In dollars

	Note	2021	2020
Current assets			
Cash and cash equivalents		1,754,622	7,238,511
Trade and other receivables	7	24,611,736	17,014,660
Inventories	8	8,958,554	5,577,745
Prepayments and other assets	9	4,393,545	2,355,240
Assets held for sale	10	66,507	72,854
Total current assets		39,784,964	32,259,010
Non-current assets			
Property, plant and equipment	11	83,008,854	76,038,493
Right-of-use lease assets	12	28,808,936	32,393,595
Intangibles	13	7,428,704	7,428,704
Other assets	9	-	99,411
Total non-current assets		119,246,494	115,960,203
Total assets		159,031,458	148,219,213
Current liabilities			
Bank overdraft		1,865,938	-
Trade payables	14	25,122,155	16,234,858
Other payables	14	3,486,289	3,492,952
Financial liability		-	350,000
Employee benefits	15	4,639,524	4,129,727
Lease liabilities	12	4,645,552	3,420,761
Loans and borrowings	16	7,898,384	5,981,098
Current tax liabilities		310,331	556,301
Liabilities held for sale	10	61,453	67,317
Total current liabilities		48,029,626	34,233,014
Non-current liabilities			
Other payables	14	-	3,331,309
Employee benefits	15	611,541	595,571
Lease liabilities	12	27,396,387	30,729,513
Loans and borrowings	16	14,440,464	15,837,398
Provisions	17	469,274	469,274
Deferred income tax liability	18	6,596,723	4,727,900
Total non-current liabilities		49,514,389	55,690,965
Total liabilities		97,544,015	89,923,979
Net assets		61,487,443	58,295,234
Equity			
Issued capital	19	46,703,384	45,674,176
Reserves		3,026,437	914,264
Retained earnings		11,757,622	11,706,794
Total equity		61,487,443	58,295,234

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

In dollars

	Share capital	Share based option payments reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 30 June 2019	34,814,339	2,006,033	56,030	10,443,796	47,320,198
Total comprehensive income for the period					
Profit for the period	-	-	-	3,013,335	3,013,335
Other comprehensive income	-	-	(312)	-	(312)
Total comprehensive income	-	-	(312)	3,013,335	3,013,023
Transactions with owners of the Company					
Shares issued under at capital raising net of costs	4,949,090	-	-	-	4,949,090
Shares issued under acquisition agreements	3,050,000	-	-	-	3,050,000
Performance rights converted to shares, net of costs	2,454,140	(2,475,000)	-	-	(20,860)
Dividends paid to shareholders	-	-	-	(1,750,337)	(1,750,337)
Shares issued under dividend reinvestment plan (DRP)	341,661	-	-	-	341,661
Equity settled share base payments	-	1,345,059	-	-	1,345,059
Transfer of option reserves to share capital	17,546	(17,546)	-	-	-
Proceeds from exercise of options	47,400	-	-	-	47,400
Total transactions with owners of the company	10,859,837	(1,147,487)		(1,750,337)	7,962,013
Balance at 30 June 2020	45,674,176	858,546	55,718	11,706,794	58,295,234
Total comprehensive income for the period					
Profit for the year	-	-	-	3,962,998	3,962,998
Other comprehensive income	-	-	(1,407)	-	(1,407)
Total comprehensive income	-	-	(1,407)	3,962,998	3,961,591
Transactions with owners of the company					
Dividends paid to shareholders	-	-	-	(3,912,170)	(3,912,170)
Shares issued under dividend reinvestment plan (DRP)	766,913	-	-	-	766,913
Equity settled share base payments	-	2,245,520	-	-	2,245,520
Transfer of option reserves to share capital	131,940	(131,940)	-	-	-
Proceeds from exercise of options, net of costs	130,355	-	-	-	130,355
Total transactions with owners of the company	1,029,208	2,113,580	-	(3,912,170)	(769,382)
Balance at 30 June 2021	46,703,384	2,972,126	54,311	11,757,622	61,487,443

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

In dollars

	Note	2021	2020
Cash flows from operating activities			
Receipts from customers		92,545,637	87,707,020
Payments to suppliers and employees		(78,686,345)	(71,418,334)
Cash generated from operations		13,859,292	16,288,686
Significant costs - acquisition and integration related costs		(950,314)	(2,999,612)
Finance income		-	37,211
Income tax paid		(556,302)	-
Net cash inflow from operating activities		12,352,676	13,326,285
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		11,134,736	5,302,646
Purchase of property, plant and equipment		(17,409,884)	(13,101,140)
Consideration paid for controlled entities, net of cash acquired		-	(12,182,477)
Deferred payment on acquisitions	14	(3,655,151)	(2,250,000)
Net cash outflow from investing activities		(9,930,299)	(22,230,971)
Cash flows from finance activities			
Proceeds from issue of shares		-	5,200,000
Capital raising costs		-	(271,771)
Proceeds from exercise of options, net of costs		130,355	47,400
Proceeds from borrowings		6,793,284	19,915,010
Repayment of borrowings		(6,272,932)	(5,035,606)
Repayment of lease liabilities	12	(4,198,952)	(3,299,167)
Dividends paid net of DRP	19	(3,145,257)	(1,408,676)
Finance costs paid		(3,078,701)	(2,293,610)
Net cash (outflow)/inflow from financing activities		(9,772,203)	12,853,580
Net (decrease)/increase in cash and cash equivalents		(7,349,826)	3,948,894
Cash and cash equivalents as at 1 July 2020		7,238,511	3,289,617
Effect of exchange rate fluctuations on cash held		(1)	-
Cash and cash equivalents at the end of the year		(111,316)	7,238,511

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

Notes to the Financial Statements

1. Reporting entity

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

The preliminary consolidated financial statements of Acrow for the year ended 30 June 2021 comprise of the Company and its controlled entities (the Group).

The Group is a for-profit entity and is primarily involved in the hire and sale of falsework, formwork, scaffolding and screen equipment including industrial services and other construction services.

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

2. Basis of preparation

(a) Basis of accounting

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

The preliminary consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and were authorised for issue by the Board of Directors on 25 August 2021.

(b) Basis of measurement

The preliminary consolidated financial statements have been prepared on accrual basis and are based on historical costs, modified where applicable by the measurement at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

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

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

(e) Comparative information

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

(f) Rounding

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

(g) COVID-19 impact

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

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

The Group has developed estimates in these preliminary consolidated financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

(h) Basis of consolidation

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

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

(i) Working capital deficiency

The Statement of Comprehensive Income shows a profit for the period of \$3,962,998 (2020: \$3,013,335).

The Statement of Financial Position shows that as at 30 June 2021, current liabilities exceeded current assets by \$8,244,662 (June 2020: net current liability position of \$1,974,004) for the Group.

The increase in deficit arises due predominantly to the following:

- (i)** The current loans and borrowings increased from \$5,981,098 at 30 June 2020 to \$7,898,384 as at June 2021 being an increase of \$1,917,286. In addition, current lease liabilities increased from \$3,420,761 at 30 June 2020 to \$4,645,552 being an increase of \$1,224,791.
- (ii)** Purchases of plant and equipment of \$17,409,884 during the period (\$13,101,140 in the prior comparable period) was financed through the use of cash and an increase in trade creditors. Trade creditors have increased from \$16,234,858 at 30 June 2020 to \$25,122,155 as at 30 June 2021, partially offset by the increase in prepayment from \$2,355,240 to \$4,393,545 for the same comparable period.

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The group refinanced in May 2021 which increased its headroom at year end to \$12,523,224 and total facility from \$23,878,521 at 30 June 2020 to \$36,168,000 same date this year (see note 16) and raised capital of \$10.5m in July 2021.

In addition, the directors are confident the company has a number of alternative funding options available if required to cover the deficit including operating cash flows that will be received off the capital expenditure undertaken during the period. Total operating cash flows for the year was \$12,352,676. The group has also the ability if required to divest existing idle property plant and equipment and significantly reduce its capital expenditure. Total written down value of property plant and equipment at 30 June 2021 was \$83,008,854 and total net assets as at 30 June 2021 was \$61,487,443.

As a result, the directors have concluded as to the appropriateness of preparing the financial statements on a going concern basis.

3. Revenue

In dollars

	2021	2020
<i>Revenue from contracts with customers</i>		
Provision of labour services	21,881,696	16,637,186
Provision of cartage services	5,084,962	5,629,679
Other sales of goods	25,433,493	22,215,220
	52,400,151	44,482,085
<i>Other revenue</i>		
Hire of equipment	42,208,736	37,199,515
	94,608,887	81,681,600

4. Other income

In dollars

	2021	2020
Disposal of property, plant and equipment		
Proceeds	11,134,736	5,302,646
Written down value	(4,582,306)	(3,206,175)
Net gain on disposal of property, plant and equipment	6,552,430	2,096,471

5. Other expenses

In dollars

	2021	2020
		(Restated)
Acquisition and integration related expenses	(950,314)	(2,999,612)
Audit, tax and legal expenses	(730,548)	(380,323)
Doubtful debt (expense)/recovery	(150,466)	322,690
Due diligence	-	(306,687)
Motor vehicle expenses	(390,391)	(605,960)
Plant & equipment operating expenses	(340,170)	(332,387)
Repair & maintenance	(283,715)	(263,987)
Travelling expenses	(267,598)	(498,779)
Utilities	(651,873)	(419,145)
Others	(960,101)	(758,647)
	(4,725,176)	(6,242,837)

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6. Income tax benefit/(expense)

In dollars

	2021	2020
Current income tax expense	625,040	1,318,500
Deferred income tax expense	(2,030,351)	(997,795)
Under provision for income tax in prior year	(773,844)	-
Income tax (expense)/benefit attributable to profit	(2,179,155)	320,705

7. Trade and other receivables

In dollars

	2021	2020
Trade receivables	25,789,926	18,211,600
Provision for doubtful debts	(1,178,190)	(1,196,940)
	24,611,736	17,014,660
Current	12,485,903	8,084,287
31 to 60	6,058,921	6,401,245
61 to 90	1,887,063	1,446,874
90+	5,358,039	2,279,194
Impaired	(1,178,190)	(1,196,940)
	24,611,736	17,014,660

8. Inventories

In dollars

	2021	2020
Finished goods	9,025,959	5,881,998
Provision for slow moving stock	(67,405)	(304,253)
	8,958,554	5,577,745

9. Prepayments and other assets

In dollars

	2021	2020
Current		
Contract assets	775,168	239,747
Other receivables	608,339	933,026
Prepayments	3,010,038	1,182,467
	4,393,545	2,355,240
Non-current		
Other assets	-	99,411

10. Assets and liabilities held for sale

In dollars

	2021	2020
Assets classified as held for sale	66,507	72,854
Liabilities classified as held for sale	61,453	67,317

11. Property, plant and equipment

In dollars

	Land and buildings	Plant and equipment	Hire equipment	Total
At 30 June 2020				
Cost	475,989	11,528,314	82,765,705	94,770,008
Accumulated depreciation	(354,558)	(10,693,801)	(7,683,156)	(18,731,515)
Net book value	121,431	834,513	75,082,549	76,038,493
At 30 June 2021				
Cost	475,990	13,071,560	92,750,857	106,298,407
Accumulated depreciation	(373,765)	(10,976,005)	(11,939,783)	(23,289,553)
Net book value	102,225	2,095,555	80,811,074	83,008,854

12. Leases

The Acrow group leases various properties, forklifts, motor vehicles and printers. Property lease terms are up to 10 years and often include extension options, forklift lease terms are up to 7 years, motor vehicle lease terms are from 1 to 3 years, whilst all printers are for a 5-year lease term.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of financial performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments on IT equipment including laptops and mobile devices have been treated as low-value assets, are recognised on a straight-line basis as an expense in the statement of financial performance.

Lease amounts recognised in the Consolidated Statement of Financial Position:

<i>In dollars</i>	2021	2020
Properties	26,165,469	29,896,913
Forklifts and office equipment	2,145,017	2,130,164
Motor vehicles	498,450	366,518
Total right-of-use assets	28,808,936	32,393,595
Lease liabilities		
Current	4,645,552	3,420,761
Non-current	27,396,387	30,729,513
Total lease liabilities	32,041,939	34,150,274

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Lease amounts recognised in the Consolidated Statement of Comprehensive Income:

<i>In dollars</i>	2021	2020
Depreciation charge for right-of-use assets:		
Properties	4,843,914	3,686,922
Forklifts and office equipment	555,296	402,223
Motor vehicles	276,066	290,336
Total depreciation charge for right-of-use assets	5,675,276	4,379,481
Interest expense (included in finance costs)	1,675,195	1,144,161
Expenses relating to short term and low value asset leases	125,144	272,842

Impacts to the Consolidated Statement of Comprehensive Income are:

<i>In dollars</i>	2021	2020
(Increase) in depreciation expense	(5,675,276)	(4,379,481)
(Increase) in interest expense	(1,675,195)	(1,144,161)
Increase in lease payments	5,874,147	4,443,328
Net impact to net profit before income tax	(1,476,324)	(1,080,314)

The Consolidated Statement of Cash Flows at 30 June 2021 includes cash outflows for lease payments of \$4,198,952 (2020 : \$3,299,167) and lease interest of \$1,675,195 (2020 : \$1,144,161).

13. Intangibles

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at costs less any accumulated impairment losses.

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

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

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

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

	2021	2020
Average growth rate 1 - 5 years	5%	11.8%
Terminal growth rate	1%	1.5%
Post-tax discount rate	10.7%	10.7%

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<i>In dollars</i>	2021	2020
Opening goodwill balance	7,428,704	7,301,902
Additions	-	126,802
Reductions	-	-
Closing balance	7,428,704	7,428,704

Allocation to CGU Groups

<i>In dollars</i>	2021	2020
Natform companies	7,301,902	7,301,902
Uni-span companies	126,802	126,802
	7,428,704	7,428,704

Impairment testing on Natform companies

Goodwill of \$7,301,902 was recorded at 31 August 2018 with respect to the acquisition of Natform Pty Ltd and Natform (QLD) Pty Ltd. The recoverable amount of CGU is supported on a fair value less costs to sell basis with reference to the market price paid to acquire the business. No indicators of impairment have arisen since the acquisition date.

Impairment testing on Uni-span companies

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

Sensitivity

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

14. Trade and other payables

<i>In dollars</i>	2021	2020
Current Trade payables		
Trade payables	19,562,215	10,353,721
Accrued expenses	5,559,940	5,881,137
	25,122,155	16,234,858
Other payables		
Natform deferred consideration	-	2,230,661
Uni-span deferred consideration	3,486,289	1,262,291
	3,486,289	3,492,952
Non-current		
Other payables		
Natform deferred consideration	-	-
Uni-span deferred consideration	-	3,331,309
	-	3,331,309

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

A second and final payment of \$2,250,000 relating to Natform was paid on 13 September 2020 to Margaret Prokop.

A deferred payment of \$1,500,000, reduced by \$182,056 adjustments relating to Uni-span acquisition was paid on 1 October 2020. A further deferred payment of \$3,500,000 is payable in September 2021 along with further adjustments which is currently valued at \$3,338,025.

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

A contingent consideration of \$148,264 has been provided for and payable in September 2021 as the combined EBITDA, \$18,124,591 of the Group (being the Group's EBITDA \$18,474,591 less \$350,000 gain on fair value derivatives on shares issued to the vendors) exceeds the Benchmark EBITDA \$18,000,000 set at acquisition. This is a subsequent adjustment to acquisition and therefore does not impact the goodwill calculated at acquisition date.

15. Employee benefits

In dollars

	2021	2020
Current		
Annual leave	1,891,263	1,690,499
Long service leave	1,639,784	1,357,493
Other employee benefits	1,108,477	1,081,735
	4,639,524	4,129,727
Non-current		
Long service leave	611,541	595,571

All employees have defined contribution plans for superannuation and the expense recognised during the year was \$2,476,487 (2020: \$1,935,108).

16. Loans and borrowings

In dollars

	2021	2020
Current	7,898,384	5,981,098
Non-current	14,440,464	15,837,398
	22,338,848	21,818,496

Borrowings are represented by the following finance facilities:

Secured amortising business loan of \$13,750,000, commenced in October 2019, refinanced in May 2021 (Uni-span acquisition)	-	12,602,000
Secured amortising business loan of \$5,394,000, commenced in October 2018, refinanced in May 2021 (Natform acquisition).	-	4,664,000

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Secured amortising business loan of \$18,168,000	14,423,000	-
Headroom (including an additional \$3.5m on the repayment of Unispan deferred acquisition available from October 2021)	3,745,000	-
Equipment finance facility, revolving 3-year limit of \$10m FY2021; \$5m FY2020	6,381,357	4,539,975
Headroom	3,618,643	460,025
Trade finance facility, revolving 180-day limit of \$3m	1,534,491	-
Headroom	1,465,509	-
Working capital facility, \$5m including \$1.4m bank guarantee (2020: \$1.4m) and \$3.6m bank overdraft (2020: \$1.6m):	1,305,928	-
Headroom	3,694,072	1,600,000
Insurance premium funding	-	12,521
Borrowings utilised	23,644,776	21,818,496
Headroom	12,523,224	2,060,025
Total borrowings	36,168,000	23,878,521

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

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

All borrowing costs incurred in the year have been expensed.

17. Provisions

<i>In dollars</i>	2021	2020
Make good	469,274	469,274
<i>Movements during the year were as follows:</i>		
Balance at 1 July	469,274	452,474
Addition through a business combination	-	769,587
Amounts used during the year	-	(752,787)
Balance at 30 June	469,274	469,274

18. Deferred income tax

<i>In dollars</i>	2021	2020
Deferred income tax liability movement during the year:		
Opening balance at 1 July	4,727,900	1,683,999
Recognised in business combination	-	3,385,694
Provisions	(5,613,213)	(850,759)
Accruals	(139,788)	(204,448)
Property, plant and equipment	7,333,145	2,053,004
Revenue tax loss	288,679	(1,318,500)
Recognised in equity	-	(21,090)
Closing balance at 30 June	6,596,723	4,727,900

Unrecognised deferred tax assets

Deferred tax assets not recognised for the following items:

Revenue tax losses	15,475,859	12,877,219
Capital losses	202,441	674,802
Temporary differences	(6,061,604)	(4,592,901)
	9,616,696	8,959,120

While tax losses and temporary differences do not expire under current tax legislation, deferred tax assets have not been recognised in respect of these items as certain subsidiaries have experienced a number of years without taxable income and therefore recovery is not considered probable. The tax losses do not expire under current tax legislation.

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

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

19. Issued capital

	2021	2020
Number of shares		
On issue of 1 July	216,039,534	175,006,455
Issue of shares (i)	2,183,021	1,087,746
	218,222,555	176,094,201
Shares issued at Uni-span acquisition	-	10,000,000
	218,222,555	186,094,201
Issue of shares for cash	-	17,333,333
	218,222,555	203,427,534
Shares issued through conversion of performance rights	-	12,375,000
	218,222,555	215,802,534
Exercise of share options (ii)	1,154,653	237,000
	219,377,208	216,039,534

- 1,159,290 shares were issued at \$0.3444 per share following the final dividend declaration on 13 November 2020 pursuant to the Dividend Reinvestment Plan (DRP); 1,023,731 shares were issued at \$0.3591 per share following the FY2021 interim dividend declaration on 14 May 2021 also pursuant to the DRP.
- 1,463,000 units of ACFOP8 options were exercised and converted to 525,000 ordinary shares at \$0.20 per unit, 938,000 units were converted to 429,653 ordinary shares via cashless arrangement, thus forfeiting 508,347 units; 200,000 units of ACFOP06 were exercised and converted to 200,000 ordinary shares at \$0.20 per unit.

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

Performance Rights

On 31 July 2020 15,108,000 Performance Rights were issued in four tranches, each with Earnings Per Share or Total Shareholder Return performance vesting conditions. Two tranches vest each at the end of the financial years 2021 and 2022. If the vesting conditions are met, each Performance Right can be exercised into one Fully Paid Ordinary Share at the holder's discretion until the expiry date of 31 July 2035. The Performance Rights were issued to employees of the Company under the Company's Rights Plan and form part of the Long-

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Term Variable Remuneration of the employees. A further issue of 2,204,000 options under the same scheme, to Steven Boland (CEO) were given approval at the Annual General Meeting on 24 November 2020.

With employees who cannot complete the required service period and therefore meeting the eligibility criteria, 1,820,000 units of these rights have been forfeited.

A further 454,950 units have since been issued to new employees. Current balance at end of June 2021 was 15,946,950 units.

Options

In April 2021, 750,000 units of options expired as the vesting conditions of 20 day-VWAP of \$0.60 has not been achieved since issuance in April 2016.

Dividends

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

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

<i>In dollars</i>	2021	2020
Dividends on ordinary shares declared and paid:		
Final dividend in respect of the previous reporting period:		
FY 20: 1.05 cent per share (FY19: 1.0 cent per share)		
- Paid in cash	1,875,228	1,408,676
- Paid via DRP	399,287	341,661
Interim dividend for the current reporting period:		
FY 21: 0.75 cent per share (FY20: Nil)		
- Paid in cash	1,270,029	-
- Paid via DRP	367,626	-
	3,912,170	1,750,337

A franked dividend of \$2,274,515 for the year ended 30 June 2020 was paid on 13 November 2020 at 1.05 cents per share with 1,159,290 new shares issued as part of the DRP.

A franked interim dividend of \$1,637,655 for FY 2021 was paid on 14 May 2021 at 0.75 cent per share with 1,023,731 new shares issued as part of the DRP.

Subsequent to balance date, the Directors declared a dividend of 1.15 cents per share fully franked on 25 August 2021.

Franking credit balance at 30 June 2021 was \$1,954,882 (2020: \$3,016,901).

20. Capital management

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

The Group's debt and capital includes ordinary share capital and borrowings.

There are no externally imposed capital requirements.

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Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

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

21. Earnings per share

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

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

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

<i>In dollars</i>	2021	2020
Earnings reconciliation		(Restated)
Profit excluding significant items	8,412,829	7,901,186
Net share-based payments and significant items*	(4,449,831)	(4,887,852)
Net profit after tax	3,962,998	3,013,335

* Jun-20 recalculated to exclude the net impact of IFRS 16 adoption so that Profit excluding significant items are comparable

	2021	2020
Number of ordinary shares:		
Weighted average number of ordinary shares used in the calculation of basic EPS	217,558,863	194,591,893
Weighted average number of ordinary shares used in the calculation of diluted EPS	224,511,742	195,904,881
Basic EPS excluding significant items (cents per share)	4.00	4.06
Diluted EPS excluding significant items (cents per share)	3.88	4.03
Basic EPS (cents per share)	1.82	1.55
Diluted EPS (cents per share)	1.77	1.54

22. Group entities

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

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

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Uni-span Formwork Solutions Pty Ltd (a), (b)	QLD	100%
Acrow Group Investments Pty Ltd (a), (b)	NSW	100%
Noble Mineral Resources Ghana Limited	Ghana	100%

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

23. Operating segments

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

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

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

The Group has the following segments:

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

Segment Information as at 30 June 2021

<i>In dollars</i>	Formwork and construction services	Mineral exploration	Total
Hire of equipment	42,208,735	-	42,208,735
Provision of labour and contracting services	26,966,659	-	26,966,659
Other hardware sales	25,433,493	-	25,433,493
Other income	6,552,430	-	6,552,430
Segment revenue	101,161,317	-	101,161,317
Segment operating profit	11,376,666	(51,273)	11,325,393
Unallocated corporate overhead costs			(1,935,624)
Finance costs	(3,247,616)	-	(3,247,616)
Profit before income tax			6,142,153
Income tax benefit/(expense)	(2,179,155)	-	(2,179,155)
Profit after income tax			3,962,998

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Other material items:

Goodwill on acquisition	7,428,704	-	7,428,704
Capital expenditure	17,409,883	-	17,409,883
Depreciation	11,563,598	-	11,563,598
Segment assets	158,964,836	66,622	159,031,458
Segment liabilities	97,129,828	414,187	97,544,015

Segment Information as at 30 June 2020

<i>In dollars</i>	Formwork and construction services	Mineral exploration	Total
Hire of equipment	37,199,515	-	37,199,515
Provision of labour and contracting services	22,266,865	-	22,266,865
Other hardware sales	22,215,220	-	22,215,220
Other income	2,096,471	-	2,096,471
Segment revenue	83,778,071	-	83,778,071
Segment operating profit	7,048,045	(70,117)	6,977,928
Unallocated corporate overhead costs			(1,777,722)
Finance costs	(2,507,576)	-	(2,507,576)
Profit before income tax			2,692,630
Income tax benefit/(expense)	320,705	-	320,705
Profit after income tax			3,013,335
Other material items:			
Goodwill on acquisition	7,428,704	-	7,428,704
Capital expenditure	13,101,140	-	13,101,140
Depreciation	9,639,607	-	9,639,607
Segment assets	148,146,232	72,981	148,219,213
Segment liabilities	89,526,237	397,742	89,923,979

Geographical information

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

24. Net Tangible Assets

	2021	2020
Net tangible assets per ordinary shares (cents)	27.65	25.73

25. Subsequent Events

The Group raised \$10,500,000 on 27th July 2021 at 38 cents per share via an institutional placement resulting in the issue of 27,631,579 new ordinary shares. The capital was raised primarily for the immediate future to fund the capital investment requirements of the fast-growing Industrial Services division and to capitalise on the numerous civil infrastructure opportunities on the horizon. The balance of the funds will add strength to the Company's balance sheet and provide flexibility to act quickly as compelling further growth opportunities present themselves. The new shares issued under the Placement rank equally with Acrow's existing fully paid ordinary shares.

Further, 280,500 units of Loan Funded shares were exercised and converted in full as ordinary shares on the 13 July 2021, bringing total number of ordinary shares to 247,289,287 units.

Equipment finance loans of \$2,327,290 were drawn in July repayable in full by June 2024 and Trade finance loans of \$1,480,563 were drawn in July repayable in full between September 2021 to January 2022.

On 25 August 2021 the Directors declared a franked dividend of 1.15 cents per share to be paid on Thursday 25 November 2021. Dividend Reinvestment Plan is available for election. The dividend has not been provided for in this financial report as it was not declared until after 30 June 2021.

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