

MAAS Group Holdings Limited

ABN 84 632 994 542

Financial Report - 30 June 2020

MAAS Group Holdings Limited
Corporate directory
30 June 2020

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 201 Sussex Street Sydney NSW 2000 Westpac Banking Corporation Limited Level 3 275 Kent Street Sydney NSW 2000
Website	www.maasgroup.com.au

MAAS Group Holdings Limited
Directors' report
30 June 2020

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 2020.

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 year ended 30 June 2020 represented the first full year of operations of the merged group due to the merger transaction completing on 30 June 2019. As a result, the comparative information for the year ended 30 June 2019 does not include the trading result of all of the entities acquired under the Merger Transaction (refer below) in the Statement of Financial Performance and Statement of Cash Flows for that year. Background as to the Merger Transaction and the accounting treatment is contained further in (a) and (b) below.

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 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 already 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 2020

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
 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
- Construction - residential
- Electrical service
- Labour hire and repairs
- Sale of goods - plant, equipment, parts, road-base and aggregates
- Land development and resale
- Equipment and machinery hire

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2020	2019
	\$	\$
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
Dividends paid to the shareholders of Regional Crushing & Screening Pty Ltd	-	271,460
	-	6,783,460

The 30 June 2019 dividend payments occurred prior to the Merger Transaction.

Review of operations and financial position

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$20,693,573 (30 June 2019: \$9,220,253).

MGH has enjoyed its first year of operations as a merged entity. After completing the Merger Transactions as described above, MGH's focus was on the successful integration of these businesses and continued growth. MGH acquired other businesses and assets during the year ended 30 June 2020 in the Tunnelling and Underground Services, Construction Materials and Real Estate Segments.

The consolidated entity's underlying statutory EBITDA for the year amounted to \$52,817,492 (2019: \$14,436,108).

	Consolidated	
	2020	2019
	\$	\$
Profit before income tax expense	29,941,060	12,676,128
Depreciation and amortisation	13,711,770	3,512,165
Interest revenue	(113,394)	(1,439,934)
Finance costs	8,852,492	1,269,405
Gain on contingent and deferred consideration	(1,040,524)	-
Gain from bargain purchase in a business combination	(1,194,898)	(1,581,656)
Legal fees in connection with the proposed IPO	243,045	-
Legal fees relating to business combinations	562,998	-
Consulting expenses in connection with the proposed IPO	1,067,409	-
Stamp duty expensed on acquisitions	787,534	-
Underlying Statutory EBITDA	52,817,492	14,436,108

MAAS Group Holdings Limited
Directors' report
30 June 2020

Underlying Statutory EBITDA excludes 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 continued to invest across all operating segments of the business during the financial year either via business combination, asset acquisition or upgrade of existing plant and equipment.

The consolidated entity's operations were impacted by the effects of the global pandemic COVID-19. The impacts arose due to initial domestic and global government health responses which changed workplace practices, impacted global supply chains and caused a decrease in consumer confidence. Although being exposed, like all businesses, to some initial impact, the impact of COVID-19 for the consolidated entity has not caused any long standing operational issues for the entity as business has returned to normal. A list of initial impacts included:

- Changed workplace practices to ensure operations were COVID-19 compliant initially impacted productivity on some sites. Productivity returned to normal levels as the new work practices became standard.
- Initial slow down in residential property sales due to government enforced health measures including lockdown. Demand returned to greater than pre COVID-19 levels.
- Reduced real estate development during the initial COVID-19 period to reflect market conditions.
- Initial delays in land registration process due to change in work practices from government agencies.
- Initial delays in global supply chains for products sourced from Italy and China which caused some production delays for manufacture of underground machinery in Vietnam.
- Cross border travel restrictions.

Whilst there has been no material adverse impact on the financial performance of the consolidated entity from COVID-19, there is a risk that any future economic downturn could impact the consolidated entity's products and services offered, customers, supply chain, staffing and geographical regions in which the group operates. Accordingly judgement has been exercised in considering the impacts COVID-19 has had, or may have on the assets of the consolidated entity, in particular the inputs included in the value-in-use calculations supporting recoverability of goodwill and non-current assets.

As a result of business combinations and asset acquisitions, \$69,248,969 of net assets were acquired which contributed to the 27.5% increase in the consolidated entity's net assets from the prior year. Refer to note 40 to the financial statements for further details of the business combinations that occurred during the year.

The acquired businesses contributed revenues of \$25,703,788 and net profit of \$3,247,612 to the consolidated entity from the dates of their respective acquisitions to 30 June 2020.

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows.

The company issued convertible notes for \$20 million during the year (see note 22). The net cash received from the issue of the convertible notes was used principally to acquire Jacon and Bitizay (see note 40), for working capital and for costs associated with the company's proposed IPO.

In July 2019, the new underground equipment manufacturing facility of VMS was opened in Vietnam.

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") for a total consideration of \$33,510,772 (refer note 40).

The company became an unlisted public company on 22 August 2019, having previously been a proprietary company.

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 \$11,723,181 (refer note 40).

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 for a total consideration of \$11,138,560 (refer note 40).

On 20 December 2019, Regional Sands (Dubbo) Pty Ltd acquired the business known as Dubbo Sands for a cash consideration of \$6,906,467 (refer note 40).

MAAS Group Holdings Limited
Directors' report
30 June 2020

In May 2020 the company negotiated a new Corporate Finance Facility of \$125m for its Australian operations under a common terms deed arrangement (refer note 22).

On 5 June 2020 Regional Group Australia Pty Limited completed a share purchase agreement to acquire 100% of the shares in Regional Group Resources Pty Limited (formerly known as See resources Pty Ltd) and the purchase of plant & equipment and inventory from See Group Holdings Pty Ltd for a cash consideration of \$4,775,091 (refer note 40).

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

On 6 October 2020, MAAS Group Holdings Limited (MGH) entered into a share purchase agreement for the acquisition of a business which operates in the Construction Materials segment. The acquisition of the business is subject to MGH completing an initial public offering by no later than 31 December 2020. Should the acquisition proceed, the purchase price of \$8,977,931 will be settled by the issue of shares in MGH with a total value of \$2,693,373 and a cash payment of \$6,284,558.

On 3 June 2020, Regional Hardrock Gilgandra Unit Trust entered into a contract to purchase the land and stock on hand of the Berakee Quarry for a total consideration of \$4,400,000 consisting of a cash settlement of \$1,650,000 and vendor financing of \$2,750,000 over a period of 24 months. The contract settled on 17 August 2020 (refer to Commitments note 35).

On 25 August 2020, MGH entered into and completed a share purchase agreement for the shares in MAAS Group Properties Fairydale Pty Limited. This company will operate in the real estate segment. Total consideration paid was \$100. The company then acquired a future 43 lot land subdivision at Mudgee for total consideration of \$1,632,558.

Subsequent to the reporting date, MGH entered into an option agreement to purchase land for its real estate segment. The option is required to be exercised if the development application over the land is approved. Upon this occurring MGH is required to pay \$3,200,000 for this land.

No other matter or circumstance has arisen since 30 June 2020 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.

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 second half of calendar year 2020 in order to facilitate a listing on the ASX.

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

The consolidated entity has conducted its operations in accordance with the legislation listed above and has not breached nor been subject to any penalty by the relevant authority.

MAAS Group Holdings Limited
Directors' report
30 June 2020

Information on directors

Name: Wesley J Maas
Title: Executive Chairman
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: General Manager - Plant
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

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Wesley J Maas	4	4
Craig G Bellamy	4	4
Damien J Porter	4	4

Held: represents the number of meetings held during the time the director held office.

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.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

Non-executive directors remuneration

The company did not have any non-executive directors during the financial year ended 30 June 2020.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has two components:

- base pay and non-monetary benefits
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Executive Chairman based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

Use of remuneration consultants

The consolidated entity did not engage remuneration consultants during the year ended 30 June 2020.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

MAAS Group Holdings Limited
Directors' report
30 June 2020

The key management personnel of the consolidated entity consisted of the following directors of MAAS Group Holdings Limited:

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

	Short-term benefits			Post-employment benefits	
	Cash salary and fees	Annual leave accrual	Non-monetary	Super-annuation	Total
	\$	\$	\$	\$	\$
2020					
<i>Executive Directors:</i>					
Wesley J Maas	90,000	-	31,334	8,550	129,884
Craig G Bellamy	255,143	10,108	-	24,115	289,366
Damien J Porter	152,713	6,065	8,415	14,469	181,662
	<u>497,856</u>	<u>16,173</u>	<u>39,749</u>	<u>47,134</u>	<u>600,912</u>

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

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Wesley J Maas
Title:	Chief Executive Officer
Agreement commenced:	Not applicable
Term of agreement:	Not applicable
Details:	Wes is the founder, major shareholder and Managing Director of MGH. There was no employment agreement for Wes for the year ended 30 June 2020. Remuneration paid to Wes during the period was approved by the Board. Wes entered into an employment agreement with MGH in September 2020. Under the terms of his executive contract, Wes will be entitled to a base salary of \$360,000 plus superannuation and other non-monetary benefits. The term of the contract is open-ended and requires Wes to provide 12 months notice in the event of resignation. The company is required to provide Wes 6 months notice in the event of termination.
Name:	Craig G Bellamy
Title:	Chief Financial Officer
Agreement commenced:	May 2019
Term of agreement:	Initial term – 7 months
Details:	Craig is Chief Financial Officer of MGH. Craig was initially employed for a period of 7 months to assist MGH in its preparation for an Initial Public Offering. Craig's employment beyond this period has been extended via mutual agreement and the extension was not governed by any written agreement for the year, beyond the original agreement. Under the terms of his agreement, Craig is paid a base salary of \$300,000 per annum plus superannuation. Notice periods between the parties are by mutual agreement.
Name:	Damien J Porter
Title:	General Manager - Plant Hire
Agreement commenced:	1 July 2019
Term of agreement:	Open ended with no fixed term
Details:	Damien is the General Manager - Plant Hire for MGH. Damien's employment contract commenced on 1 July 2019 and is paid a base salary of \$180,000 per annum plus superannuation. Under the terms of his executive contract, Damien is to provide 12 months notice in the event of resignation, with the company required to provide 6 months notice in the event of termination.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

MAAS Group Holdings Limited
Directors' report
30 June 2020

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 2020.

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 2020.

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 2020.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Wesley J Maas	160,633,241	-	-	-	160,633,241
	160,633,241	-	-	-	160,633,241

Other transactions with key management personnel

Wesley Maas is a director of Property Maintenance Australia Pty Ltd (PMA). MGH engaged PMA to provide property consulting services during the 2020 financial year. The contract was based on normal commercial terms and conditions.

MAAS Group Pty Ltd (a subsidiary of MGH) leased premises from Emma Maas, the wife of Wesley Maas, on a short-term and ad-hoc basis. The rental charged was based on market rates.

MAAS Administration Pty Ltd (a subsidiary of MGH) leased premises from Damien Porter on a short-term and ad-hoc basis. The rental charged was based on market rates.

Aggregate amounts of each of the above types of other transactions with key management personnel of MAAS Group Holdings Limited:

	2020 \$	2019 \$
Amounts recognised as expense		
Rent	19,100	-
Consulting fee	270,000	-
	289,100	-

There were no other transactions with key management personnel.

MAAS Group Holdings Limited
Directors' report
30 June 2020

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 \$	Loan balance at date of appointment as a Director \$	Loans receivable offset against loans payable \$	Transfer to shareholder loans \$	Purchase of motor vehicle \$	Net loan payment \$	Balance at end of the year \$
Choice Investments Dubbo Pty Ltd	Wesley J Maas	38,331,031	-	(9,622,201)	(4,000,000)	(56,516)	(630,784)	24,021,530
Old Man Investments Pty Ltd	Damien Porter	-	254,000	-	-	-	(97)	253,903
		<u>38,331,031</u>	<u>254,000</u>	<u>(9,622,201)</u>	<u>(4,000,000)</u>	<u>(56,516)</u>	<u>(630,881)</u>	<u>24,275,433</u>

(b) Related party loan receivables

Related party entity	KMP related to	Balance at beginning of the year \$	Net loan payment \$	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)	-
		<u>50,460</u>	<u>(50,460)</u>	<u>-</u>

*These entities were incorporated for the acquisition of the Forbes and West Wyalong quarries and were acquired by the consolidated entity prior to settlement of the quarry acquisition.

All of the above loans were unsecured and non interest bearing. The loan to Choice Investments Dubbo Pty Ltd has been subordinated in favour of bank debt. The loan to Old Man Investments Pty Ltd is repayable on demand.

This concludes the remuneration report.

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 2020 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 36 to the financial statements.

MAAS Group Holdings Limited
Directors' report
30 June 2020

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 36 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

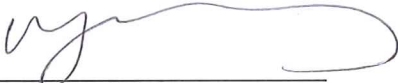
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued 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

9 October 2020
Dubbo



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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 2020, 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.

A handwritten signature in black ink, appearing to read 'K L Colyer', with a stylized flourish at the end.

K L Colyer
Director

BDO Audit Pty Ltd

Brisbane, 9 October 2020

MAAS Group Holdings Limited**Contents****30 June 2020**

Consolidated statement of profit or loss and other comprehensive income	14
Consolidated statement of financial position	15
Consolidated statement of changes in equity	17
Consolidated statement of cash flows	18
Notes to the consolidated financial statements	19
Directors' declaration	75
Independent auditor's report to the members of MAAS Group Holdings Limited	76

MAAS Group Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

		Consolidated	
	Note	2020	2019
		\$	\$
Revenue	5	193,440,063	39,075,545
Other income	6	4,096,036	1,037,066
Interest revenue		113,394	1,439,934
Gain from bargain purchase in a business combination	40	1,194,898	1,581,656
Net fair value gain on investment properties	16	7,125,882	-
Expenses			
Changes in inventories, including purchases of raw materials and consumables used	12	(85,929,078)	(8,259,129)
Bad debts		(432,988)	(30,086)
Employee benefits expense		(40,389,490)	(8,857,432)
Depreciation and amortisation expense		(13,711,770)	(3,512,165)
Stamp duty		(787,534)	-
Legal, audit, accounting and consultants		(5,180,134)	(881,072)
Motor vehicle expenses		(5,550,641)	(2,864,790)
Insurance and registration		(2,154,782)	(523,525)
Repairs and maintenance		(5,898,524)	(3,142,053)
Rent - short-term and low-value leases		(313,397)	-
Travel and accommodation		(1,451,716)	(371,694)
Other expenses		(5,376,667)	(746,722)
Finance costs	7	(8,852,492)	(1,269,405)
Profit before income tax expense		29,941,060	12,676,128
Income tax expense	8	(8,998,586)	(3,455,875)
Profit after income tax expense for the year		20,942,474	9,220,253
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		341,344	-
Other comprehensive income for the year, net of tax		341,344	-
Total comprehensive income for the year		<u>21,283,818</u>	<u>9,220,253</u>
Profit for the year is attributable to:			
Non-controlling interest		248,901	-
Owners of MAAS Group Holdings Limited		20,693,573	9,220,253
		<u>20,942,474</u>	<u>9,220,253</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	-
Owners of MAAS Group Holdings Limited		21,283,818	9,220,253
		<u>21,283,818</u>	<u>9,220,253</u>

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 2020

		Consolidated	
	Note	2020	2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	9	12,453,302	3,368,099
Trade and other receivables	10	27,352,806	22,711,806
Contract assets	11	11,421,354	3,055,685
Inventories	12	54,000,152	32,326,408
Financial assets at fair value through profit or loss	13	-	93,086
Non-current assets classified as held for sale	14	6,963,615	-
Other	15	2,641,481	3,325,811
Total current assets		<u>114,832,710</u>	<u>64,880,895</u>
Non-current assets			
Trade and other receivables	10	-	12,423,457
Inventories	12	21,785,561	27,750,033
Investment properties	16	14,416,086	2,010,010
Property, plant and equipment	17	168,220,572	99,659,225
Intangibles	18	40,314,489	34,833,371
Deferred tax asset	19	2,458,576	775,546
Other	15	139,749	68,161
Total non-current assets		<u>247,335,033</u>	<u>177,519,803</u>
Total assets		<u>362,167,743</u>	<u>242,400,698</u>
Liabilities			
Current liabilities			
Trade and other payables	20	27,240,980	17,746,670
Contract liabilities	21	7,103,044	2,848,426
Borrowings	22	30,302,892	67,974,973
Lease liabilities	23	41,597,571	28,087,063
Income tax		2,529,790	4,933,935
Employee benefits	25	2,362,115	995,072
Provisions	26	811,696	1,640,182
Other	27	333,333	-
Total current liabilities		<u>112,281,421</u>	<u>124,226,321</u>
Non-current liabilities			
Borrowings	22	111,553,914	13,712,494
Lease liabilities	23	22,971,403	16,448,277
Derivative financial instruments	24	1,843,174	-
Deferred tax liability	28	14,088,605	10,534,865
Other	27	666,667	-
Total non-current liabilities		<u>151,123,763</u>	<u>40,695,636</u>
Total liabilities		<u>263,405,184</u>	<u>164,921,957</u>
Net assets		<u>98,762,559</u>	<u>77,478,741</u>

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

MAAS Group Holdings Limited
Consolidated statement of financial position
As at 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
Equity			
Issued capital	29	153,643,287	153,643,287
Reserves	30	(108,658,802)	(109,000,146)
Retained profits		<u>51,326,145</u>	<u>30,632,572</u>
Equity attributable to the owners of MAAS Group Holdings Limited		96,310,630	75,275,713
Non-controlling interest		<u>2,451,929</u>	<u>2,203,028</u>
Total equity		<u><u>98,762,559</u></u>	<u><u>77,478,741</u></u>

Refer to note 40, *Business combinations and asset acquisitions*, for details of the restatement of the comparative period for finalisation of provisional accounting for a business combination.

MAAS Group Holdings Limited
Consolidated statement of changes in equity
For the year ended 30 June 2020

	Issued capital \$	Reserves \$	Retained profits \$	Non- controlling interests \$	Total equity \$
Consolidated					
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
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 29)	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 31)	-	-	(6,783,460)	-	(6,783,460)
Balance at 30 June 2019	<u>153,643,287</u>	<u>(109,000,146)</u>	<u>30,632,572</u>	<u>2,203,028</u>	<u>77,478,741</u>
	Issued capital \$	Reserves \$	Retained profits \$	Non- controlling interests \$	Total equity \$
Consolidated					
Balance at 1 July 2019	153,643,287	(109,000,146)	30,632,572	2,203,028	77,478,741
Profit after income tax expense for the year	-	-	20,693,573	248,901	20,942,474
Other comprehensive income for the year, net of tax	-	341,344	-	-	341,344
Total comprehensive income for the year	-	341,344	20,693,573	248,901	21,283,818
Balance at 30 June 2020	<u>153,643,287</u>	<u>(108,658,802)</u>	<u>51,326,145</u>	<u>2,451,929</u>	<u>98,762,559</u>

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 2020

		Consolidated	
	Note	2020	2019
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		208,466,614	44,409,815
Payments to suppliers (inclusive of GST)		(166,851,955)	(50,591,101)
		41,614,659	(6,181,286)
Dividends received		969	818,190
Interest received		35,047	1,439,850
Interest and other finance costs paid		(5,321,027)	(1,265,274)
Income taxes paid		(8,953,494)	(4,015,241)
Net cash from/(used in) operating activities	43	27,376,154	(9,203,761)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	40	(29,777,796)	(968,325)
Payments of contingent consideration		(558,466)	-
Payments for financial assets at fair value through profit or loss		-	(1,221,709)
Payments for investment property		(11,383,113)	(2,010,010)
Payments for property, plant and equipment		(15,550,613)	(59,198)
Payments for intangibles		(3,424,045)	-
Payments for deposits		(365,564)	(2,097,236)
Related party loans - net		2,829,142	1,183,777
Proceeds from disposal of financial assets at fair value through profit or loss		334,666	25,201,066
Proceeds from disposal of investment property		139,304	-
Proceeds from disposal of property, plant and equipment		16,352,192	1,621,246
Net cash from/(used in) investing activities		(41,404,293)	21,649,611
Cash flows from financing activities			
Proceeds from issue of shares	29	-	10
Proceeds from/(payments of) borrowings and lease liabilities	43	23,544,058	(9,528,065)
Dividends paid		-	(638,460)
Net cash from/(used in) financing activities		23,544,058	(10,166,515)
Net increase in cash and cash equivalents		9,515,919	2,279,335
Cash and cash equivalents at the beginning of the financial year		2,937,383	658,048
Cash and cash equivalents at the end of the financial year	9	12,453,302	2,937,383

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

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

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

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 note 4 - Operating Segments.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 9 October 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.

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').

Comparatives

As part of the Merger Transaction on 30 June 2019, MAAS Group Holding Limited (MGH) acquired the shares of the following entities under common control of shareholders' Wesley Maas and his spouse, Emma Maas, through the issue of shares in MGH:

- MAAS Group Pty Ltd (MGPL) 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.
- (referred to as the "MGPL group")

As a result of the Merger Transaction, MGPL became a 100% owned subsidiary of MGH. The above 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, and therefore the continuation method of accounting (book value) was adopted.

MGPL was the holding company for the civil and hire activities prior to the Merger Transaction and was identified as the 'acquirer' for accounting purposes. Accordingly, the consolidated financial statements were prepared as a continuation of the consolidation of the common controlled entities listed above. 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 the MGPL group for the period from 1 July 2018 to 30 June 2019.

The other entities party to the Merger Transaction (not under common control) were accounted for under AASB 3 as a business combination where applicable. As the merger transaction occurred on 30 June 2019, their results were 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 group and all the other entities party to the Merger Transaction as at that date.

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020:

Note 2. Significant accounting policies (continued)

Amendments to AASB 3 - Definition of a Business (effective 1 January 2020)

The AASB has issued amendments to the guidance in AASB 3 Business Combinations that revises the definition of a business.

Amendments to AASB 101 and AASB 108 - Definition of Material AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (effective 1 January 2020)

The AASB has made amendments to AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors and consequential amendments to other Australian Accounting Standards (AAS) which:

- i) use a consistent definition of materiality throughout AAS and the Conceptual Framework for Financial Reporting;
- ii) clarify when information is material; and
- iii) incorporate some of the guidance in AASB 101 about immaterial information.

Amendments to AASB 1054 - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia (effective 1 January 2020)

The AASB has made amendments to AASB 1054 Australian Additional Disclosures which clarify that entities that intend to comply with IFRS Standards will need to disclose the potential effect of new IFRS Standards that have not yet been issued by the AASB as Australian Accounting Standards.

Amendments to AASB 101- Classification of Liabilities as Current or Non-current (effective 1 January 2022)

The AASB issued a narrow-scope amendment to AASB 101 Presentation of Financial Statements to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.

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, investment properties and derivatives at fair value.

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 39.

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 2020 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 40. 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.

Note 2. Significant accounting policies (continued)

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.

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 and other comprehensive income, 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.

Note 2. Significant accounting policies (continued)

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.

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.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

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.

Note 2. Significant accounting policies (continued)

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.

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 mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through 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.

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.

Note 2. Significant accounting policies (continued)

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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Allowance for expected credit losses

The allowance for expected credit losses assessment for trade receivables and contract assets 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, historical collection rates, the impact of the COVID-10 pandemic and forward-looking information that is available.

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. Refer to note 18 for further information.

Investment properties

Investment properties are revalued annually by independent professional valuers. The critical inputs underlying the estimated fair value of investment properties are contained in note 33. Any change in these inputs may impact the fair value of the investment properties. The fair value assessment of the investment properties includes the best estimate of the impacts of the COVID-19 pandemic using information available at the reporting date.

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 including the best estimate of the impacts of the COVID-19 pandemic using information available at the reporting date.

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.

Derivative instruments - conversion feature of convertible notes

The fair value of the conversion feature of the convertible notes is estimated using present value techniques, by discounting the probability-weighted estimated future cash outflows. The critical inputs underlying the estimated fair value of the conversion feature of the convertible notes is contained in note 33. Any change in these inputs may impact the fair value of the derivative.

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.

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

(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:

Segment	Description of segment
1. Real Estate	- Residential Development: develops, builds and sells residential housing estates - Commercial Development and Investment: delivers commercial property and industrial developments, and investing in commercial real estate
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 equipment for civil tunnelling and underground hard rock mining - Underground Equipment Hire and Repair: hires, maintains, rebuilds and sells second-hand mobile 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
5. All other segments	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.

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 4. Operating segments (continued)

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

During the year ended 30 June 2020, there was no single customer who contributed 10% or more to the consolidated entity's revenue. For the financial year ended 30 June 2019, two customers within the Civil and Construction segment contributed approximately \$6,411,514 and \$3,946,319 respectively to the consolidated entity's revenues.

Operating segment information

	Real Estate	Civil and	Tunnelling and Underground Services	Construction Materials	All other segments	Eliminations and adjustments	Total
	\$	\$	\$	\$	\$	\$	\$
Consolidated - 2020							
Revenue							
Sales to external customers	23,645,126	102,582,629	37,919,465	22,822,420	-	-	186,969,640
Intersegment sales	-	11,137,109	5,663,541	2,798,859	-	(19,599,509)	-
Total sales revenue	23,645,126	113,719,738	43,583,006	25,621,279	-	(19,599,509)	186,969,640
Other revenue	3,695,669	2,212,475	619,881	17,343	-	(74,945)	6,470,423
Interest revenue	5,995	104,880	2,405	16	98	-	113,394
Total revenue	27,346,790	116,037,093	44,205,292	25,638,638	98	(19,674,454)	193,553,457
Adjusted EBITDA*	15,242,469	21,339,677	10,927,525	10,933,721	22,520,376	(28,146,276)	52,817,492
Depreciation and amortisation	(17,615)	(3,870,733)	(7,438,365)	(2,385,057)	-	-	(13,711,770)
Interest revenue	5,995	104,880	2,405	16	98	-	113,394
Finance costs	(897,857)	(1,607,702)	(1,443,686)	(885,849)	(3,429,371)	(588,027)	(8,852,492)
Gain on contingent and deferred consideration	-	-	1,040,524	-	-	-	1,040,524
Gain from bargain purchase in a business combination	-	-	-	-	-	1,194,898	1,194,898
Legal fees in connection with the proposed IPO	-	-	-	-	(243,045)	-	(243,045)
Legal fees relating to business combinations	-	-	(500,000)	(62,998)	-	-	(562,998)
Stamp duty expensed on acquisitions	-	-	-	(787,534)	-	-	(787,534)
Consulting expenses in connection with the proposed IPO	-	-	-	-	(1,067,409)	-	(1,067,409)
Profit(loss) before income tax expense	14,332,992	15,966,122	2,588,403	6,812,299	17,780,649	(27,539,405)	29,941,060
Income tax expense							(8,998,586)
Profit after income tax expense							20,942,474
Assets							
Segment assets	69,073,748	127,897,147	115,661,014	51,590,749	4,826,273	(6,881,188)	362,167,743
Total assets							362,167,743
<i>Total assets includes:</i>							
Acquisition of non-current assets	14,678,503	20,807,779	36,705,895	4,069,940	-	-	76,262,117
Liabilities							
Segment liabilities	15,071,008	87,995,974	44,876,563	15,019,250	104,130,591	(3,688,202)	263,405,184
Total liabilities							263,405,184

* Adjusted EBITDA excludes 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.

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 4. Operating segments (continued)

	Real Estate	Civil and	Tunnelling and Underground Services	Construction Materials	All other segments	Eliminations and adjustments	Total
	\$	\$	\$	\$	\$	\$	\$
Consolidated - 2019							
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	95,755,925	99,480,487	14,823,812	93,086	(6,410,196)	242,400,698
Total assets							242,400,698
<i>Total assets includes:</i>							
Acquisition of non-current assets	25,624,667	8,569,761	-	4,434,804	-	(227,562)	38,401,670
Liabilities							
Segment liabilities	36,490,294	55,133,416	65,044,701	12,598,169	-	(4,344,623)	164,921,957
Total liabilities							164,921,957

* Adjusted EBITDA excludes 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.

Geographical information

For the financial year ended 30 June 2020, revenue from external customers attributed to foreign countries amounted to \$5,924,279 (Vietnam: \$4,582,348 and Indonesia: \$1,341,931). For the financial year ended 30 June 2019, 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 \$233,556,666 (2019 - \$155,497,296) and non-current assets located in foreign countries (Vietnam and Indonesia) amounted to \$11,180,042 (2019 - \$7,618,263).

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.

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 5. Revenue

	Consolidated	
	2020	2019
	\$	\$
<i>Revenue from contracts with customers</i>		
Construction - civil infrastructure (i)	18,299,491	18,262,095
Construction - residential (i)	9,253,894	-
Electrical service (i)	19,933,927	-
Labour hire and repairs (i)	3,412,496	-
Sale of goods - plant, equipment, parts, road-base and aggregates (ii)	91,913,047	6,378,850
Land development and resale (ii)	14,391,232	1,122,333
	<u>157,204,087</u>	<u>25,763,278</u>
<i>Other revenue</i>		
Equipment and machinery hire	29,765,553	11,006,298
Management fees	2,430,000	-
Dividends and trust distributions	969	818,190
Rent	623,010	19,355
Other revenue	3,416,444	1,468,424
	<u>36,235,976</u>	<u>13,312,267</u>
Revenue	<u><u>193,440,063</u></u>	<u><u>39,075,545</u></u>

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, Vietnam and Indonesia. Refer to note 4 for disaggregation of revenue by geographical region.

- (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	Tunnelling and	Construction	Eliminations	Total
	\$	Construction	Underground	Materials	\$	\$
			Services			
			\$			
2020						
Construction - civil infrastructure	-	28,336,526	-	-	(10,037,035)	18,299,491
Construction - residential	9,253,894	-	-	-	-	9,253,894
Electrical service	-	19,933,927	-	-	-	19,933,927
Labour hire and repairs	-	1,163,708	2,248,788	-	-	3,412,496
Sale of goods - plant, equipment, parts, road-base and aggregates	-	44,936,716	29,817,452	25,621,279	(8,462,400)	91,913,047
Land development and resale	14,391,232	-	-	-	-	14,391,232
Revenue from contracts with customers	<u>23,645,126</u>	<u>94,370,877</u>	<u>32,066,240</u>	<u>25,621,279</u>	<u>(18,499,435)</u>	<u>157,204,087</u>
Equipment and machinery hire	-	19,348,861	11,516,766	-	(1,100,074)	29,765,553
Total sales revenue per segment	<u><u>23,645,126</u></u>	<u><u>113,719,738</u></u>	<u><u>43,583,006</u></u>	<u><u>25,621,279</u></u>	<u><u>(19,599,509)</u></u>	<u><u>186,969,640</u></u>

Note 5. Revenue (continued)

	Real Estate \$	Civil and Construction \$	Tunnelling and Underground Services \$	Construction Materials \$	Eliminations \$	Total \$
2020						
Other revenue	3,695,669	21,561,336	12,136,647	17,343	(1,175,019)	36,235,976
Equipment and machinery hire disclosed in sales revenue per segment	-	(19,348,861)	(11,516,766)	-	1,100,074	(29,765,553)
Total other revenue per segment	<u>3,695,669</u>	<u>2,212,475</u>	<u>619,881</u>	<u>17,343</u>	<u>(74,945)</u>	<u>6,470,423</u>
		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, parts, road-base and aggregates		-	179,256	7,910,871	(1,711,277)	6,378,850
Land development and resale		<u>1,122,333</u>	-	-	-	<u>1,122,333</u>
Revenue from contracts with customers		<u>1,122,333</u>	<u>21,402,880</u>	<u>7,910,871</u>	<u>(4,672,806)</u>	<u>25,763,278</u>
Equipment and machinery hire		-	11,122,539	-	(116,241)	11,006,298
Total sales revenue per segment		<u>1,122,333</u>	<u>32,525,419</u>	<u>7,910,871</u>	<u>(4,789,047)</u>	<u>36,769,576</u>
	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

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.

Note 5. Revenue (continued)

Construction - residential

The consolidated entity derives revenue from the construction of residential houses in the NSW area. Contracts entered into is for the construction of a residential dwelling and is taken to be one performance obligation and the stand-alone selling price. 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 input, being stage of completion of costs incurred against budgeted costs. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed.

Customers are invoiced based on the achievement of milestones (included in the contract). Payment is received following invoice on normal commercial terms. At reporting date, the amounts invoiced are likely to differ from the stage of completion. The difference is recognised as either a contract asset or contract liability.

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.

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.

Electrical service revenue

The consolidated entity performs electrical services specialising in underground and overhead power line construction and High Voltage and Low Voltage cable jointing for supply authorities and mining professionals. Contracts may include multiple processes required to be performed for each milestone set in the project. Milestones may be performed by the Group or by other contractors employed by the customer and as such are accounted for as separate obligations. The transaction price is allocated to each performance obligation based on the stand-alone selling price. The total transaction price may include a variable pricing element which is accounted for in accordance with the policy on variable consideration.

Performance obligations are fulfilled over time with revenue recognised in the accounting period in which the electrical services are rendered based on the amount of the expected transaction price allocated to each performance obligation as the customer continues to control the asset as it is enhanced.

Customers are typically invoiced on a monthly basis for an amount that is calculated on a schedule of rates that is aligned with the stand alone selling prices for each performance obligation. Payment is received following invoice on normal commercial terms.

Service revenue: labour hire and repairs

The consolidated entity performs repairs to machinery and provides labour to customers in the underground mining, tunnelling, civil construction and rail industries. Contracts include a schedule of rates that is aligned with the stand alone selling prices of the service provided. The performance obligation is fulfilled over time and as such revenue is recognised over time because the customer simultaneously receives and consumes the benefits provided by the entity's performance. Revenue is recognised on the measured output with reference to the services performed to date.

Customers are typically invoiced on a monthly basis for an amount that is calculated on a schedule of rates that is aligned with the stand alone selling prices for each performance obligation. Payment is received following invoice on normal commercial terms.

Sales of goods – plant, equipment, parts, road-base and aggregates

The consolidated entity sells plant, equipment, parts, 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.

Note 5. Revenue (continued)

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.

Rent

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Note 6. Other income

	Consolidated	
	2020	2019
	\$	\$
Net gain on disposal of property, plant and equipment	2,358,369	74,777
Net fair value gain on financial assets at fair value through profit or loss	231,430	883,816
Insurance recoveries	172,569	2,785
Net reimbursement of expenses	293,144	75,688
Gain on contingent and deferred consideration (refer note 41)	1,040,524	-
Other income	<u>4,096,036</u>	<u>1,037,066</u>

Note 7. Expenses

	Consolidated	
	2020	2019
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	6,194,136	339,989
Interest and finance charges paid/payable on lease liabilities	2,658,356	929,416
Finance costs expensed	8,852,492	1,269,405
<i>Superannuation expense</i>		
Defined contribution superannuation expense	2,979,980	496,967

Note 8. Income tax expense

	Consolidated	
	2020	2019
	\$	\$
<i>Income tax expense</i>		
Current tax	7,737,570	3,169,730
Deferred tax - origination and reversal of temporary differences	2,260,124	286,145
Adjustment recognised for prior periods	(999,108)	-
Aggregate income tax expense	8,998,586	3,455,875
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 19)	(1,075,918)	(13,959)
Increase in deferred tax liabilities (note 28)	3,336,042	300,104
Deferred tax - origination and reversal of temporary differences	2,260,124	286,145
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	29,941,060	12,676,128
Tax at the statutory tax rate of 30%	8,982,318	3,802,838
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Step down in inventory on consolidation	818,648	454
Non-deductible interest	635,942	-
Other non-assessable income	41,339	(174,014)
Adjustment recognised for prior periods	10,478,247	3,629,278
Difference in overseas tax rates	(999,108)	-
	(480,553)	(173,403)
Income tax expense	8,998,586	3,455,875

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 9. Cash and cash equivalents

	Consolidated	
	2020	2019
	\$	\$
<i>Current assets</i>		
Cash on hand	1,491	2,746
Cash at bank	12,451,811	3,365,353
	<u>12,453,302</u>	<u>3,368,099</u>

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:

Balances as above	12,453,302	3,368,099
Secured:		
Bank overdrafts (note 22)	-	(430,716)
Balance as per statement of cash flows	<u>12,453,302</u>	<u>2,937,383</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Note 10. Trade and other receivables

	Consolidated	
	2020	2019
	\$	\$
<i>Current assets</i>		
Financial assets at amortised cost:		
Trade receivables	26,556,227	17,413,242
Less: Allowance for expected credit losses	(760,000)	-
	<u>25,796,227</u>	<u>17,413,242</u>
Other receivables	1,556,579	1,925,943
GST receivable	-	3,372,621
	<u>27,352,806</u>	<u>22,711,806</u>
<i>Non-current assets</i>		
Financial assets at amortised cost:		
Loans due by director related entities	-	50,460
Loans due by non-related entities (i)	-	12,372,997
	<u>-</u>	<u>12,423,457</u>
Total trade and other receivables	<u>27,352,806</u>	<u>35,135,263</u>

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.

Note 10. Trade and other receivables (continued)

(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.

(d) Impairment and risk exposure

Note 32 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 32 for the consolidated entity's exposure to foreign currency risk.

(i) Included in interest revenue is \$101,601 (2019: \$1,117,929) relating to loans due by non-related entities.

Note 11. Contract assets

	Consolidated	
	2020	2019
	\$	\$
<i>Current assets</i>		
Contract assets	11,421,354	3,055,685

The balance at 30 June 2019 includes contract assets of \$3,042,685 acquired through business acquisitions in the 2019 financial year.

The main drivers for the increase in contract assets were the new international operations which contributed an increase of \$2,814,788 in contract assets. Growth in the underground mining segment overall contributed to an additional \$3,107,431 to the balance as at 30 June 2020.

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	
	2020	2019
	\$	\$
<i>Current assets</i>		
Raw materials - at cost	12,452,741	7,056,760
Finished goods - at cost	304,650	1,629,528
Land held for development and resale	15,904,540	3,168,451
Machines held for resale - at cost	25,338,221	20,471,669
	54,000,152	32,326,408
<i>Non-current assets</i>		
Land held for development and resale	21,785,561	27,750,033
Total inventories	75,785,713	60,076,441

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 12. Inventories (continued)

Amounts recognised in profit or loss

	Consolidated	
	2020	2019
	\$	\$
Inventories recognised as an expense during the year included in cost of sales and cost of providing services	89,195,024	8,259,129

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	
	2020	2019
	\$	\$
<i>Current assets</i>		
Listed equity securities	-	93,086

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	93,086	23,188,628
Additions	-	1,221,709
Disposals	(324,516)	(25,201,067)
Fair value gain	231,430	883,816
Closing fair value	-	93,086

Refer to note 33 for further information on fair value measurement.

Note 14. Non-current assets classified as held for sale

	Consolidated	
	2020	2019
	\$	\$
<i>Current assets</i>		
Investment properties - at fair value	6,963,615	-

Note 14. Non-current assets classified as held for sale (continued)

The investment properties held for sale consist of:

- (i) A residential property with a fair value of \$190,015, situated in Emerald QLD.
- (ii) Vacant land with a fair value of \$145,000, situated in Muswellbrook NSW.
- (iii) Two commercial properties with fair values of \$540,000 and \$3,000,000 respectively, situated in Rutherford NSW.
- (iv) Two commercial properties with fair values of \$1,280,000 and \$408,600 respectively, situated in Emerald QLD.
- (v) A commercial property with a fair value of \$1,400,000, situated in Mackay QLD.

The residential property situated in Emerald QLD was sold after the reporting date for \$190,015. All other properties are expected to be sold within 12 months from the reporting date and sale negotiations are currently in progress. The properties are surplus to requirements. The assets are presented within total assets of the Real Estate segment in note 4.

Accounting policy for non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Note 15. Other

	Consolidated	
	2020	2019
	\$	\$
<i>Current assets</i>		
Prepaid expenses	2,061,135	951,490
Deposits	365,564	2,160,290
Other current assets	214,782	214,031
	<u>2,641,481</u>	<u>3,325,811</u>
<i>Non-current assets</i>		
Security deposits	139,749	35,900
Bank guarantees	-	32,261
	<u>139,749</u>	<u>68,161</u>
Total other assets	<u><u>2,781,230</u></u>	<u><u>3,393,972</u></u>

Note 16. Investment properties

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current assets</i>		
Investment properties - at fair value	13,345,016	2,010,010
Investment properties under construction - at cost	1,071,070	-
	<u>14,416,086</u>	<u>2,010,010</u>
<i>Reconciliation</i>		
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below:		
Balance at 1 July	2,010,010	-
Additions	12,383,713	2,010,010
Classified as held for sale	(6,963,615)	-
Disposals	(139,904)	-
Fair value gain	7,125,882	-
Balance at 30 June	<u>14,416,086</u>	<u>2,010,010</u>

Amounts recognised in profit or loss for investment properties

	Consolidated	
	2020	2019
	\$	\$
Rental income	898,010	19,355
Direct operating expenses from property that generated rental income	(450,973)	-
Direct operating expenses from property that did not generate rental income	-	-

Valuations of investment properties

The investment properties are revalued annually based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of investment property being valued. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment.

Refer to note 33 for further information on fair value measurement.

Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the consolidated entity may obtain bank guarantees for the term of the lease.

Although the consolidated entity is exposed to changes in the residual value at the end of the current leases, the consolidated entity typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Note 16. Investment properties (continued)

Minimum lease payments receivable on leases of investment properties are as follows:

	Consolidated	
	2020	2019
	\$	\$
Within 1 year	430,896	-
Between 1 and 2 years	360,000	-
Between 2 and 3 years	360,000	-
Between 3 and 4 years	360,000	-
Between 4 and 5 years	360,000	-
	<u>1,870,896</u>	<u>-</u>

Accounting policy for investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the consolidated entity. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

Note 17. Property, plant and equipment

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current assets</i>		
Quarry land - at cost	18,588,700	6,728,415
Less: Accumulated amortisation	<u>(226,768)</u>	<u>-</u>
	<u>18,361,932</u>	<u>6,728,415</u>
Land and buildings - at cost	26,690,983	17,151,792
Less: Accumulated depreciation	<u>(3,042,798)</u>	<u>(1,805,009)</u>
	<u>23,648,185</u>	<u>15,346,783</u>
Hire machinery and equipment - at cost	97,156,440	67,293,475
Less: Accumulated depreciation	<u>(18,690,876)</u>	<u>(11,442,120)</u>
	<u>78,465,564</u>	<u>55,851,355</u>
Plant and equipment - at cost	35,349,417	17,198,790
Less: Accumulated depreciation	<u>(10,866,732)</u>	<u>(8,088,276)</u>
	<u>24,482,685</u>	<u>9,110,514</u>
Motor vehicles - at cost	14,551,649	9,050,581
Less: Accumulated depreciation	<u>(3,961,370)</u>	<u>(2,966,369)</u>
	<u>10,590,279</u>	<u>6,084,212</u>
Assets under construction - at cost	<u>12,671,927</u>	<u>6,537,946</u>
	<u><u>168,220,572</u></u>	<u><u>99,659,225</u></u>

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 17. 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	Quarry land \$	Land and Buildings \$	Hire equipment and machinery \$	Plant and equipment \$	Motor vehicles \$	Assets under construction \$	Total \$
Balance at 1 July 2018	4,428,415	216,556	27,582,663	4,262,074	2,879,465	-	39,369,173
Additions	2,300,000	1,992,545	6,123,457	359,755	2,001,246	-	12,777,003
Additions through business combinations (note 40)	-	13,638,154	24,306,125	5,051,008	2,222,149	6,537,946	51,755,382
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	6,728,415	15,346,783	55,851,355	9,110,514	6,084,212	6,537,946	99,659,225
Additions	460,285	8,625,983	29,044,611	616,689	5,425,686	17,776,271	61,949,525
Additions through business combinations (note 40)	11,400,000	2,562,664	3,475,000	23,597,093	1,187,000	-	42,221,757
Disposals	-	(1,649,456)	(11,131,202)	(486,198)	(524,490)	(202,477)	(13,993,823)
Transfers to inventory	-	-	(2,922,809)	(5,576,957)	(587,128)	(42,448)	(9,129,342)
Transfers in/(out)	-	-	11,397,365	-	-	(11,397,365)	-
Depreciation expense	(226,768)	(1,237,789)	(7,248,756)	(2,778,456)	(995,001)	-	(12,486,770)
Balance at 30 June 2020	<u>18,361,932</u>	<u>23,648,185</u>	<u>78,465,564</u>	<u>24,482,685</u>	<u>10,590,279</u>	<u>12,671,927</u>	<u>168,220,572</u>

Accounting policy for property, plant and equipment

All property, plant and equipment except for land and assets under construction, 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
Hire equipment and machinery	3-10 years
Plant and equipment	3-10 years
Motor vehicles	4-8 years

Quarry land is amortised based on the rate of depletion of reserves as compared to the estimate of the total economically recoverable reserves.

Note 17. Property, plant and equipment (continued)

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.

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 23 for details of right-of-use assets and the respective lease liabilities.

Note 18. Intangibles

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current assets</i>		
Goodwill - at cost	33,123,751	32,333,804
Brand names - at cost	2,492,126	-
Customer contracts/relationships - at cost	2,450,000	2,450,000
Less: Accumulated amortisation	(1,225,000)	-
	1,225,000	2,450,000
Extraction rights - at cost	3,250,000	-
Water licence - at cost	223,612	49,567
	<u>40,314,489</u>	<u>34,833,371</u>

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 \$	Brand names \$	Customer contracts/ relationships \$	Extraction rights \$	Water licence \$	Total \$
Balance at 1 July 2018	-	-	-	-	49,567	49,567
Additions through business combinations (note 40)	32,333,804	-	2,450,000	-	-	34,783,804
Balance at 30 June 2019	32,333,804	-	2,450,000	-	49,567	34,833,371
Additions	-	-	-	3,250,000	174,045	3,424,045
Additions through business combinations (note 40)	789,947	2,492,126	-	-	-	3,282,073
Amortisation expense	-	-	(1,225,000)	-	-	(1,225,000)
Balance at 30 June 2020	<u>33,123,751</u>	<u>2,492,126</u>	<u>1,225,000</u>	<u>3,250,000</u>	<u>223,612</u>	<u>40,314,489</u>

Note 18. Intangibles (continued)

Impairment testing for goodwill and intangibles with indefinite lives:

The calculations use cash flow projections based on cash flow forecasts covering a five-year period. The cash flows are based on past results adjusted for current market conditions and known contracts. Cash flows beyond the five-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 and indefinite lived intangible assets are monitored by management at the following level:

	Consolidated	
	2020	2019
	\$	\$
MAAS Homes	1,460,197	1,460,197
Large Industries	1,265,868	1,265,868
Machinery Sales	4,609,384	4,609,384
Tunnelling and Underground Services	27,490,481	24,998,355
Construction Materials	789,947	-
Total goodwill and indefinite lived intangible assets	<u>35,615,877</u>	<u>32,333,804</u>

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

	Sales growth rate (a) %	Fixed costs per annum (b) \$	Annual capital expenditure (c) \$	Long term growth rate (d) %	Pre-tax discount rate (e) %
2020					
MAAS Homes	2%	1,000,000	-	1%	18%
Large Industries	2%	5,900,000	900,000	1%	18%
Machinery Sales	2%	1,300,000	-	1%	18%
Tunnelling and Underground Services	2%	8,400,000	4,300,000	1%	18%
Construction Materials	2%	2,300,000	4,500,000	1%	18%
		Fixed costs per annum (b) \$	Annual capital expenditure (b) \$	Long term growth rate (d) %	Pre-tax discount rate (e) %
2019					
MAAS Homes		600,000	8,000	1%	20%
Large Industries		5,500,000	1,000,000	1%	16%
Machinery Sales		1,200,000	14,000	1%	18%
Tunnelling and Underground Services		13,500,000	24,100,000	1%	17%

- (a) The annual sales growth rate is based on past performance and management's expectations of market development.
- (b) Fixed costs of the CGU, 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 five-year forecast period.
- (c) 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.
- (d) 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.
- (e) 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 consolidated entity 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.

Whilst there has been no material adverse impact on the financial performance of the consolidated entity from COVID-19, there is a risk that any future economic downturn could impact the consolidated entity's products and services offered, customers, supply chain, staffing and geographical regions in which the group operates. Accordingly judgement has been exercised in considering the impacts COVID-19 has had, or may have on the assets of the consolidated entity, in particular the inputs included in the value-in-use calculations supporting recoverability of goodwill and non-current assets.

Note 18. Intangibles (continued)

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.

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.

Brand names

Brand names acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values. Brand names are not amortised on the basis that they have an indefinite life and are reviewed annually.

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.

Extraction rights

Extraction rights are amortised as materials are extracted (volumes extracted during the period are compared with the estimated total volume of deposits to be extracted from the quarry over its useful life) in order to reflect the decline in value due to depletion.

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 19. Deferred tax asset

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current assets</i>		
Deferred tax asset comprises temporary differences attributable to:		
Property, plant and equipment	467,213	-
Employee benefits	774,808	298,521
Provisions	681,407	450,028
Transaction/issuance costs	510,594	-
Other	24,554	26,997
Deferred tax asset	<u>2,458,576</u>	<u>775,546</u>
<i>Movements:</i>		
Opening balance	775,546	57,230
Credited to profit or loss (note 8)	1,075,918	13,959
Additions through business combinations (note 40)	<u>607,112</u>	<u>704,357</u>
Closing balance	<u>2,458,576</u>	<u>775,546</u>

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 20. Trade and other payables

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Financial liabilities at amortised cost:		
Trade payables	12,668,306	13,833,147
BAS payable	1,983,400	-
Other payables	12,589,274	3,913,523
	<u>27,240,980</u>	<u>17,746,670</u>

Refer to note 32 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 21. Contract liabilities

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	823,272	246,580
Lease income in advance	6,279,772	2,601,846
	<u>7,103,044</u>	<u>2,848,426</u>

Under the terms of contract the consolidated entity is sometimes required to provide performance guarantees (refer note 34).

The balance at 30 June 2019 represents contract liabilities through the acquisition of the EMS Group. This balance was transferred to revenue in the 2020 financial year.

The overall increase in contract liabilities of \$4,254,618 was driven through a number of project related milestone prepayments in early stages of commencement as at 30 June 2020.

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 \$7,103,044 as at 30 June 2020 (\$2,848,426 as at 30 June 2019) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2020	2019
	\$	\$
Within 6 months	<u>7,103,044</u>	<u>2,848,426</u>

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 21. Contract liabilities (continued)

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 22. Borrowings

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Secured:		
Bank overdrafts	-	430,716
Bank loans (a)	2,159,599	5,403,248
Multi-option facility (a)	13,500,000	-
Vendor financing (d)	13,393,476	4,906,500
Unsecured:		
Loans due to shareholder related entities (c)	-	17,339,553
Loans due to director related entities (c)	-	38,331,031
Loans - other	1,249,817	1,563,925
	<u>30,302,892</u>	<u>67,974,973</u>
<i>Non-current liabilities</i>		
Secured:		
Bank loans (a)	36,989,705	8,327,866
Vendor financing (d)	11,699,882	5,384,628
Unsecured:		
Convertible notes (b)	21,450,402	-
Loans due to shareholder related entities (c)	17,138,492	-
Loans due to director related entities (c)	24,275,433	-
	<u>111,553,914</u>	<u>13,712,494</u>
Total borrowings	<u>141,856,806</u>	<u>81,687,467</u>

Refer to note 32 for further information on financial instruments.

(a) Bank loans and multi-option facility

30 June 2020:

In May 2020 the company negotiated a new Corporate Finance Facility of \$125m for its Australian operations under a common terms deed arrangement. The purpose of the new facility was to refinance its existing facilities and to provide additional liquidity to the consolidated entity. \$60m of the \$125m facility related to a hire purchase facility (refer note 22) whilst the balance of the facilities comprised a term loan, and a multi-option cash advance and bank guarantee facility. The multi-option facility is an interchangeable bank facility which allows the consolidated entity to change between cash advances and contract performance guarantees. The balance of the contract performance guarantees as at 30 June 2020 amounted to \$8,086,480 (refer note 34). The term loan has a 3-year term and is non-amortising. The multi-option facility also has a 3-year term with an annual requirement to fully repay the cash advance component for a period of 7 consecutive days. The repaid amount is then able to be redrawn after the 7 day period. The facilities are secured by a combination of General Security Agreements and mortgages over Australian group assets and property interests. Interest on the bank loans is calculated using the Bank Bill Swap (BBSY) Bid rate plus a relevant margin. Total transaction costs were \$702,020 and unamortised transaction costs of \$661,680 have been offset against the bank loans at 30 June 2020.

Included in bank loans is a 131 billion VND facility in Vietnam which is secured by land use rights and related assets. The facility can be denominated in the currencies of VND or USD and attracts interest rates of between 7% to 7.5% for VND and 3.5% to 4% for USD. The loan is denominated in VND.

Note 22. Borrowings (continued)

30 June 2019:

Current bank loans included an invoice finance facility of \$4,328,215, a \$8,000,000 loan facility to finance the acquisition of Bizitay and various other bank loans. All loans had variable interest rates and were secured against all current and non-current assets of the consolidated entity by floating charge. Covenants included a minimum capital adequacy of 45% as measured on a daily basis and reported quarterly for the EMS Group. These facilities were refinanced in May 2020.

Non-current bank loans comprised three facilities secured over respective properties. All loans were interest only, had 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. These loans were refinanced in May 2020.

(b) Convertible notes

On 1 July 2019, convertible notes were issued for \$20,000,000. A \$1,000,000 interest payment due in May 2020 was converted into a further \$1,000,000 in notes and the facility extended and subordinated to the bank debt. The key terms of the new facility is as follows:

- Facility expiry date of 31 May 2023.
- Interest payable at 10% per annum in the event IPO does not occur by 31 May 2021 prior interest rate moves to 12%.
- 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 the issuance price. If an IPO occurs after 31 December 2020 the discount increases to 12.5%, after 31 December 2021 the discount increases to 15%.
- The effect of the Deed of Subordination entered into and amendments to the Note Deed consented to by noteholders mean that various financial covenants contained in the original note deed no longer have any effect.
- Notes are unsecured.

The net cash received from the issue of the convertible notes was used principally to acquire Jacon and Bizitay (see note 40), for working capital and for costs associated with the company's proposed IPO.

Movements:

	Consolidated	
	2020	2019
	\$	\$
Opening balance	-	-
Notes issued at inception	20,000,000	-
Derivative instrument - conversion feature (note 24)	(1,843,174)	-
Notes issued in lieu of accrued interest	1,000,000	-
Accrued interest	2,293,576	-
Closing balance	<u>21,450,402</u>	<u>-</u>

The derivative instrument was measured at fair value using inputs that are not based on observable market data.

(c) Loans due to shareholder and Director related entities

All loans due to shareholder and Director related entities are unsecured, non-interest bearing and have been subordinated to the bank debt.

(d) Vendor Financing

Loans relate to land held for resale and development and are secured against the respective assets. Vendor financing loans comprise the following:

	Consolidated	
	2020	2019
	\$	\$
Southlakes (i)	3,914,473	5,074,128
Bombira (ii)	-	1,125,000
Westwinds (iii)	1,540,000	4,092,000
Millers Metal Forbes (iv)	19,638,885	-
	<u>25,093,358</u>	<u>10,291,128</u>

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 22. Borrowings (continued)

- (i) Southlakes - 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.
- (ii) Bombira - Interest free and fully repaid in the 2020 financial year.
- (iii) Westwinds - Interest free. Paid \$2,552,000 in the 2020 financial year and the value of land of \$1,540,000 (inclusive of GST) to be transferred on or before 27 February 2022.
- (iv) Millers Metal Forbes - Interest free loan with penalty interest of 12% charged only on late payments. The facility is secured by assets acquired and the loan is to be repaid 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: 7 August 2020 and 7 August 2021.

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 2020 and 2019 reporting period, see note 29 for details.

Financing arrangements

The consolidated entity had access to the following undrawn borrowing facilities at the end of the reporting period:

	Consolidated	
	2020	2019
	\$	\$
Total facilities		
Bank overdrafts	-	3,500,000
Bank loans*	48,187,500	15,405,332
Multi-option facility (including contract performance guarantees)**	25,000,000	5,060,000
Vendor financing	25,093,358	10,291,128
Loans due to shareholder related entities	17,138,492	17,339,553
Loans due to director related entities	24,275,433	38,331,031
Loans - other	1,249,817	1,563,925
Lease liability (Hire Purchase - refer note 23)	60,000,000	42,290,547
Convertible notes	21,450,402	-
	<u>222,395,002</u>	<u>133,781,516</u>
Used at the reporting date		
Bank overdrafts	-	430,716
Bank loans*	39,810,983	13,731,114
Multi-option facility (including contract performance guarantees)**	21,586,480	4,843,632
Vendor financing	25,093,358	10,291,128
Loans due to shareholder related entities	17,138,492	17,339,553
Loans due to director related entities	24,275,433	38,331,031
Loans - other	1,249,817	1,563,925
Lease liability (Hire Purchase - refer note 23)	57,571,462	42,290,547
Convertible notes	21,450,402	-
	<u>208,176,427</u>	<u>128,821,646</u>
Unused at the reporting date		
Bank overdrafts	-	3,069,284
Bank loans*	8,376,517	1,674,218
Multi-option facility (including contract performance guarantees)**	3,413,520	216,368
Vendor financing	-	-
Loans due to shareholder related entities	-	-
Loans due to director related entities	-	-
Loans - other	-	-
Lease liability (Hire Purchase - refer note 23)	2,428,538	-
Convertible notes	-	-
	<u>14,218,575</u>	<u>4,959,870</u>

Note 22. Borrowings (continued)

* The used bank loan facility excludes borrowing costs capitalised.

** The used multi-option facility includes performance guarantees of \$8,086,480 (2019: \$4,843,632) - refer note 34.

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.

Convertible notes:

On the issue of the convertible notes, where the conversion is a fixed number of shares for a fixed value there is an equity component, otherwise the whole instrument is a financial liability.

When it is determined that the whole instrument is a financial liability and no equity instrument is identified, the conversion option is separated from the host debt and classified as a derivative liability. The carrying value of the host contract, at initial recognition is determined as the difference between the consideration received and the fair value of the embedded derivative. The host contract is subsequently measured at amortised cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at the end of each reporting period through the consolidated statement of profit or loss and other comprehensive income.

When it is determined that the instrument contains an equity component based on the terms of the contract, on issue of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. The carrying amount of the conversion option is not re-measured in subsequent years.

Note 23. Lease liabilities

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Lease liability - land and buildings*	1,818,341	469,302
Lease liability - plant & equipment and motor vehicles	39,779,230	27,617,761
	<u>41,597,571</u>	<u>28,087,063</u>
<i>Non-current liabilities</i>		
Lease liability - land and buildings*	5,179,171	1,775,491
Lease liability - plant & equipment and motor vehicles	17,792,232	14,672,786
	<u>22,971,403</u>	<u>16,448,277</u>
Total lease liabilities	<u><u>64,568,974</u></u>	<u><u>44,535,340</u></u>

* Represents right-of-use assets

Refer to note 32 for further information on financial instruments.

Refer to note 22 for details of the hire purchase facilities for plant & equipment and motor vehicles.

Note 23. Lease liabilities (continued)

Right-of-use assets

	Land and buildings \$	Hire equipment and machinery \$	Plant and equipment \$	Motor vehicles \$	Total \$
Balance at 1 July 2018	-	21,529,173	2,758,589	1,642,091	25,929,853
Additions	-	7,643,635	280,000	1,765,827	9,689,462
Disposals	-	(1,939,138)	(333,841)	(93,890)	(2,366,869)
Depreciation expense	(11,713)	(1,310,365)	(410,086)	(626,435)	(2,358,599)
Additions through business combinations	2,038,689	17,190,329	169,500	1,190,392	20,588,910
Balance at 30 June 2019	2,026,976	43,113,634	2,464,162	3,877,985	51,482,757
Additions	6,779,477	29,526,251	4,406,425	3,653,073	44,365,226
Disposals	(1,621,896)	(5,555,764)	(221,783)	(121,807)	(7,521,250)
Transfers out	-	(819,061)	-	(41,797)	(860,858)
Depreciation expense	(1,019,732)	(6,273,699)	(445,832)	(422,111)	(8,161,374)
Additions through business combinations	812,664	-	-	-	812,664
Balance at 30 June 2020	<u>6,977,489</u>	<u>59,991,361</u>	<u>6,202,972</u>	<u>6,945,343</u>	<u>80,117,165</u>

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.

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 24. Derivative financial instruments

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current liabilities</i>		
Conversion feature - convertible notes	1,843,174	-

Refer to note 32 for further information on financial instruments.

Refer to note 33 for further information on fair value measurement.

The conversion option amount represents the additional value provided to convertible note holders (refer note 22) compared to the same corporate bond that would have no feature to convert the notes into shares in MAAS Group Holdings Limited at the end or during the term of the notes. For accounting purposes such a conversion feature is accounted for separately from the convertible notes as a derivative financial instrument and is carried at fair value.

Note 25. Employee benefits

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Annual leave	2,362,115	995,072

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 entity's 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 26. Provisions

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Onerous customer contracts	27,502	930,182
Warranties	300,000	-
Contingent consideration	484,194	660,000
Other provisions	-	50,000
	<u>811,696</u>	<u>1,640,182</u>

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

Contingent consideration amounts of \$434,194 and \$50,000 relate to the acquisition of the Westelect and Jacon businesses (respectively) by EMS Group Pty Ltd.

Warranties

The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

Movements in provisions

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

	Onerous contracts \$	Warranties \$	Contingent consideration \$	Other \$
Consolidated - 2020				
Carrying amount at the start of the year	930,182	-	660,000	50,000
Additional provisions recognised	128,656	300,000	-	-
Additions through business combinations (note 40)	-	-	2,300,000	-
Amounts used	(1,031,336)	-	-	(50,000)
Payments	-	-	(280,282)	-
Transferred to trade creditors	-	-	(1,155,000)	-
Unused amounts reversed	-	-	(1,040,524)	-
Carrying amount at the end of the year	<u>27,502</u>	<u>300,000</u>	<u>484,194</u>	<u>-</u>

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 40 for accounting policy on contingent consideration.

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 27. Other

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Deferred consideration	333,333	-
<i>Non-current liabilities</i>		
Deferred consideration	666,667	-
	<u>1,000,000</u>	<u>-</u>

The deferred consideration relates to the acquisition of Bizitay Pty Ltd (refer note 40).

Note 28. Deferred tax liability

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current liabilities</i>		
Deferred tax liability comprises temporary differences attributable to:		
Property, plant and equipment	13,721,105	9,799,865
Customer contracts/relationships	367,500	735,000
Deferred tax liability	<u>14,088,605</u>	<u>10,534,865</u>
<i>Movements:</i>		
Opening balance	10,534,865	3,611,755
Charged to profit or loss (note 8)	3,336,042	300,104
Additions through business combinations (note 40)	217,698	6,623,006
Closing balance	<u>14,088,605</u>	<u>10,534,865</u>

Note 29. Issued capital

	Consolidated			
	2020	2019	2020	2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>204,857,704</u>	<u>204,857,704</u>	<u>153,643,287</u>	<u>153,643,287</u>

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 29. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 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	30 June 2019	82,698,526	\$0.75	62,023,901
- MAAS Group Developments Pty Ltd	30 June 2019	59,046,400	\$0.75	44,284,800
- Regional Hardrock Pty Ltd	30 June 2019	2	\$0.75	1
- Regional Hardrock (Dubbo) Pty Ltd	30 June 2019	3,250,000	\$0.75	2,437,500
- Regional Crushing & Screening Pty Ltd	30 June 2019	340,716	\$0.75	255,537
- Machinery Sales Pty Ltd	30 June 2019	9,441,600	\$0.75	7,081,200
- Large Industries Pty Ltd	30 June 2019	4,342,250	\$0.75	3,256,688
- EMS Group Pty Ltd	30 June 2019	32,084,327	\$0.75	24,063,245
- EMS Plant & Equipment Pty Ltd	30 June 2019	317,673	\$0.75	238,255
- EMS International Pty Ltd	30 June 2019	10,575,000	\$0.75	7,931,250
- MAAS Homes Pty Ltd	30 June 2019	2,761,200	\$0.75	2,070,900
Balance	30 June 2019	204,857,704		153,643,287
Balance	30 June 2020	204,857,704		153,643,287

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.

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.

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 to ensure it maintains compliance with its various financial covenants. Refer (i) below for a summary of existing financial covenants for the Australian senior debt facilities.

Note 29. Issued capital (continued)

(i) Loan covenants

Under the terms of the major borrowing facilities, the consolidated entity is required to comply with the following financial covenants:

- (a) A leverage ratio at each reporting date that will be less than or equal to 2.5 times.
- (b) A debt service coverage ratio of more than or equal to 1.25 times.
- (c) A tangible assets coverage ratio of 1.75 times for the period between 30 June 2020 and 31 March 2021 and 2 times from 30 June 2021 onwards.
- (d) Shareholders' funds at each reporting date is not less than the greater of \$125,000,000 or 80% of shareholders' funds for the immediately preceding financial year. Shareholders' funds means, at any time, the aggregate of the amounts paid up or credited as paid up on the issued ordinary share capital of the company and the amount standing to the credit of the reserves of the company, including subordinated debt and retained earnings.

The consolidated entity has complied with these covenants throughout the reporting period from the date of commencement of the new financing facilities.

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 30. Reserves

	Consolidated	
	2020	2019
	\$	\$
Foreign currency reserve	341,344	-
Business combinations under common control	(109,000,146)	(109,000,146)
	<u>(108,658,802)</u>	<u>(109,000,146)</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

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 have been recognised in the *Business combinations under common control* reserve.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency reserve \$	Business combinations under common control \$	Total \$
Balance at 1 July 2018	-	-	-
Business combinations under common control	-	(109,000,146)	(109,000,146)
Balance at 30 June 2019	-	(109,000,146)	(109,000,146)
Foreign currency translation	341,344	-	341,344
Balance at 30 June 2020	<u>341,344</u>	<u>(109,000,146)</u>	<u>(108,658,802)</u>

Note 31. Dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2020	2019
	\$	\$
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
Dividends paid to the shareholders of Regional Crushing & Screening Pty Ltd	-	271,460
	<u>-</u>	<u>6,783,460</u>

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

Franking credits

	Consolidated	
	2020	2019
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>20,355,167</u>	<u>10,416,151</u>

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 32. 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 32. 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	
	2020	2019
	\$	\$
Financial assets		
Cash and cash equivalents (VND)	-	195,743
Trade and other receivables (VND)	3,011,041	2,384,237
Trade and other receivables (USD)	1,556,727	-
Trade and other receivables (EUR)	104,866	-
	<u>4,672,634</u>	<u>2,579,980</u>
Financial liabilities		
Bank Loans (VND)	218,721	-
Bank Loans (USD)	9,459	-
Bank Loans (EUR)	6,373	-
Intercompany Loan (VND)	2,350,000	-
Trade and other payables (VND)	1,016,977	-
Trade and other payables (USD)	689,474	-
	<u>4,291,004</u>	<u>-</u>

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 reporting date:

	Consolidated	
	2020	2019
	\$	\$
Impact on equity		
+10.00%	38,163	110,867
-10.00%	(38,163)	(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 is not exposed to any significant price risk.

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.

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

	Consolidated	
	2020	2019
	\$	\$
Bank overdraft	-	430,716
Bank loans and multi-option facility (excluding borrowing costs)	<u>53,310,983</u>	<u>13,731,114</u>
Net exposure to cash flow interest rate risk	<u>53,310,983</u>	<u>14,161,830</u>

Note 32. Financial instruments (continued)

	Consolidated	
	2020	2019
	\$	\$
Impact on profit and equity		
+1.00%	533,110	141,618
-1.00%	(533,110)	(141,618)

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 assess on a forward looking basis in estimating expected credit losses to trade receivables and contract assets. The simplified approach to measuring expected credit losses has been applied. To measure the expected credit losses, trade receivables have been grouped based on days past due. The provision is 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 32. 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.

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2020				
Non-derivatives				
<i>Non-interest bearing</i>				
Trade payables	12,668,306	-	-	12,668,306
BAS payable	1,983,400	-	-	1,983,400
Other payables	12,589,274	-	-	12,589,274
Vendor financing	-	1,540,000	-	1,540,000
<i>Interest-bearing</i>				
Bank loans	3,317,750	39,874,588	-	43,192,338
Multi-option facility	13,789,966	-	-	13,789,966
Vendor financing	14,117,137	10,921,183	-	25,038,320
Loans due to shareholder related entities	-	17,138,492	-	17,138,492
Loans due to director related entities	-	24,275,433	-	24,275,433
Other loans	1,249,817	-	-	1,249,817
Lease liability	43,634,638	23,530,757	-	67,165,395
Convertible notes	2,100,000	26,040,000	-	28,140,000
Total non-derivatives	105,450,288	143,320,453	-	248,770,741
Derivatives				
Conversion feature of convertible notes	-	1,843,174	-	1,843,174
Total derivatives	-	1,843,174	-	1,843,174

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2019				
Non-derivatives				
<i>Non-interest bearing</i>				
Trade payables	13,833,147	-	-	13,833,147
Other payables	3,913,523	-	-	3,913,523
<i>Interest-bearing</i>				
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	115,437,326	32,434,827	2,253,684	150,125,837

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 33. 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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Consolidated - 2020				
<i>Assets</i>				
Investment properties	-	1,998,631	18,310,000	20,308,631
Total assets	-	1,998,631	18,310,000	20,308,631
<i>Liabilities</i>				
Derivative instruments - conversion feature of convertible notes	-	-	(1,843,174)	(1,843,174)
Total liabilities	-	-	(1,843,174)	(1,843,174)
Consolidated - 2019				
<i>Assets</i>				
Listed equity securities	93,086	-	-	93,086
Investment properties	-	-	2,010,010	2,010,010
Total assets	93,086	-	2,010,010	2,103,096

Valuation techniques for fair value measurements categorised within level 1

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.

Valuation techniques for fair value measurements categorised within level 2 and level 3

- Investment properties

Investment properties are revalued annually based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of investment property being valued. The valuers have considered valuation techniques including direct comparison method, capitalisation approach and/or discounted cash flow analysis in arriving at the fair values as at the reporting date.

The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties. The capitalisation approach captures an income stream into a present value using revenue multipliers or single-year capitalisation rates. The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an expected rate of return.

All resulting fair value estimates for properties are included in level 3. Investment properties that are held for sale at the reporting date and which were valued at their selling price, have been included in level 2.

- Derivative instruments - conversion feature of convertible notes

The fair value of the conversion feature of the convertible notes is estimated using present value techniques, by discounting the probability-weighted estimated future cash outflows.

Note 33. Fair value measurement (continued)

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Investment properties \$	Derivative instruments \$	Total \$
Balance at 1 July 2018	-	-	-
Additions	2,010,010	-	2,010,010
Balance at 30 June 2019	2,010,010	-	2,010,010
Transfers out level 3	(1,998,631)	-	(1,998,631)
Gains recognised in profit or loss	7,125,882	-	7,125,882
Additions	11,172,739	(1,843,174)	9,329,565
Balance at 30 June 2020	<u>18,310,000</u>	<u>(1,843,174)</u>	<u>16,466,826</u>
Total gains for the previous year included in profit or loss that relate to level 3 assets held at the end of the previous year	<u>-</u>	<u>-</u>	<u>-</u>
Total gains for the current year included in profit or loss that relate to level 3 assets held at the end of the current year	<u>7,125,882</u>	<u>-</u>	<u>7,125,882</u>

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Investment properties (including investment properties held for sale)	Capitalisation rate	6.75%-13% (10.4%)	The estimated fair value would increase/(decrease) if capitalisation rate was lower/(higher)
	Land rate (per sqm)	\$0.80-\$677 (\$318)	The estimated fair value would increase/(decrease) if land rate was higher/(lower)
Derivative instruments	Risk-adjusted discount rate	10%	The lower the discount rate, the higher the fair value

For the derivative instruments, changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would not change fair value significantly.

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.

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 34. Contingent liabilities

	Consolidated	
	2020	2019
	\$	\$
Contract performance guarantees	<u>8,086,480</u>	<u>4,843,632</u>

These contract performance guarantees are amounts that can be called on by customers or third parties to rectify works carried out that have not been performed to the satisfaction of the customer or third party. Guarantees are issued to third parties to complete the required infrastructure projects required for its land development activities.

Note 35. Commitments

During the year ended 30 June 2020, a share purchase agreement was signed to acquire the entire non-controlling interest in VMS Engineering Company Ltd for the amount of VND42,470,000,000 (AUD2,513,000). The purchase is to settle in October 2020.

On 3 June 2020, Regional Hardrock Gilgandra Unit Trust entered into a contract to purchase the land and stock on hand of the Berakee Quarry for a total consideration of \$4,400,000 consisting of a cash settlement of \$1,650,000 and vendor financing of \$2,750,000. The contract settled on 17 August 2020 (refer note 42).

Note 36. 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	
	2020	2019
	\$	\$
<i>Audit services</i>		
Audit or review of the financial statements	<u>444,923</u>	<u>343,230</u>
<i>Other services</i>		
Due diligence services - independent accountants report	693,021	-
Due diligence services - business acquisitions	228,242	65,000
Tax consulting services - group structure review	-	19,406
Tax consulting services - advice and ACA calculations	<u>23,064</u>	<u>-</u>
	<u>944,327</u>	<u>84,406</u>
Total remuneration of BDO - Australia	<u><u>1,389,250</u></u>	<u><u>427,636</u></u>
<i>Audit services - network firms of BDO</i>		
Audit or review of the financial statements	<u>8,571</u>	<u>31,147</u>
<i>Other services - network firms</i>		
Other services - Due diligence services	<u>11,240</u>	<u>-</u>
	<u><u>19,811</u></u>	<u><u>31,147</u></u>

The audit fees paid/payable to BDO Audit Pty Ltd for the financial year ended 30 June 2019, 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 37. Key management personnel disclosures

The following persons are considered key management personnel of the consolidated entity:

- Wesley J Maas - Executive Director (Chairman and Chief Executive Officer)
- Craig G Bellamy - Executive Director (Chief Financial Officer)
- Damien J Porter - Executive Director (General Manager - Plant)

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 37. Key management personnel disclosures (continued)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	553,778	-
Post-employment benefits	47,134	-
	<u>600,912</u>	<u>-</u>

At 30 June 2019 MAAS Group Holdings Limited was a proprietary company and Wesley J 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. Wesley Maas did not receive any remuneration during the financial year ended 30 June 2019.

Note 38. Related party transactions

Subsidiaries

Interests in subsidiaries are set out in note 41.

Key management personnel

Disclosures relating to key management personnel are set out in note 37 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2020	2019
	\$	\$
Payment for goods and services:		
Consulting fee paid to entity controlled by key management personnel	270,000	-
Rent paid to key management personnel	19,100	-

All transactions were on commercial terms and conditions and at market rates.

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.

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 38. Related party transactions (continued)

Loans to/from related parties

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

2020

Related party entity	KMP related to	Balance at beginning of the year \$	Loan balance at date of appointment as a Director \$	Loans receivable offset against loans payable \$	Transfer to shareholder loans \$	Purchase of motor vehicle \$	Net loan payment \$	Balance at end of the year
Related party loan liabilities:								
Choice Investments	Wesley J Maas							
Dubbo Pty Ltd		38,331,031	-	(9,622,201)	(4,000,000)	(56,516)	(630,784)	24,021,530
Old Man Investments Pty Ltd	Damien Porter							
		-	254,000	-	-	-	(97)	253,903
		<u>38,331,031</u>	<u>254,000</u>	<u>(9,622,201)</u>	<u>(4,000,000)</u>	<u>(56,516)</u>	<u>(630,881)</u>	<u>24,275,433</u>

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)	-
		<u>50,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,460)</u>	<u>-</u>

2019

Related party entity	KMP related to	Balance at beginning of the year \$	Dividends payable \$	Loan reassigned \$	Addition through business combination \$	Net loan repayment \$	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)	-	-	-
		<u>40,354,237</u>	<u>6,145,000</u>	<u>-</u>	<u>327,750</u>	<u>(8,495,956)</u>	<u>38,331,031</u>

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
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,460</u>	<u>50,460</u>

All of the above loans were unsecured and non interest bearing. The loan to Choice Investments Dubbo Pty Ltd has been subordinated in favour of bank debt. The loan to Old Man Investments Pty Ltd is repayable on demand.

Note 39. Parent entity information

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

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 39. Parent entity information (continued)

Statement of profit or loss and other comprehensive income

	Parent	
	2020	2019
	\$	\$
Profit after income tax	19,727,265	-
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	19,727,265	-

Statement of financial position

	Parent	
	2020	2019
	\$	\$
Total current assets	134,183,285	10
Total non-current assets	151,754,548	153,643,277
Total assets	285,937,833	153,643,287
Total current liabilities	15,056,948	-
Total non-current liabilities	97,510,333	-
Total liabilities	112,567,281	-
Net assets	173,370,552	153,643,287
Equity		
Issued capital	153,643,287	153,643,287
Retained profits	19,727,265	-
Total equity	173,370,552	153,643,287

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has provided guarantees in respect of banking facilities provided to the group (refer note 22).

Contingent liabilities

The parent entity had no other contingent liabilities as at 30 June 2020 that have not been disclosed in note 34. The parent entity had no contingent liabilities 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 2020 and 30 June 2019.

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 40. Business combinations and asset acquisitions

(a) Business acquisitions

Summary of 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.

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 \$8,560,376, contingent consideration of \$2,300,000, and deferred consideration of \$278,184. The contingent consideration is payable over 3 years of which \$250,000 is related to staff retention, \$1,050,000 related to the retention of Eric Rutten, and \$1,000,000 related to the recoverability of inventory and the retention of Eric Rutten. Following the acquisition, the contingent and deferred consideration were reduced by \$1,000,000 and \$40,524 respectively, and the change in fair value recognised in the statement of profit or loss and other comprehensive income under 'Other income'.

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 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.

Note 40. Business combinations and asset acquisitions (continued)

Details of the acquisitions are as follows:

	Millers Metals Fair value \$	Jacon Fair value \$	Dubbo Sands Fair value \$	Total \$
Cash and cash equivalents	154,168	-	-	154,168
Trade receivables	1,918,479	-	-	1,918,479
Prepayments	67,770	-	-	67,770
Inventories	454,456	9,473,875	304,905	10,233,236
Land and buildings	10,850,000	812,664	2,300,000	13,962,664
Plant and equipment	21,600,000	3,129,093	3,530,000	28,259,093
Brand names	-	2,492,126	-	2,492,126
Deferred tax asset	50,257	548,976	7,879	607,112
Trade and other payables	-	(282,523)	-	(282,523)
Other payables	(70,260)	-	-	(70,260)
Contract liabilities	-	(132,600)	-	(132,600)
Current tax liability	(151,678)	-	-	(151,678)
Deferred tax liability	-	(217,698)	-	(217,698)
Employee benefits	(167,522)	(599,848)	(26,264)	(793,634)
Warranty provision	-	(300,000)	-	(300,000)
Deferred revenue	-	(443,387)	-	(443,387)
Lease liability	-	(812,664)	-	(812,664)
Other liabilities	-	(2,529,454)	-	(2,529,454)
Net assets acquired	34,705,670	11,138,560	6,116,520	51,960,750
Goodwill	-	-	789,947	789,947
Net assets acquired	<u>34,705,670</u>	<u>11,138,560</u>	<u>6,906,467</u>	<u>52,750,697</u>
Representing:				
Cash paid or payable to vendor	14,465,121	8,560,376	6,906,467	29,931,964
Contingent consideration	-	2,300,000	-	2,300,000
Vendor financing	19,045,651	-	-	19,045,651
Deferred consideration	-	278,184	-	278,184
Gain from bargain purchase	1,194,898	-	-	1,194,898
	<u>34,705,670</u>	<u>11,138,560</u>	<u>6,906,467</u>	<u>52,750,697</u>
Cash used to acquire business, net of cash acquired:				
Acquisition-date fair value of the total consideration transferred	33,510,772	11,138,560	6,906,467	51,555,799
Less: cash and cash equivalents	(154,168)	-	-	(154,168)
Less: payments to be made in future periods	(19,045,651)	(278,184)	-	(19,323,835)
Less: contingent consideration	-	(2,300,000)	-	(2,300,000)
Net cash used	<u>14,310,953</u>	<u>8,560,376</u>	<u>6,906,467</u>	<u>29,777,796</u>

Revenue and profit contribution

If the acquisitions had occurred on 1 July 2019, the consolidated pro-forma revenue and profit for the year ended 30 June 2020 would have been as follows:

	Millers Metals \$	Jacon \$	Dubbo Sands \$	Other controlled entities \$	Total \$
Revenue	8,829,302	20,540,909	2,370,118	167,184,725	198,925,054
Net profit/(loss) for the period after tax	2,212,885	538,190	785,473	17,471,892	21,008,440

Note 40. Business combinations and asset acquisitions (continued)

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 2019, together with the consequential tax effects.

The acquired businesses contributed the following revenues and net profit to the consolidated entity from the dates of their respective acquisitions to 30 June 2020:

	Millers Metals \$	Jacon \$	Dubbo Sands \$	Total \$
Revenue	7,264,484	17,161,202	1,278,102	25,703,788
Net profit/(loss) for the period after tax	1,573,970	1,198,851	474,791	3,247,612

Acquired receivables

	Millers Metals \$	Jacon \$	Dubbo Sands \$	Total \$
Fair value of acquired receivables	1,986,249	-	-	1,986,249
Gross contractual amount due	(1,986,249)	-	-	(1,986,249)
Loss allowance recognised on acquisition	-	-	-	-

Acquisition-related costs

Acquisition-related costs (including stamp duty) totalling \$1,350,532 that were not directly attributable to the issue of shares are included in Legal, Accounting and Consultants expense (\$562,998) and Other expenses (\$787,534) in the statement of profit or loss and other comprehensive income.

(b) Asset acquisitions

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 \$11,723,181 (including acquisition costs of \$723,181). 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. The acquisition was funded by: a bank loan of \$8,000,000, deferred consideration of \$1,000,000 and a cash payment of \$2,723,181 (including acquisition costs).

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 the relative fair value of the assets acquired.

Acquisition of Regional Group Resources Pty Limited (formerly See Resources Pty Ltd)

On 5 June 2020, Regional Group Australia Pty Limited (RGA) completed a share purchase agreement with See Group Holdings Pty Ltd to acquire 100% of the shares in Regional Group Resources Pty Limited (RGR) (formerly See Resources Pty Ltd) plus the purchase of plant and equipment and inventory for the total consideration of \$4,775,091. RGR holds three leases over quarrying assets and options to lease five quarrying assets in New South Wales. RGA will quarry these assets to produce construction materials for use by the group or to sell to third parties. The acquisition was fully funded by cash.

(c) Summary of acquisition - finalisation of provisional accounting

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, Large Industries Pty Ltd, EMS Group, EMS International Group and MAAS Homes Pty Ltd for a total consideration of \$46,844,566. This was part of the broader merger transaction as described in note 2.

For 30 June 2019, this business combination had initially been accounted for on a provisional basis in accordance with AASB 3 *Business combinations*. Therefore the fair value of assets acquired and liabilities assumed were 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 therefore may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 40. Business combinations and asset acquisitions (continued)

The consolidated entity has finalised the accounting for this business combination and in doing so reduced the fair value of inventories and the fair value of hire machinery and equipment. These adjustments impacted the relevant tax balances and resulted in an increase in goodwill being recognised. As noted above the finalisation accounting is retrospective and therefore the adjustment impacts the 30 June 2019 financial year. These adjustments had no impact on the 30 June 2019 statement of profit or loss and other comprehensive income.

Details of the fair value of the net assets acquired as recorded on a provisional basis and the final position as impacting the fair value of net assets assets acquired as at 30 June 2019, are as follows:

	Provisional fair value \$	Movement \$	Final fair value \$
Inventories	32,400,342	(4,444,113)	27,956,229
Plant & equipment and hire machinery & equipment	30,212,192	(2,854,809)	27,357,383
Trade and other payables	(12,761,109)	(53,518)	(12,814,627)
Current tax liability	(4,807,104)	1,152,504	(3,654,600)
Deferred tax liability	(7,067,072)	469,366	(6,597,706)
Onerous contracts	(790,092)	(140,090)	(930,182)
Other net identifiable assets/(liabilities)	(16,805,735)	-	(16,805,735)
Net identifiable assets acquired	20,381,422	(5,870,660)	14,510,762
Goodwill	26,463,144	5,870,660	32,333,804
Net assets acquired	46,844,566	-	46,844,566

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.

Note 40. Business combinations and asset acquisitions (continued)

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.

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 41. 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	
		2020 %	2019 %
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%	100%
Hamcon Hire Pty Ltd	Australia	100%	100%
Machinery Sales Pty Ltd (formerly Rookharp Pty Ltd)	Australia	100%	100%
Large Industries Pty Ltd	Australia	100%	100%
JLE Admin Pty Ltd	Australia	100%	-
JLE Engineering Pty Limited	Australia	100%	-
JLE Group Holdings Pty Ltd	Australia	100%	-
JLE Hire Pty Limited	Australia	100%	-
JLE Manufacturing Pty Limited	Australia	100%	-
JLE Electrical Projects Pty Limited	Australia	100%	-
JLE Utilities Services Pty Limited	Australia	100%	-
MAAS Group Developments Pty Ltd	Australia	100%	100%
MAAS Group Properties Durham Park Pty Ltd	Australia	100%	100%
Eykan Holdings Pty Ltd	Australia	100%	100%
MAAS Group Westwinds Pty Limited	Australia	100%	100%
MAAS Group Properties Ulan Pty Ltd	Australia	100%	100%
MAAS Group Properties Highlands Pty Ltd	Australia	100%	100%
MAAS Group Properties Magnolia Pty Ltd	Australia	100%	100%
MAAS Group Properties Bombira Pty Ltd	Australia	100%	100%
MAAS Group Properties Southlakes Pty Ltd	Australia	100%	100%
MAAS Group Properties Arcadia Pty Limited	Australia	100%	-
Bizitay Pty Ltd	Australia	100%	-
Southlakes Child Care Centre No1 Pty Ltd	Australia	100%	-
Southlakes Child Care Centre No1 Unit Trust	Australia	100%	-
MAAS Homes Pty Ltd (formerly Nigel Bourke Construction Pty Ltd)	Australia	100%	100%
EMS Plant & Equipment Pty Ltd	Australia	100%	100%
EMS Group Pty Ltd	Australia	100%	100%
EMS Sales Pty Ltd	Australia	100%	100%
EMS Labour Hire Pty Ltd	Australia	100%	100%
EMS Repairs Pty Ltd	Australia	100%	100%
EMS Equipment Hire Pty Ltd	Australia	100%	100%
EMS Admin Pty Ltd	Australia	100%	100%
Regional Transport Spares Pty Ltd	Australia	100%	100%
EMS Mine Site Electrical Pty Ltd	Australia	100%	100%
EMS International Pty Ltd (formerly EMS Vietnam Pty Ltd)	Australia	100%	100%
VMS Engineering Company Ltd	Vietnam	75%	75%
EMS Power Solutions UK Ltd	United Kingdom	100%	100%
Regional Group Australia Pty Ltd	Australia	100%	-
Regional Hardrock (Dubbo) Pty Ltd	Australia	100%	100%
Regional Hardrock (Orange) Pty Ltd	Australia	100%	100%
Regional Hardrock Unit Trust	Australia	100%	100%
Regional Hardrock Pty Ltd	Australia	100%	-
Regional Quarries Australia Pty Ltd	Australia	100%	-

Note 41. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
Regional Hardrock West Wyalong Unit Trust	Australia	100%	-
Regional Hardrock (West Wyalong) Pty Ltd	Australia	100%	-
Regional Hardrock Forbes Unit Trust	Australia	100%	-
Regional Hardrock (Forbes) Pty Ltd	Australia	100%	-
Regional Hardrock Gilgandra Unit Trust	Australia	100%	-
Regional Crushing & Screening Pty Ltd	Australia	100%	100%
Regional Concrete Australia Pty Ltd	Australia	100%	-
Regional Precast Australia Pty Ltd	Australia	100%	-
Miller Metals Forbes Pty Ltd	Australia	100%	-
Regional Sands Dubbo Unit Trust	Australia	100%	-
Sands Quarry Australia	Australia	100%	-
Regional Group Resources Pty Limited	Australia	100%	-
PT JTech Jasa Pertambangan	Indonesia	100%	-

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.

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	
	2020 \$	2019 \$
<i>Summarised statement of financial position</i>		
Current assets	8,812,822	940,324
Non-current assets	11,155,253	7,618,263
Total assets	19,968,075	8,558,587
Current liabilities	6,208,967	369,461
Non-current liabilities	3,951,384	-
Total liabilities	10,160,351	369,461
Net assets	9,807,724	8,189,126
<i>Other financial information</i>		
Accumulated non-controlling interests at the end of reporting period	2,451,929	2,203,029

Note 42. Events after the reporting period

On 6 October 2020, MAAS Group Holdings Limited (MGH) entered into a share purchase agreement for the acquisition of a business which operates in the Construction Materials segment. The acquisition of the business is subject to MGH completing an initial public offering by no later than 31 December 2020. Should the acquisition proceed, the purchase price of \$8,977,931 will be settled by the issue of shares in MGH with a total value of \$2,693,373 and a cash payment of \$6,284,558.

On 3 June 2020, Regional Hardrock Gilgandra Unit Trust entered into a contract to purchase the land and stock on hand of the Berakee Quarry for a total consideration of \$4,400,000 consisting of a cash settlement of \$1,650,000 and vendor financing of \$2,750,000 over a period of 24 months. The contract settled on 17 August 2020 (refer to Commitments note 35).

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 42. Events after the reporting period (continued)

On 25 August 2020, MGH entered into and completed a share purchase agreement for the shares in MAAS Group Properties Fairydale Pty Limited. This company will operate in the real estate segment. Total consideration paid was \$100. The company then acquired a future 43 lot land subdivision at Mudgee for total consideration of \$1,632,558.

Subsequent to the reporting date, MGH entered into an option agreement to purchase land for its real estate segment. The option is required to be exercised if the development application over the land is approved. Upon this occurring MGH is required to pay \$3,200,000 for this land.

No other matter or circumstance has arisen since 30 June 2020 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 43. Cash flow information

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

	Consolidated	
	2020	2019
	\$	\$
Profit after income tax expense for the year	20,942,474	9,220,253
Adjustments for:		
Depreciation and amortisation	13,711,770	3,509,822
Net gain on disposal of property, plant and equipment	(2,358,369)	(74,777)
Net fair value gain on financial assets	(241,580)	(883,815)
Net fair value gain on investment properties	(7,125,882)	-
Gain on contingent consideration	(1,040,524)	-
Interest income - non-cash	(78,347)	-
Gain on bargain purchase	(1,194,898)	(1,581,656)
Unwinding of interest on vendor financing	593,234	-
Interest on convertible notes	3,293,576	-
Expenses settled by the issue of convertible notes	400,000	-
Allowance for expected credit losses	760,000	-
Amortisation of borrowing costs	44,655	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(6,926,729)	2,082,238
Increase in contract assets	(8,365,669)	(13,000)
Decrease/(increase) in inventories	3,599,156	(20,346,180)
Increase in deferred tax assets	(1,075,918)	(13,959)
Decrease/(increase) in prepayments	(1,041,875)	29,316
Decrease/(increase) in other operating assets	25,003	(61,746)
Increase/(decrease) in trade and other payables	9,158,800	(746,041)
Increase in contract liabilities	3,678,631	-
Decrease in provision for income tax	(2,555,823)	(699,391)
Increase in deferred tax liabilities	3,553,740	300,104
Increase in employee benefits	573,409	75,071
Decrease in other provisions	(952,680)	-
Net cash from/(used in) operating activities	<u>27,376,154</u>	<u>(9,203,761)</u>

Non-cash investing and financing activities - not previously disclosed

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 43. Cash flow information (continued)

	Consolidated	
	2020	2019
	\$	\$
Dividends credited to related party account	-	6,145,000
Shares issued to acquire MAAS Group Pty Ltd	-	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

MAAS Group Holdings Limited
Notes to the consolidated financial statements
30 June 2020

Note 43. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Bank loans and Multi-option facility \$	Vendor financing and deferred consideration \$	Leases \$	Other loans \$	Convertible notes payable \$	Derivative instruments - convertible notes \$	Loans due to shareholder and director related entities \$	Total \$
Balance at 1 July 2018	3,626,000	-	19,158,441	-	-	-	40,608,768	63,393,209
Net cash from/(used in) financing activities	4,621,566	-	(5,992,439)	67,305	-	-	(8,224,497)	(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 right-of-use assets	-	-	12,717,805	-	-	-	-	12,717,805
Changes through business combinations (note 40)	5,483,548	-	18,651,533	1,496,620	-	-	17,141,313	42,773,014
Balance at 30 June 2019	13,731,114	10,291,128	44,535,340	1,563,925	-	-	55,670,584	125,792,091
Net cash from/(used in) financing activities	38,873,535	(4,836,655)	(25,144,256)	(314,108)	13,600,000	-	1,365,542	23,544,058
Loans receivable offset against loans payable	-	-	-	-	-	-	(9,622,201)	(9,622,201)
Interest capitalised	-	-	-	-	3,293,576	-	-	3,293,576
Bifurcation of derivative instrument	-	-	-	-	(1,843,174)	1,843,174	-	-
Convertible notes – issued in lieu of services and loan conversion	-	-	-	-	6,400,000	-	(6,000,000)	400,000
Acquisition plant & equipment by means of finance lease	-	-	37,585,749	-	-	-	-	37,585,749
Changes through business combinations (note 40)	-	20,045,651	812,664	-	-	-	-	20,858,315
Lease contracts on property entered into	-	-	6,779,477	-	-	-	-	6,779,477
Amortisation and present value unwinding	44,655	593,234	-	-	-	-	-	637,889
Balance at 30 June 2020	<u>52,649,304</u>	<u>26,093,358</u>	<u>64,568,974</u>	<u>1,249,817</u>	<u>21,450,402</u>	<u>1,843,174</u>	<u>41,413,925</u>	<u>209,268,954</u>

MAAS Group Holdings Limited
Directors' declaration
30 June 2020

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 2020 and of its performance for the financial year ended on that date; 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

9 October 2020
Dubbo

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 2020, 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 year 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 2020 and of its financial performance for the year 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 (including Independence Standards)* (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 and Remuneration 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.

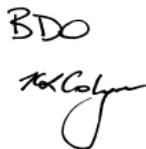
Auditor's responsibilities for the audit of the Financial Report

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



K L Colyer
Director

Brisbane, 9 October 2020