SMW Group Limited

Interim Report - 31 December 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of SMW Group Limited (referred to hereafter as 'SMW Group' or the 'company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

It is recommended that the Directors' Report be read in conjunction with any public announcement made by the SMW Group during the period and up to the date of this report.

Directors

The following persons were directors of SMW Group during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Jill Hatchwell | Independent Chairperson	Appointed 3 July 2020
John Trenaman | CEO and Executive Director	Appointed 3 July 2020
Greg Kern | Non-Executive Director	Appointed 3 July 2020
Chris Castle | Independent Director	Appointed 3 July 2020
Oliver Sabu | Executive Director	Appointed 3 July 2020
Christopher Leon | Independent Director	Appointed 3 July 2020 | Resigned effective 31 December 2020

With the exception of Ms Jill Hatchwell, all SMW Group directors stood for re-election at the annual general meeting held on 29 September 2020. Each Directors' re-election was approved.

Mr Christopher Leon resigned as an independent director with effect from close of business on 31 December 2020.

Principal activities

Prior to the acquisition of All Industrial Network Limited ('AIN') on 8 July 2020 (as explained below), SMW Group operated as an investment company with no active trading operations. Post the acquisition of AIN, the principal activities of the consolidated entity changed to the provision of maintenance, construction and engineering services to the mining industry. The consolidated entities' main operations are conducted in Rockhampton and Mackay, Australia.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of operations and activities

SMW Group Limited (NZX: SMW) (formerly known as Aorere Resources Limited) completed its acquisition of the Australian company AIN on 8 July 2020. Immediately prior to this transaction, AIN acquired Alertvale Pty Ltd ('Alertvale') and BAE Engineering & Solar Pty Ltd ('BAE'), both Australian businesses. Post the transaction, with the acquisition of the two established Australian service businesses, SMW Group seeks to deliver mining support services to the entire Bowen Basin in Central Queensland, Australia.

In accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), SMW Group's acquisition of AIN, and AIN's acquisitions of Alertvale and BAE, both constitute reverse acquisitions. For accounting purposes Alertvale is deemed to be the acquiring entity of both reverse acquisitions and the financial statements presented are a continuation of Alertvale including comparative financial information.

Relevant matters in relation to the reverse acquisitions are as follows:

- Given the reverse acquisition nature of the transaction for accounting purposes, SMW Group has applied the continuation method of accounting which results in all comparative period information relating to Alertvale.
- Under continuation accounting, SMW Group is effectively presenting its financial results on an historical cost basis, whereby the assets and liabilities of the deemed acquirer (Alertvale) are recognised at their previous carrying amounts. No adjustments are made to reflect fair values and no new assets (including goodwill) and liabilities of the deemed acquirer are recognised at the date of the acquisition. The intangible assets recognised on acquisition consist of goodwill and customer contracts and relationships solely attributed to BAE.
- SMW Group's acquisition of AIN does not meet the definition of a business combination under NZ IFRS 3. It will be recognised as a share-based payment arrangement under NZ IFRS 2. Consequently, the shares issued to SMW Group's pre-transaction Shareholders are treated as share-based payments and expensed on the date of the reverse acquisition.
- The cash payment to SMW Group's pre-transaction Shareholders and the transaction costs associated with the reverse acquisition are also expensed on the date of the acquisition under NZ IFRS 32 as they are not transaction costs directly attributable to the issuance of new equity.
- The issuance of shares to SMW Group's directors and management as part of the transaction are also treated as share-based payments and expensed on the date of the reverse acquisition.

Financial results

The statutory financial results are set out in the table below. The consolidated entity generated a net loss after income tax of $2.4 million. The results for the 6 months to 31 December 2020 are prepared in accordance with NZ IFRS which include several one-off costs associated with the integration and re-branding of the two operating business units. A summary of the underlying financial results is included below to facilitate an understanding of the underlying operational performance of the consolidated entity and promote comparison with the wider industry.

All normalisation adjustments in the calculation of underlying profit are unaudited.

Financial Summary	6 months ended 31-Dec-20 $'000 Statutory	6 months ended 31-Dec-20 $'000 Underlying[1]
Revenue	27,937	27,937
EBITDA[2]	(200)	3,880
NPATA[3]	(2,327)	1,753
NPAT	(2,434)	1,646

1. Underlying profit reflects the statutory profit adjusted for the one off costs associated with the listing transaction that occurred on 8 July 2020.

2. EBITDA refers to earnings before interest, tax, depreciation and amortisation and is a non-IFRS measure. EBITDA can be reconciled to the Statutory NPAT by adding back the following categories included within the Statement of profit or loss; Depreciation and amortisation expense, Finance costs and Income tax expenses.

3. NPATA refers to net profit after tax adjusted to exclude the amortisation of intangible assets and is a non-IFRS measure.

Given that the comparative financial information relates to Alertvale as the deem acquirer of the reverse acquisitions, no discussion on the comparison between the two reporting periods has been included as the comparative information, albeit prepared in accordance with IFRS, is not like for like in nature.

A reconciliation between underlying net profit after tax and statutory net profit after tax is detailed below:

	6 months ended 31-Dec-20 $'000
Statutory NPAT	(2,434)
Share-base payment expense[1]	1,033
Listing costs deemed issue of share capital on acquisition[2]	958
Transaction costs[3]	1,944
One-off non recurring integration costs[4]	145
Underlying NPAT	1,646

1. Relates to the shares issued to the Company directors and management including the tax obligations associated with the issue of these shares.
2. Listing costs deemed issue of share capital on acquisition.
3. Transaction costs relating to advisor fees incurred as part of the reverse acquisition.
4. Costs associated with the rebranding and integration activities associated with the operating business units.

Note: Normalisation adjustments between Statutory and Underlying NPAT total $4.1 million. Total adjustment would equate to the difference between Statutory and Underlying EBITDA and NPATA.

The combining of the two Australian businesses allows SMW Group to service its customers across the Bowen Basin from two workshops and to draw from a larger pool of employees to improve delivery of customer requirements. The outbreak of the COVID-19 pandemic has had an impact on the global mining industry and the consolidated entity has observed cancellations and deferrals in projects resulting in lower than anticipated revenue for the workshop operations in the first half of FY2021. While the field services operations have experienced a reduction in revenue this has not been as significant as the workshop operations as the majority of SMW Group's workforce is located in Central Queensland allowing SMW Group to service its customers through a Drive In and Drive Out scenario when Australian State boarders were closed for periods since the outbreak of the pandemic. These challenges aside, SMW Group continues to maintain strong relationships with its customers and has experienced an increased level of activities in recent months and the directors are optimistic that activity levels will continue to improve in the near future as commodity prices rebound. The consolidated entity has received Australian Government stimulus support in relation to COVID-19 during the period.

Significant changes in the state of affairs
On 3 July 2020, SMW Group transferred all its assets and liabilities to a wholly owned subsidiary, Widespread Limited ('Widespread'), followed by an in-specie distribution of shares in Widespread. Following the in-specie distribution, SMW Group no longer controlled Widespread and as a result it no longer forms part of the SMW Group.

SMW Group completed the acquisition of AIN on 8 July 2020. Immediately prior to SMW Group's acquisition of AIN, AIN acquired two Australian companies being Alertvale and BAE.

As part of the acquisitions, described above, the following also took place:

● SMW Group changed its company name from “Aorere Resources Limited” to “SMW Group Limited” and its NZX ticker code from “AOR” to “SMW”;

● A change in Board members occurred with Chris Castle and Jill Hatchwell remaining on the Board as New Zealand based Directors while adding Australian based Directors;

● SMW Group changing its balance date from 31 March to 30 June; and

● SMW Group applied to be an Australian registered business, which was granted by ASIC as SMW Group Holdings Limited (ARBN 646 376 721), a foreign company registered in its original jurisdiction of New Zealand as SMW Group Limited.

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

Matters subsequent to the end of the financial half-year
No matter or circumstance has arisen since 31 December 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.

This report is signed in accordance with a resolution of the Board of Directors.

Jill Hatchwell	John Trenaman
Chairperson	Director & CEO

26 February 2021
Brisbane

General information

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

SMW Group is a company limited by shares, incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). The company is a FMC Reporting entity in terms of the Financial Markets Conduct Act 2013.

SMW Group applied to be an Australian registered business, which was granted by ASIC as SMW Group Holdings Limited (ARBN 646 376 721), a foreign company registered in its original jurisdiction of New Zealand as SMW Group Limited. Its registered office and principal place of business is:

Registered office	Principal place of business
Duncan Cotterill Level 2, Chartered Accountants House 50 Customhouse Quay Wellington, 6001 New Zealand	SMW Group Level 2, 145 East Street Rockhampton QLD 4700 Australia

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 February 2021.

SMW Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Note	Consolidated 6 months ended 31 Dec 2020 $'000	6 months ended 31 Dec 2019 $'000
Revenue	3	27,937	26,255
Other income	4	3,780	136
Expenses			
Changes in inventories		641	(1,482)
Raw materials and consumables used		(6,614)	(4,942)
Administration expenses		(2,799)	(1,891)
Freight & cartage		(328)	(338)
Employee benefits expense		(16,551)	(12,488)
Motor vehicle expenses		(467)	(520)
Depreciation and amortisation expense		(1,311)	(543)
Property expenses		(294)	(540)
Repairs & maintenance expenses		(504)	(245)
Plant & equipment hire		(365)	(236)
Travel & accommodation		(267)	(345)
Transaction expenses		(1,944)	-
Listing expenses		(960)	-
Share-based payment expenses		(1,033)	-
Other expenses		(275)	(143)
Gain / (loss) on disposal of property, plant & equipment		(157)	(8)
Finance costs		(730)	(357)
Profit/(loss) before income tax expense		(2,241)	2,313
Income tax expense		(193)	(648)
Profit/(loss) after income tax expense for the half-year attributable to the owners of SMW Group Limited		(2,434)	1,665
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss			
Loss on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		(22)	-
Other comprehensive loss for the half-year, net of tax		(22)	-
Total comprehensive income/(loss) for the half-year attributable to the owners of SMW Group Limited		(2,456)	1,665
		Cents	**Cents**
Basic earnings / (loss) per share	28	(4.68)	1,632,352.94
Diluted earnings / (loss) per share	28	(4.68)	1,632,352.94

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

SMW Group Limited
Statement of financial position
As at 31 December 2020

	Note	Consolidated 31 Dec 2020 $'000	Consolidated 30 Jun 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	5	1,707	628
Trade and other receivables	6	11,725	7,544
Inventories	7	2,309	1,385
Other	8	710	584
Total current assets		16,451	10,141
Non-current assets			
Receivables	9	22	25
Financial assets at fair value through other comprehensive income	10	-	149
Property, plant and equipment	11	6,005	4,789
Right-of-use assets	12	9,671	7,978
Intangibles	13	8,562	215
Deferred tax		3,793	2,729
Total non-current assets		28,053	15,885
Total assets		44,504	26,026
Liabilities			
Current liabilities			
Trade and other payables	14	11,597	3,593
Borrowings	15	5,952	1,833
Lease liabilities	16	3,248	1,479
Income tax		1,901	1,581
Employee benefits	17	1,450	1,103
Total current liabilities		24,148	9,589
Non-current liabilities			
Payables	18	5,966	-
Borrowings	19	870	-
Lease liabilities	20	11,328	9,755
Deferred tax		3,569	2,214
Employee benefits	21	357	237
Total non-current liabilities		22,090	12,206
Total liabilities		46,238	21,795
Net assets/(liabilities)		(1,734)	4,231
Equity			
Issued capital	22	6,391	-
Reserves	23	(969)	22
Retained profits/(accumulated losses)		(7,156)	4,209
Total equity/(deficiency)		(1,734)	4,231

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

SMW Group Limited
Statement of changes in equity
For the half-year ended 31 December 2020

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2019	-	22	1,195	1,217
Profit after income tax expense for the half-year	-	-	1,665	1,665
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	1,665	1,665
Transactions with owners in their capacity as owners:				
Pre-Acquisition Distributions paid (note 24)	-	-	(182)	(182)
Balance at 31 December 2019	-	22	2,678	2,700

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total deficiency in equity $'000
Balance at 1 July 2020	-	22	4,209	4,231
Loss after income tax expense for the half-year	-	-	(2,434)	(2,434)
Other comprehensive loss for the half-year, net of tax	-	(22)	-	(22)
Total comprehensive loss for the half-year	-	(22)	(2,434)	(2,456)
Transactions with owners in their capacity as owners:				
Share-based payments	-	549	-	549
Deemed issue of share capital on acquisition	391	-	-	391
Issue of ordinary shares as consideration for business combinations, net of transaction costs (note 26)	6,000	-	-	6,000
Reserve arising from business combinations under common control	-	(1,518)	-	(1,518)
Distribution to owners of Alertvale Pty Ltd as part of a reverse listing	-	-	(8,593)	(8,593)
Pre-Acquisition Distributions paid (note 24)	-	-	(338)	(338)
Balance at 31 December 2020	6,391	(969)	(7,156)	(1,734)

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

SMW Group Limited
Statement of cash flows
For the half-year ended 31 December 2020

	Note	Consolidated 6 months ended 31 Dec 2020 $'000	Consolidated 6 months ended 31 Dec 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		33,288	28,212
Payments to suppliers and employees (inclusive of GST)		(26,661)	(24,980)
		6,627	3,232
Interest and other finance costs paid		(730)	(356)
Income taxes (paid) / refunded		(5)	(4)
Net cash from operating activities		5,892	2,872
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	26	(2,557)	-
Payment for purchase Alertvale Pty Ltd		(4,738)	-
Payments for property, plant and equipment	11	(1,082)	(925)
Payments for intangibles	13	(95)	(57)
Net cash used in investing activities		(8,472)	(982)
Cash flows from financing activities			
Proceeds from / (payments to) related parties		-	(296)
Proceeds from borrowings - debtor financing		5,952	-
Repayment of borrowings - debtor financing		(1,833)	(802)
Repayment of borrowings - bailment finance		-	(870)
Repayment of lease liabilities - AASB 16		(460)	-
Net cash from/(used in) financing activities		3,659	(1,968)
Net increase/(decrease) in cash and cash equivalents		1,079	(78)
Cash and cash equivalents at the beginning of the financial half-year		628	634
Cash and cash equivalents at the end of the financial half-year		1,707	556

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

Note 1. Significant accounting policies

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting and NZ IAS 34 Interim Financial Reporting. They have been prepared on a going concern basis in accordance with New Zealand Generally Accepted Accounting Principles (GAAP) and compliance with NZ IFRS and IFRS.

The interim report does not include all the notes of the type normally included in annual financial statements. Accordingly, this report should be read in conjunction with any public announcements made during the half-year ended 31 December 2020.

These interim financial statements were authorised for issue by the board of directors on 26 February 2021.

The principal accounting policies adopted in the preparation of the interim financial statements are set out below.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all the new or amended Standards and Interpretations that are relevant and effective for the current reporting period.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these accounting standards and interpretations are disclosed in the relevant accounting policy.

Comparative figures

In accordance with NZ IFRS, AIN's acquisition of Alertvale and BAE, and SMW Group's acquisition of AIN does not meet the definition of a business combination within the provisions of NZ IFRS 3 Business Combinations. Therefore, the consolidated entity applied the continuation method of accounting and the comparative financial information represents Alertvale as at 30 June 2020 and for the six months ended 31 December 2019.

Principles of consolidation

The interim financial statements incorporate the assets and liabilities of all subsidiaries of SMW Group as at 31 December 2020 and the results of all subsidiaries for the half-year then ended. SMW Group and its subsidiaries together are referred to in these interim 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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. 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.

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 1. Significant accounting policies (continued)

Reverse acquisition accounting

On 8 July 2020, SMW Group (formerly known as Aorere Resources Limited) disposed of its net assets through an in-specie distribution and then acquired 100% of the shares on issue in AIN for consideration of NZD$53,160,387. SMW Group satisfied the consideration by issuing 53,160,387 fully paid ordinary shares in SMW Group at an issue price of NZD$1.00 per share ('the Acquisition')

As part of the Acquisition, the company changed its name to SMW Group Limited and its NZX ticker code from "AOR" to "SMW". It also changed its balance date from 31 March to 30 June.

For accounting purposes this is a reverse acquisition and as such the company became the acquiree rather than the acquirer. As part of the Acquisition, SMW Group consolidated its shares, meaning the company undertook a share consolidation of 4138.489605:1 (subject to rounding of individual shareholdings to a whole number of shares, applying a consistent rounding policy) and Widespread Limited (a previous subsidiary of SMW Group) undertook a share split so that the number of shares on issue in Widespread Limited is equal to the number of shares on issue in SMW Group (approximately 400,000 shares).

As a condition of the Acquisition, directly prior to completion (on 3 July 2020) of the consolidated shares described above, SMW Group distributed shares in its previous wholly owned subsidiary, Widespread Limited to all shareholders in existence before the reverse acquisition on a pro rata basis. Widespread Limited now holds all existing assets, and liabilities of SMW Group and a right to receive up to NZ$600,000 over the following two years from AIN. Widespread Limited will continue the business of the former Aorere Resources Limited operations as a private, widely held company. Accordingly, existing shareholders received a new shareholding in Widespread Limited while continuing to hold their SMW Group shares.

As a result of these transactions, Widespread Limited no longer forms part of the consolidated entity.

Immediately prior to completion of SMW Group's acquisition of AIN and through a separate transaction to the Acquisition above, AIN acquired 100% of the shares on issue in two Australian businesses on 8 July 2020:

● Alertvale based in Rockhampton, Queensland – a diversified mining support, construction, maintenance and engineering services provider for consideration of AUD$28 million, with the consideration being satisfied by AUD$12 million in cash and the remainder by the issue of 16 million shares in AIN at a price of AUD $1.00 per share; and

● BAE based in Mackay, Queensland – a provider of specialised support services to the mining and construction industries in the areas of maintenance and engineering for consideration of AUD$10 million, with the consideration being satisfied by AUD$4 million in cash and the remainder by the issue of 6 million shares in AIN at a price of AUD $1.00 per share.

Both AIN's acquisition of Alertvale and BAE, and SMW Group acquisition of AIN constitute reverse acquisitions and for accounting purposes Alertvale is deemed to be the acquiring entity in both reverse acquisitions. Alertvale is the acquirer in the business combinations and their assets are recognised at fair value in the business combination accounting. Accordingly, the acquired intangible assets are solely attributed to BAE. These intangible assets consist of customer contracts and relationships as well as goodwill.

Note 1. Significant accounting policies (continued)

Going concern
The interim financial report has been prepared on a going concern basis.

At 31 December 2020 the consolidated entity's liabilities exceeded its assets resulting in a negative equity of $1,734,000. The consolidated entity also had a working capital deficiency of $7,697,000. Additionally, the consolidated entity incurred a loss from continuing operations after tax of $2,434,000. In the same period consolidated entity had positive net operating cash inflows of $5,892,000.

The net liability position as 31 December 2020 is predominately the result of the following:

● the acquisition of two operating business during the period for which the cash component including a working capital adjustment ($14,200,000) of the consideration has been partly settled through debt facilities with Scottish Pacific (BFS) Pty Ltd and the remainder of ($7,123,000) has been accrued as deferred settlement payments;

● incurring consulting fees associated with the transaction of $2,513,000 which have been partly settled through operating profits or have been accrued as at 31 December 2020; and

● the operating profitability of the businesses has been impacted to some extent by COVID-19 as a result of project delays and cancellations which has resulted in a reduction in revenue.

The Directors of SMW Group are of the opinion that the going concern basis remains appropriate after considering the following mitigating factors:

● The consolidated entities' operating businesses have historically made positive operating cash flows, which includes net cash from operating activities of $5,892,000 at half year end;

● Subsequent to 31 December 2020, SMW Group has obtained confirmation letters from the vendors to make the deferred settlement payments included in current liabilities of $1,387,000 and non-current liabilities of $5,741,000, at the discretion of SMW Group to defer the payments until such time that SMW Group has sufficient funds to make the payments;

● The consolidated entity has been able to increase its financing facility from $8,000,000 to $17,000,000 during the period;

● The consolidated entity has prepared a cashflow forecast and based on this forecast the SMW Group will be able to generate sufficient operating cashflows to pay debts as and when they fall due after deferral of deferred settlement payments; and

● Leave provisions included in current liabilities of $1,450,000 are not expected to be fully settled within the next 12 months.

The Directors believe the consolidated entity is a going concern and will be able to pay its debts as and when they become due and payable, this assumes the ongoing operations deliver the matters described above.

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.

Foreign currency translation
The financial statements are presented in Australian dollars, which is SMW Group's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial half-year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 1. Significant accounting policies (continued)

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest income
Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other income
Other income is recognised when it is received or when the right to receive payment is established.

Government grants
Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Grant income is recognised in profit or loss when the consolidated entity satisfies the performance obligations stated within the funding agreements.

If conditions are attached to the grant which must be satisfied before the consolidated entity is eligible to retain the contribution, the grant will be recognised in the statement of financial position as a liability until those conditions are satisfied.

Subsidies and grants
Subsidies and grants are recognised as income over the period to which they relate.

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.

Note 1. Significant accounting policies (continued)

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.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

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.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Inventories
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. 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 the estimated costs necessary to make the sale.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Note 1. Significant accounting policies (continued)

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

For financial assets 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.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value basis over the asset's expected useful lives as follows:

Motor vehicles	25%
Plant and equipment	10% - 67%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately 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.

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.

Engineering design costs
Design costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

Website
Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit.

Note 1. Significant accounting policies (continued)

Licences, trademarks and patents
Significant costs associated with patents and licences, trademarks and patents are deferred and amortised on a straight-line basis over the period of their expected benefit.

Customer contracts
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 10 years.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets other than inventories and deferred tax assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial half-year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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 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.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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 reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Note 1. Significant accounting policies (continued)

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected pre-acquisition distribution yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

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.

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.

Pre-Acquisition Distributions
Acquisition Distributions are recognised when declared during the financial half-year and no longer at the discretion of the consolidated entity.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

Note 1. Significant accounting policies (continued)

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. 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.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of SMW Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial half-year, adjusted for bonus elements in ordinary shares issued during the financial half-year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Rounding of amounts
Amounts in this report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
New Zealand 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 31 December 2020. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into two operating segments focused on the geographical location of the operations: Rockhampton and Mackay. These operating segments are based on the internal reports that are reviewed and used by the CEO, CFO and 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 interim financial statements.

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

Note 2. Operating segments (continued)

Presentation of revenue and results

Segment revenues and segment results are presented on an underlying basis.

Underlying results for the half-year ended 31 December 2020 and 31 December 2019 exclude the impact of non-underlying items relating to:

- One off non-recurring expenses; and
- Acquisition costs.

Operating segment information

Consolidated - 6 months ended 31 Dec 2020	Rockhampton $'000	Mackay $'000	Other* $'000	Total $'000
Revenue				
Sales to external customers	20,891	7,046	-	27,937
Total revenue	20,891	7,046	-	27,937
Underlying EBITDA	3,666	966	(752)	3,880
Depreciation and amortisation	(596)	(155)	(560)	(1,311)
Finance costs	-	-	(730)	(730)
Profit/(loss) before income tax expense	3,070	811	(2,042)	1,839
Income tax expense				(193)
Profit after income tax expense				1,646
Underlying profit before tax				1,839
Share-base payment expense				(1,033)
Listing costs				(958)
Transaction costs				(1,944)
One-off non recurring integration costs				(145)
Loss before income tax expense				(2,241)
Income tax expense				(193)
Loss after income tax expense				(2,434)

* The 'Other' category comprises corporate functions and does not represent an operating segment.

Consolidated - 6 months ended 31 Dec 2019	Rockhampton $'000	Other $'000	Total $'000
Revenue			
Sales to external customers	26,255	-	26,255
Total revenue	26,255	-	26,255
EBITDA	3,213	-	3,213
Depreciation and amortisation	(543)	-	(543)
Finance costs	(357)	-	(357)
Profit before income tax expense	2,313	-	2,313
Income tax expense			(648)
Profit after income tax expense			1,665

Note 3. Revenue

	Consolidated	
	6 months ended 31 Dec 2020 $'000	6 months ended 31 Dec 2019 $'000
Revenue from contracts with customers - recognised over time	11,473	13,741
Revenue from contracts with customers - recognised at a point in time	16,464	11,882
Service income	-	318
Equipment Sales	-	314
Revenue	27,937	26,255

Note 4. Other income

	Consolidated	
	6 months ended 31 Dec 2020 $'000	6 months ended 31 Dec 2019 $'000
Net foreign exchange gain	1	-
Australian Government grants - COVID-19 Cash Boost	100	-
Australian Government grants - Jobkeeper Scheme	3,495	-
Subsidies and grants	66	35
Interest	1	1
Other income	117	100
Other income	3,780	136

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Cash on hand	6	1
Cash at bank	1,132	117
Cash on short-term bank deposits	569	510
	1,707	628

Note 6. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Trade receivables	11,376	6,614
Government grants receivable	125	739
Sundry debtors	224	191
	11,725	7,544

Note 7. Current assets - inventories

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Raw materials and consumables	638	208
Work in progress	1,671	1,177
	2,309	1,385

Note 8. Current assets - other

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Prepayments	608	350
Bonds & deposits	102	13
Director related loans	-	221
	710	584

Note 9. Non-current assets - receivables

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Director related receivables	22	22
Related party receivables	-	3
	22	25

Note 10. Non-current assets - financial assets at fair value through other comprehensive income

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Unlisted investment at fair value	-	149

Note 11. Non-current assets - property, plant and equipment

	Consolidated 31 Dec 2020 $'000	Consolidated 30 Jun 2020 $'000
Plant and equipment - at cost	6,640	4,782
Less: Accumulated depreciation	(3,084)	(2,005)
	3,556	2,777
Motor vehicles - at cost	5,014	3,795
Less: Accumulated depreciation	(2,565)	(1,783)
	2,449	2,012
	6,005	4,789

Note 12. Non-current assets - right-of-use assets

	Consolidated 31 Dec 2020 $'000	Consolidated 30 Jun 2020 $'000
Right-of-use assets	10,988	8,553
Less: Accumulated depreciation	(1,317)	(575)
	9,671	7,978

Note 13. Non-current assets - intangibles

	Consolidated 31 Dec 2020 $'000	Consolidated 30 Jun 2020 $'000
Goodwill - at cost	6,356	-
Engineering design costs	273	210
Website development - at cost	40	23
Less: Accumulated amortisation	(21)	(18)
	19	5
Licences, trademarks, patents	15	-
Customer contracts - at cost	1,999	-
Less: Accumulated amortisation	(100)	-
	1,899	-
	8,562	215

Note 14. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Trade payables	3,658	1,080
Sundry payables and accrued expenses	5,179	1,725
Unearned revenue	737	788
Deferred settlement & advisor payments - related parties	1,507	-
Deferred settlement payments	516	-
	11,597	3,593

Note 15. Current liabilities - borrowings

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Debtor financing - Scottish Pacific	5,952	1,833

Note 16. Current liabilities - lease liabilities

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Lease liability relating to property leases	759	495
Hire purchase lease liabilities relating to motor vehicles and equipment	2,489	984
	3,248	1,479

Note 17. Current liabilities - employee benefits

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Annual leave	1,396	1,069
Long service leave	54	34
	1,450	1,103

Note 18. Non-current liabilities - payables

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Deferred settlement & advisor payments - related parties	3,588	-
Deferred settlement payments	2,378	-
	5,966	-

Note 19. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Loan - Related parties	870	-

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Debtor financing - ScotPac	5,952	1,833

Note 20. Non-current liabilities - lease liabilities

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Lease liability relating to property leases	9,211	7,640
Hire purchase lease liabilities relating to motor vehicles and equipment	2,117	2,115
	11,328	9,755

Note 21. Non-current liabilities - employee benefits

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Long service leave	357	237

Note 22. Equity - issued capital

	Consolidated			
	31 Dec 2020 Shares	30 Jun 2020 Shares	31 Dec 2020 $'000	30 Jun 2020 $'000
Ordinary shares - fully paid	54,122,884	102	6,391	-

Note 22. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares '000	Issue price (NZD)	$'000
Balance	1 July 2020	-		-
Issue of ordinary shares - All Industrial Network Limited *	8 July 2020	30,633	$0.00	-
Issue of ordinary shares - Alertvale Pty Ltd *	8 July 2020	16,384	$0.00	-
Issue of ordinary shares - acquisition of businesses	8 July 2020	6,144	$1.00	6,000
Issue of ordinary shares - Deemed issue of share capital on acquisition	8 July 2020	400	$1.00	391
Issue of ordinary shares to directors	8 July 2020	306	$0.00	-
Issue of ordinary shares to management	8 July 2020	256	$0.00	-
Balance	31 December 2020	54,123		6,391

* SMW Group acquired all of the ordinary shares in AIN on 8 July 2020.

In accordance with NZ IFRS AIN's acquisition of Alertvale and BAE, and SMW Group's acquisition of AIN does not meet the definition of a business combination within the provisions of NZ IFRS 3 Business Combinations. Therefore, the consolidated entity applied the continuation method of accounting.

Under continuation accounting the consolidated entity is effectively adopting the historical cost accounting whereby the assets and liabilities of the legal acquiree are recognised at their previous carrying amounts.

Ordinary shares
Ordinary shares entitle the holder to participate in pre-acquisition distributions 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.

Note 23. Equity - reserves

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Financial assets reserve	-	22
General reserve	(1,518)	-
Share-based payments reserve	549	-
	(969)	22

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

General reserve
The reserve is used to recognise the difference between the cost of acquisition of the entities under common control and the amounts at which assets and liabilities are recorded.

Note 24. Equity - pre-acquisition distributions

As a result of the reverse acquisition accounting, dividends paid by the subsidiary companies are treated as a reduction of total equity by way of a distribution paid during the financial half-year were as follows:

	Consolidated	
	6 months ended 31 Dec 2020 $'000	6 months ended 31 Dec 2019 $'000
Alertvale: Fully franked dividend for the year ended 30 June 2020 of $3,315.76 per ordinary share (30 June 2019: $2,371.24 per ordinary share)	338	424

Note 25. Related party transactions

Parent entity
SMW Group is the parent entity.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	6 months ended 31 Dec 2020 $'000	6 months ended 31 Dec 2019 $'000
Consideration relating to the acquisition of businesses:		
Ordinary shares issued for the acquisition of businesses to director John Trenaman	12,563	-
Ordinary shares issued for the acquisition of businesses to director Oliver Sabu	3,374	-
Ordinary shares issued for the acquisition of businesses to key management personnel Frank Humphreys	12,563	-
Ordinary shares issued as payment for services relating to the acquisition of businesses to director Christopher Leon	250	-
Ordinary shares issued as payment for services relating to the acquisition of businesses to director Chris Castle	24	-
Ordinary shares issued as payment for services relating to the acquisition of businesses to director Jill Hatchwell	24	-
Ordinary shares issued as payment for services relating to the acquisition of businesses to key management personnel Troy Donovan	250	-
Cash payment for the acquisition of businesses to director John Trenaman	1,582	-
Cash payment for the acquisition of businesses to director Oliver Sabu	1,106	-
Cash payment for the acquisition of businesses to key management personnel Frank Humphreys	1,582	-
Payment for other expenses:		
Consulting fees paid to an entity associated with director Gregory Kern	233	-
Other transactions:		
Rent and outgoing paid to entities controlled by director John Trenaman, Frank Humphreys & Scott Stevens	-	376
Rent and outgoing paid to entities controlled by director John Trenaman	346	-
Rent and outgoing paid to entities controlled by director Gregory Kern	16	-

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.

Note 25. 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:

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Current receivables:		
Loan to entities controlled by director John Trenaman, Frank Humphreys & Scott Stevens	-	221
Trade receivables from entities controlled by director John Trenaman, Frank Humphreys & Scott Stevens	22	25
Current payables:		
Deferred settlement payment to director John Trenaman	300	-
Deferred settlement payment to director Oliver Sabu	300	-
Deferred settlement payment to key management personnel Frank Humphreys	271	-
Deferred advisor payment to entities controlled by director Gregory Kern	636	-
Non-current payables:		
Deferred settlement payment to director John Trenaman	985	-
Deferred settlement payment to director Oliver Sabu	1,393	-
Deferred settlement payment to key management personnel Frank Humphreys	985	-
Deferred advisor payment to entities controlled by director Gregory Kern	225	-
Non-current borrowings:		
Loan from entities controlled by director Gregory Kern	650	-
Loan from entities controlled by director John Trenaman, key management personnel Frank Humphreys & former director Scott Stevens	220	-

Note 26. Business combinations

On 8 July 2020 AIN acquired 100% of the ordinary shares of BAE for the total consideration transferred of $10,078,903.

The values identified in relation to the acquisition of BAE are provisional as at 31 December 2020.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	1,520,854
Trade receivables	2,907,417
Inventories	688,760
Other current assets	151,571
Plant and equipment	977,079
Deferred tax asset	137,034
Provisions	(673,575)
Trade payables	(1,643,565)
Deferred tax liability	(599,649)
Borrowings	(1,742,246)
Net assets acquired	1,723,680
Goodwill[1]	6,635,394
Customer contracts and relationships[2]	1,998,829
Acquisition-date fair value of the total consideration transferred	10,078,903
Representing:	
Cash paid or payable to vendor	4,078,903
Shares	6,000,000
	10,078,903

[1] Goodwill arises as a result of the acquisition and relates to intangible assets that do not qualify for separate recognition.

[2] Cash paid and payable includes a working capital adjustment.

Note 27. Events after the reporting period

No matter or circumstance has arisen since 31 December 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 28. Earnings per share

	Consolidated	
	6 months ended 31 Dec 2020 $'000	**6 months ended 31 Dec 2019 $'000**
Profit/(loss) after income tax attributable to the owners of SMW Group Limited	(2,434)	1,665
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	52,052,614	102
Weighted average number of ordinary shares used in calculating diluted earnings per share	52,052,614	102
	Cents	**Cents**
Basic earnings / (loss) per share	(4.68)	1,632,352.94
Diluted earnings / (loss) per share	(4.68)	1,632,352.94

Weighted and diluted earnings per share are the same as there are no equity instruments which would dilute it.

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

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Shareholders of SMW Group Limited

Report on the Review of the Interim Consolidated Financial Statements

Conclusion

We have reviewed the interim consolidated financial statements of SMW Group Limited and its subsidiaries (collectively, the "Group"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the six month period ended on that date, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Statements* section of our report. We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. Other than in our capacity as assurance practitioner we have no relationship with, or interests in, the Group.

Directors' Responsibilities for the Interim Consolidated Financial Statements

The Directors of the Group are responsible, on behalf of the Group, for the preparation and fair presentation of the interim consolidated financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Financial Statements

Our responsibility is to express a conclusion on the interim consolidated financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim consolidated financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

A review of interim consolidated financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

The engagement partner on the review resulting in this independent auditor's review report is Timothy Kendall.

BDO

Tim Kendall

BDO Audit Pty Ltd

26 February 2021

Brisbane, Australia