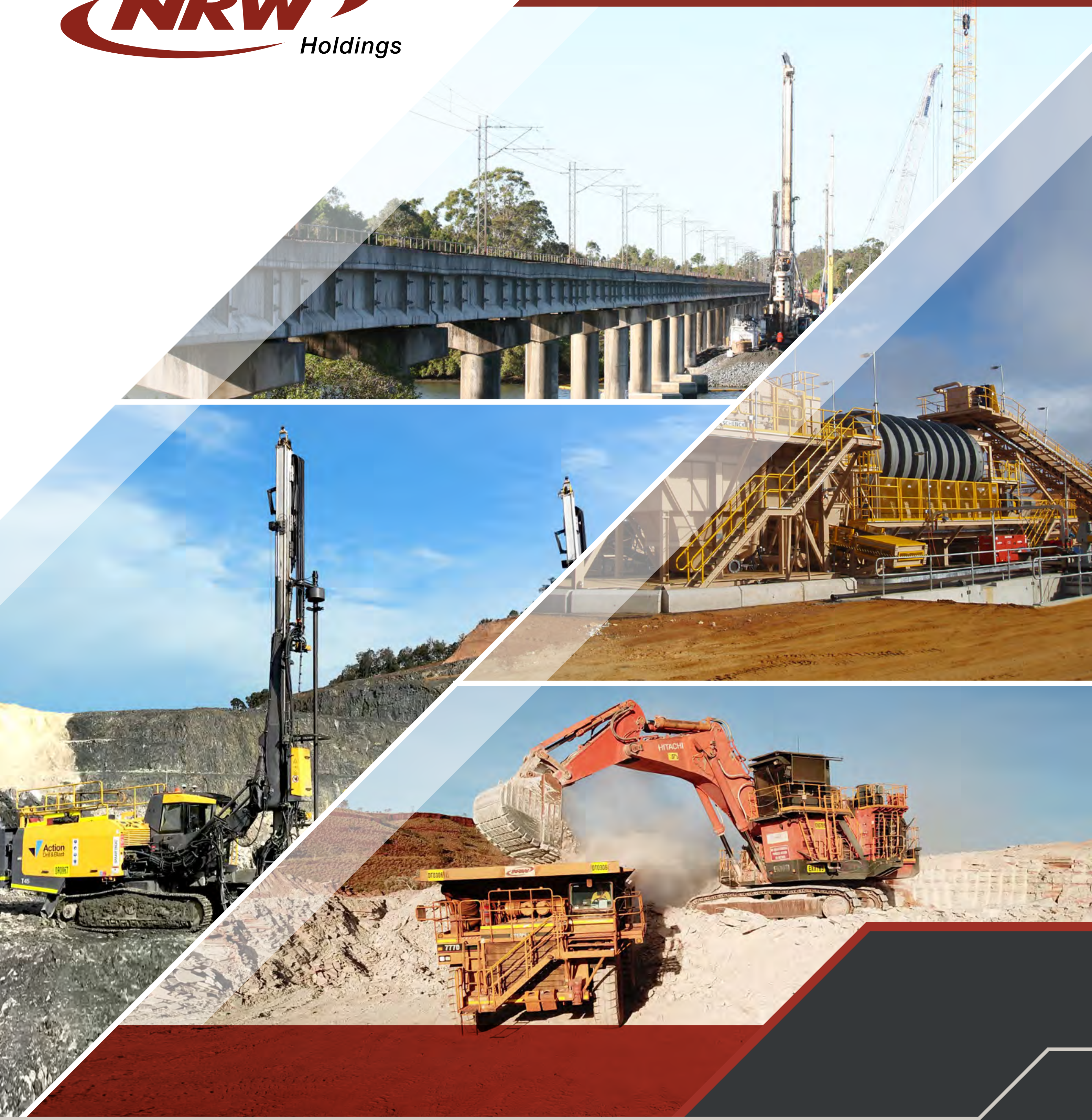
NRW Holdings



2019
ANNUAL REPORT

CORPORATE REGISTRY

DIRECTORS

Michael Arnett
Chairman and Non-Executive Director

Julian Pemberton
Chief Executive Officer and
Managing Director

Jeff Dowling
Non-Executive Director

Peter Johnston
Non-Executive Director

COMPANY SECRETARY

Kim Hyman

REGISTERED OFFICE

181 Great Eastern Highway,
Belmont WA 6104
Telephone: +61 8 9232 4200
Facsimile: +61 8 9232 4232
Email: info@nrw.com.au

AUDITOR

Deloitte Touche Tohmatsu
Tower 2
Brookfield Place
Level 9
123 St Georges Terrace
Perth WA 6000

SHARE REGISTRY

Link Market Services Limited
Level 4 Central Park
152 St Georges Terrace
Perth WA 6000

Telephone: +61 1300 554 474
Facsimile: +61 2 8287 0303

ASX CODE

NWH – NRW Holdings Limited
Fully Paid Ordinary Shares

CONTENTS PAGE

ABOUT US

NRW Holdings is a Group of leading companies providing diversified services to the resources, civil infrastructure and urban development sectors.

NRW's geographical diversification is complemented by its delivery of a wide range of operations. These encompass civil expertise including bulk earthworks, urban infrastructure and concrete installation; contract mining and drill and blast. NRW also offers a leading original equipment manufacturer (OEM) and innovative materials handling design capability with comprehensive additional experience for refurbishment and rebuild service of earthmoving equipment and machinery.

The Group has over 3,500 industry-experienced personnel nationwide, with a head office in Perth, Western Australia; offices in Brisbane, Queensland, and workshops in Perth, regional Western Australia and Victoria.

This year, we are proud to celebrate our 25 year anniversary. We have accomplished many outstanding achievements over the past 25 years, and our success has only been possible because of the skill and dedication of our people, and the trust our clients and shareholders have placed in us.

“The tender pipeline at around **$8 billion** has improved providing confidence that activity levels in **resources** and **infrastructure** can be sustained in the medium term.”

CHAIRMAN'S MESSAGE

As Chairman of NRW Holdings, and on behalf of my fellow Directors, I am pleased to present this year's annual report.

In FY19, NRW continued to progress its markets and growth strategy with new civil work, mining contract extensions and improved performance in drill and blast all contributing to the increase in revenue to $1.1 billion, up 49% from the previous year. The Group's net earnings (NPATA) also increased to $40.4 million.

Our People

Firstly, I wanted to mention the tragic incident involving Jack Gerdes, an excavator operator working for Golding at the Baralaba North Mine in Queensland who was fatally injured on July 7, 2019. Jack was a highly regarded employee of Golding and our thoughts are with his family, colleagues and friends.

Company Performance

The strong performance of the Company has been the result of the dedication of NRW employees across the business and in particular by the CEO, Jules Pemberton, and his leadership team. Collectively the CEO and the Executive Leadership Team provide a strong foundation to achieve our long term goals, as they continue to implement the strategic plan, perform against key operational objectives, deliver solid financial results and maintain strong relationships with all of our key clients.

I commend all employees for their hard work, and I extend a warm welcome to the 300 or so RCRMT employees who joined us earlier this year. Across all business units, we have a key focus on retaining, recruiting and training our workforce to meet strong market demand.

Board & Governance

My fellow Directors on the NRW Board are a dedicated group of professionals with a range of qualifications, expertise and experience. We are looking to broaden the diversity and inclusion of our Board by appointing a new Board member in the near future.

This year the Board has closely reviewed the Company's executive remuneration structures in light of stakeholder feedback. Our Nomination & Remuneration Committee has undertaken a restructuring of our executive pay and incentive schemes to strike the best possible balance between meeting shareholders' expectations, paying our employees competitively, and responding appropriately to the regulatory environment. I encourage you to read the changes we have made outlined in the Remuneration report on page 12 of the Directors' Report.

In the last 12 months, we have delivered on our commitment to shareholders with the Board declaring a fully franked final dividend for the financial year of two cents per share. This brings the total dividend for the year to 4 cents per share following the interim dividend paid in May 2019.

Looking Forward

The order book, which stood at circa $2.2 billion at 30 June 2019 has increased to $2.5 billion at 30 September 2019, of which around $1.45 billion is scheduled for delivery in FY20.

The tender pipeline at around $8 billion has improved, providing confidence that activity levels in resources and infrastructure can be sustained in the medium term.

We look forward to maintaining a strong financial position over the coming year while upholding our reputation as a leading provider of contract services to the resources and infrastructure sectors in Australia.

On behalf of the Board, I would like to thank all our shareholders, clients and employees for their ongoing loyalty and support.

Michael Arnett
Chairman, NRW Holdings

CEO REVIEW OF OPERATIONS

It is with great pleasure that I present NRW Holdings' results for the financial year ending 30 June 2019.

NRW continued to progress its diversification and growth strategy throughout the year, delivering a strong result with significant increases in revenue and earnings. Overall, new civil work, contract growth in the mining business and improved performance in drill and blast have all contributed to our success.

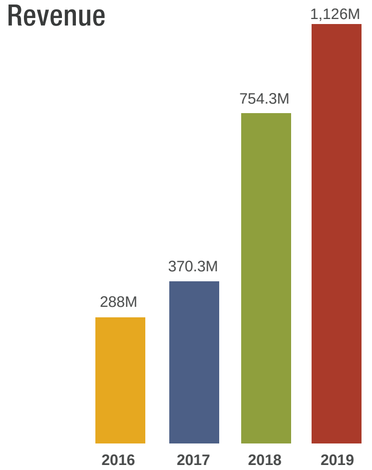
Our strategy to provide a broader suite of services to our customers was significantly strengthened by the acquisition of RCR Mining Technologies (RCRMT) in February 2019. RCRMT is a leading original equipment manufacturer (OEM) with an innovative materials handling design capability and supplies a wide range of products and services to its clients. The integration of the Mining Technologies business is complete and provides a significant opportunity to generate additional value through cross-selling to key clients. In the short time since NRW acquired the business over $110 million in new orders have already been secured and the pipeline continues to grow.

The NRW operating model continues to evolve as we are now a multi-disciplined "through cycle" business. Our ability to deliver strong profitability has provided NRW with the balance sheet strength to make further investments across the business that will drive the company's next growth phase. We are also in an excellent position to pursue further strategic market consolidation opportunities whilst continuing to apply the same disciplined approach to assessing value, as demonstrated in our other transactions.

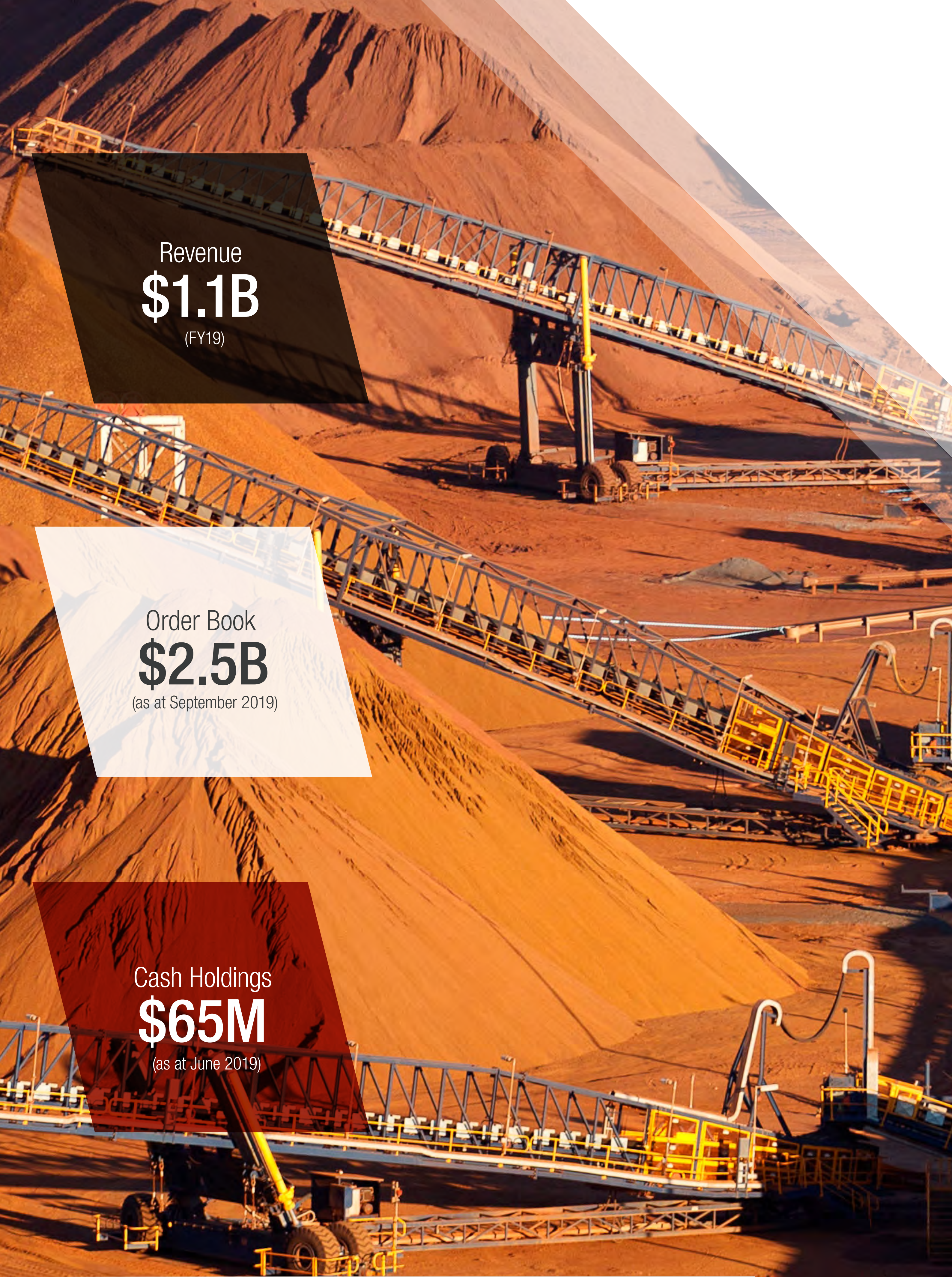
Earnings would have been higher had it not been for an impairment of $33.5 million made on the Gascoyne Resources Dalgaranga project relating to their voluntary administration in June. We continue to work on the project where gold output has improved significantly since the administration process commenced, whilst the administrators work through a sales and recapitalisation process.

Financial Year Highlights:

- 49% increase in revenue to $1,126.3 million
- Comparative EBITDA(1) increased to $144 million up 54% on pcp
- Cash holdings increased to $65 million
- Gearing at very modest 12.2%
- Final Dividend declared of 2 cents fully franked



(1) EBITDA is earnings before interest, tax, depreciation, amortisation, transaction costs, Gascoyne impairment and gain on acquisition arising on the acquisition of RCR Mining Technologies.



Revenue
$1.1B
(FY19)

Order Book
$2.5B
(as at September 2019)

Cash Holdings
$65M
(as at June 2019)

CEO REVIEW OF OPERATIONS CONTINUED

Following the successful acquisition of RCRMT, NRW has structured its business reporting into four segments, Civil, Mining, Drill and Blast, and Mining Technologies.

I have provided the highlights of each of the business units below. You can read further detail on the performance of each on pages five to seven of the Financial Statements.

Civil

The Civil business reported growth in revenue to $383.5 million as a result of contract awards for Iron Ore sustaining tonnes projects. It was pleasing to report the award of contracts for three major iron ore producers (BHP, Fortescue Metals Group and Rio Tinto) in Western Australia, and to be well placed to continue to win and deliver contracts in this sector as plans for sustaining current production volumes continue to grow.

Mining

The Mining business also reported significant growth in revenue to $622.9 million, up from $347.3 million in the prior year, taking into account a full year of Golding contribution compared to 10 months when the business was acquired in FY18.

A number of existing mining clients increased production volumes in the year and we delivered a full year of activity on both the Baralaba North project for Wonbindi Coal and Gascoyne Resources Dalgaranga gold project both of which commenced in FY18.

A five-year extension to Isaac Plains mining services was secured by Golding in November 2018 with an increased contract value of circa $950 million, requiring minimal new capital outlay. The increased activity has been supported with new mining fleet and transfer of fleet from NRW's Middlemount operations, in line with the reduced requirements for fleet on that project.

Drill and Blast

The Drill and Blast business delivered increased revenue of $140.9 million, with strong earnings improvement in the second half.

A number of new contracts and contract extensions were secured during the year including work at Greenbushes for Talison Lithium, for the Civil business at South Flank and Koodaideri, and for the Mining business at Isaac Plains and Baralaba. Activity levels have increased compared to last year and importantly earnings have followed. The value of contract awards and extensions in the year was $175 million.

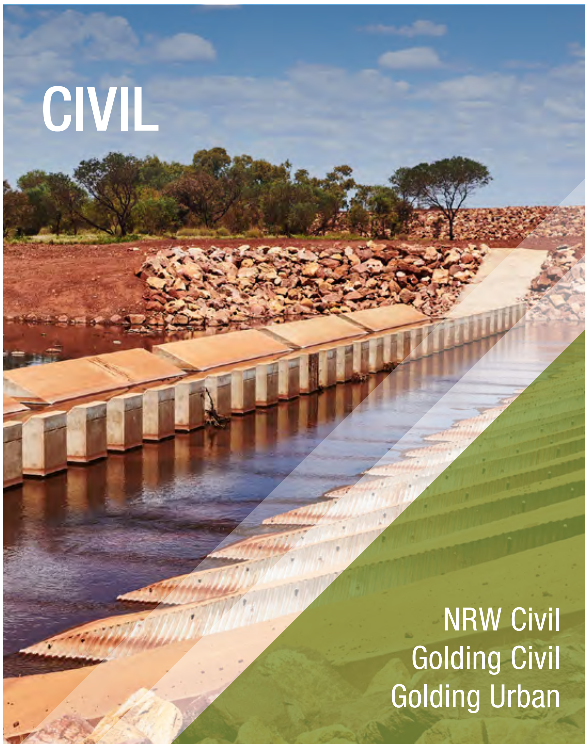
Across the business we have successfully implemented a structured programme to upgrade drills ensuring availability levels are at an acceptable standard, which are now contributing to improved earnings.

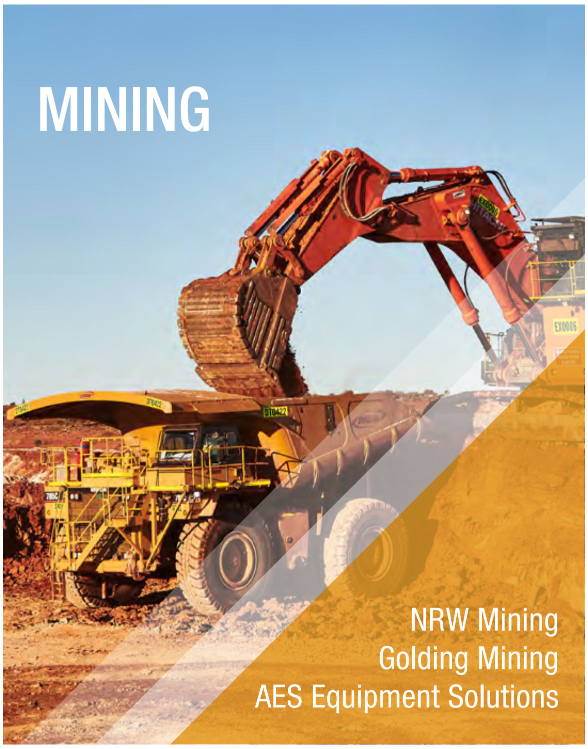
Mining Technologies

The highly successful acquisition of RCR Mining Technologies (RCRMT) has added to our diversified capability offering, and the services and people are now well embedded in the NRW business.

RCRMT owns significant intellectual property across a range of products and processes and is recognised as a market leader by global resource companies.

Since the transaction, the business has secured a number of contracts which clients were prepared to hold off placing elsewhere during administration, which underlines the reliance clients place on the quality of equipment and services supplied by the business.


CIVIL
NRW Civil
Golding Civil
Golding Urban


MINING
NRW Mining
Golding Mining
AES Equipment Solutions


DRILL
& BLAST
Action Drill & Blast


MINING
TECHNOLOGIES
RCR Mining Technologies

CEO REVIEW OF OPERATIONS CONTINUED

People & Safety

As our Chairman addressed, one of our colleagues, Jack Gerdes, an excavator operator working for Golding at the Baralaba North Coal Mine was fatally injured on 7 July 2019. The investigation into the circumstances of the tragedy is ongoing with the support of both NRW and Golding. Our condolences and thoughts remain with Jack's colleagues, family and friends.

NRW remains committed to our goal of Zero Harm.

NRW's Total Recordable Injury Frequency Rate (TRIFR) at June 2019 was 6.92 compared to 6.39 at June 2018.

Our current workforce levels have significantly increased through the year as a result of the strong increase in secured work and also through the acquisition of RCRMT. The workforce at June 2019 totalled circa 3,100, up from 2,000 at the end of FY18 and has continued into FY20 with a total circa 3,500, as at 30 September, 2019.

We endeavour to re-employ previous NRW employees as first preference wherever possible, and transfer people from completed projects to new projects to ensure we have the most experienced and capable people on the job.

NRW is focused on improving the sustainable development of local communities and traditional owners of the areas in which it works. The Company operates a number of projects in joint venture with various Indigenous organisations, providing sustainable business opportunities to these groups and the communities they represent.

Outlook

The markets in which NRW operates continue to provide opportunities for growth. The business has delivered on our strategy of building a broader service offering by providing mining technology services to both our core and new clients, and we have secured a number of new contracts and contract extensions, which places us in an excellent position to capitalise on the positive market conditions. The order book at 30 September 2019 has grown to circa $2.5 billion

The near term tender pipeline has strengthened to $8 billion and, with current submitted tenders of $1.2 billion with a twelve month commencement timeframe, we remain confident of strong activity levels across our key sectors over the years ahead. Revenue of circa $1.5 billion is forecast for FY20 with covered revenue as at 30 September 2019, at $1.45 billion.

Of course, the safe and successful delivery across all of our contracts remains fundamental to the growth of our business. We recognise that engaging a skilled and dedicated workforce is essential. We will continue to be an employer of choice retaining, recruiting and training our workforce to meet the strong market demand.

In closing, I want to thank all of our valued employees for their contributions this year; it has been another year of strong performance by the company and credit goes to you all across our businesses. I would also like to thank our new employees for choosing to join NRW during the year and our RCRMT employees who became part of the NRW family. Lastly, I would also like to acknowledge the Board and the Executive Leadership Team for their commitment and support over the last 12 months.

Jules Pemberton
CEO and Managing Director, NRW Holdings


Action Drill & Blast
Action
Drill & Blast
1615
1615

"The **Company** ended the financial year with cash balances of **$65.0 million** compared to $58.8 million at the start of the year."

CFO FINANCIAL REPORT

Financial Performance

NRW reported total revenue including revenue generated by associates of $1,126 million, up 49% on the prior year mostly due to higher volumes across the business especially Mining and from the recently acquired RCR Mining Technologies (RCRMT) business.

Earnings pre amortisation of intangibles related to acquisitions and transaction costs at $64.2 million are up 17% from the prior year. The result includes negative goodwill arising on the acquisition of RCRMT of $5.1 million, and an impairment of the Dalgaranga contract for Gascoyne Resources of $33.5 million.

The FY19 results include an income tax expense at normal levels which compares to a tax benefit in FY18, as unbooked tax losses were recognised in that year.

The table below provides key financial performance metrics for the current financial year compared to the prior comparative period:

	FY19		FY18	
	Revenue	**Earnings**	**Revenue**	**Earnings**
	$M	$M	$M	$M
Total Revenue / Total EBIT	1,126.3	64.2	754.3	54.9
Revenue from Associates	(48.2)		(68.9)	
Amortisation of acquisition Intangibles		(10.8)		(9.6)
Transaction costs		(1.2)		(2.8)
EBIT		**52.2**		**42.5**
Interest		(6.5)		(6.4)
Profit before Income tax		**45.7**		**36.1**
Tax		(13.5)		6.1
Statutory Revenue / Profit after tax	**1,078.1**	**32.2**	**685.4**	**42.2**

CFO FINANCIAL REPORT CONTINUED

The Company ended the financial year with cash balances of $65.0 million compared to $58.8 million at the start of the year. Debt increased to $100.5 million from $93.2 million to fund mining equipment acquired in support of a number of key contract extensions. Gearing at 12% was at a similar level to last year. Cash movements included reinstatement of dividend payments for both the final dividend for FY18 and interim dividend for FY19. The Company has strong relationships with its banking partner and is in compliance with all financing covenants as at 30 June 2019.

Balance Sheet, Operating Cash Flow & Capital Expenditure

A summary of the balance sheet as at the end of the current financial year and the previous financial year is provided below:

	30 June 19	30 June 18
	$M	$M
Cash	65.0	58.8
Debt	(100.5)	(93.2)
Net Debt	**(35.5)**	**(34.4)**
PPE	239.9	209.5
Working Capital	(1.7)	(5.5)
Investments in Associates	2.7	4.8
Net Tax Assets	22.1	38.3
Tangible Assets	**227.6**	**212.7**
Intangibles and Goodwill	63.8	59.9
Net Assets	**291.4**	**272.6**
Gearing	*12.2%*	*12.6%*

Net debt balances include strong cash generation from earnings which were used to acquire RCRMT, pay down acquisition debt and restructure debt (corporate notes), support further capital investment and to fund dividends.

Growth in working capital was minimal mostly to support the newly acquired RCRMT business and growth in Civil projects. Debt established in 2016 in the form of a corporate note was refinanced in the year to normalise the general security structure. Bankwest provided the funds for the refinancing. New debt was almost entirely to support mining equipment purchases funded by the original equipment manufacturers.

Capital expenditure totalled $77.3 million compared to $46.0 million in the previous financial year. The expenditure was on new excavators and trucks to support contract extensions in the Mining business at Curragh and Isaac Plains. The balance of spend was used for component replacements to maintain the existing fleet and drill upgrade programmes in Drill and Blast to improve availability.

The Group was in full compliance with its debt covenants as at 30 June 2019. Overall gearing reduced to 12% compared to 13% in the prior year.

Intangibles and goodwill reduced as Golding intangibles were fully amortised offset by acquired intangibles resulting from the acquisition of RCRMT.

The income tax expense recognised in net earnings has reduced the deferred tax asset carrying value as expected.

NRW will continue to maintain a strong financial position in line with the increased activity levels across the resources and infrastructure sectors over the years ahead.

Andrew Walsh
CFO, NRW Holdings


TEREX
FRANNA
MRC 25t

FINANCIAL REPORT
CONTENTS PAGE

DIRECTORS’ REPORT

The Directors present their report together with the financial statements of NRW Holdings Limited (“the Company”) and of the consolidated group (also referred to as “the Group”), comprising the Company and its subsidiaries, for the financial year ended 30 June 2019.

DIRECTORS

The following persons held office as Directors of NRW Holdings Limited during the financial year and up to the date of this report:

MICHAEL ARNETT

Chairman and Non-Executive Director

Mr Arnett was appointed as a Non-Executive Director on 27 July 2007 and appointed Chairman on 9 March 2016.

Mr Arnett is a former consultant to, partner of and member of the Board of Directors and national head of the Natural Resources Business Unit of the law firm Norton Rose Fulbright (formally Deacons). He has been involved in significant corporate and commercial legal work for the resource industry for over 20 years.

JEFF DOWLING

Non-Executive Director

Mr Dowling was appointed as a Non-Executive Director on 21 August 2013.

Mr Dowling has 36 years’ experience in professional services with Ernst & Young. He has held numerous leadership roles within Ernst & Young which focused on the mining, oil and gas and other industries.

Mr Dowling has a Bachelor of Commerce from the University of Western Australia and is a fellow of the Institute of Chartered Accountants, the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

Mr Dowling has held the following directorships of listed companies in the three years immediately before the end of the financial year:

- Chairman, S2 Resources Limited (Appointed 29 May 2015)
- Non-Executive Director, Fleetwood Corporation Limited (Appointed 1 July 2017)
- Non-Executive Director, Battery Minerals Limited (Appointed 25 January 2018)

PETER JOHNSTON

Non-Executive Director

Mr Johnston was appointed as a Non-Executive Director on 1 July 2016.

Mr Johnston has served with a number of national and international companies. Most recently he was appointed Global Head of Nickel Assets for Glencore in 2013 and completed that role in December 2015. Prior to that role he was Managing Director and Chief Executive Officer of Minara Resources Pty Ltd from 2001 to 2013.

Mr Johnston graduated from the University of Western Australia with a Bachelor of Arts majoring in psychology and industrial relations.

Mr Johnston has held the following directorships of listed companies in the three years immediately before the end of the financial year:

- Non-Executive Director, Tronox Ltd (NYSE) (Appointed 1 August 2012)
- Chairman, Jervois Mining Ltd (Appointed 19 June 2018)

DIRECTORS’ REPORT CONTINUED

JULIAN PEMBERTON

Chief Executive Officer and Managing Director

Mr Julian (Jules) Pemberton was appointed as a Director on 1 July 2006 and appointed as Chief Executive Officer and Managing Director on 7 July 2010.

Mr Pemberton has more than 20 years’ experience in both the resources and infrastructure sectors. He joined NRW in 1996, and prior to his appointment as Chief Executive Officer and Managing Director he held a number of senior management and executive positions at NRW including Chief Operating Officer.

KIM HYMAN

Company Secretary

Mr Hyman was appointed to the position of Company Secretary on 10 July 2007. Mr Hyman has responsibility for company secretarial services and co-ordination of general legal services, as well as the insurance portfolio.

DIRECTORS’ MEETINGS

The number of Directors’ meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Directors’ Meetings Held	Directors’ Meetings Attended
Michael Arnett	12	12
Jeff Dowling	12	12
Peter Johnston	12	11
Julian Pemberton	12	12

NOMINATION & REMUNERATION COMMITTEE

The members of the Nomination & Remuneration Committee (“N&RC”) are Michael Arnett (Chairman), Jeff Dowling and Peter Johnston. During the 2019 financial year two meetings of the Committee were held. Certain responsibilities of the Committee were also considered at board meetings as required.

AUDIT & RISK COMMITTEE

The members of the Audit & Risk Committee are Jeff Dowling (Chairman), Michael Arnett and Peter Johnston. During the 2019 financial year three meetings of the Audit & Risk Committee were held and all members attended all meetings. In addition, some audit and risk matters were considered in the course of regular board meetings.

OPERATING AND FINANCIAL REVIEW

ABOUT NRW (PRINCIPAL ACTIVITIES)

NRW is a diversified provider of contract services to the resources and infrastructure sectors in Australia, encompassing civil expertise including bulk earthworks and concrete installation, contract mining and drill and blast. NRW also offers a leading original equipment manufacturing (OEM) and innovative materials handling design capability with comprehensive additional experience for refurbishment and rebuild services for earthmoving equipment and machinery.

Further detail on the operations of each business division and the Group is provided below.

SIGNIFICANT CHANGES IN BUSINESS ACTIVITIES

The Company acquired RCR Mining Technologies (RCRMT) on 15 February 2019, the results of which have been incorporated into this report from that date.

DIRECTORS'
REPORT CONTINUED

GROUP RESULTS

FINANCIAL PERFORMANCE

A summary of the key financial performance metrics for the current financial year (FY19) is provided below with comments on significant movements compared to the prior comparative period (pcp), FY18;

- Total Revenue including associates is up 49% mostly due to higher volumes of work across the business especially Mining and the initial contribution from RCRMT.
- Earnings pre amortisation of intangibles arising from acquisitions and transaction costs at $64.2 million are up 17% on pcp after impairing $33.5 million of Gascoyne pre-administration balances which includes work in progress, loan balances and equity investment. The result includes a gain on acquisition of RCRMT of $5.1 million.
- The FY19 results include an income tax expense, compared to a tax benefit recorded in FY18 as unbooked tax losses were brought to account that year.

	FY19		FY18	
	Revenue	Earnings	Revenue	Earnings
	$M	$M	$M	$M
Total Revenue /Total EBIT	1,126.3	64.2	754.3	54.9
Revenue from Associates	(48.2)		(68.9)	
Amortisation of Acquisition Intangibles		(10.8)		(9.6)
Transaction costs		(1.2)		(2.8)
EBIT		**52.2**		**42.5**
Interest		(6.5)		(6.4)
Profit before income tax		**45.7**		**36.1**
Tax		(13.5)		6.1
Statutory Revenue / Profit after tax	**1,078.1**	**32.2**	**685.4**	**42.2**

The Company ended the financial year with cash balances of $65.0 million compared to $58.8 million at the start of the year. Debt increased to $100.5 million from $93.2 million to fund mining equipment acquired in support of a number of key contract extensions. Gearing at 12% was at a similar level to last year. Cash movements included reinstatement of dividend payments for both the final dividend for FY18 and interim dividend for FY19. The Company has strong relationships with its banking partner and is in compliance with all financing covenants as at 30 June 2019.

DIRECTORS'
REPORT CONTINUED

OPERATING SEGMENTS

Following the successful acquisition of RCRMT, NRW has structured its business reporting into four segments, Civil, Mining, Drill & Blast and Mining Technologies.

- Civil: comprises the Civil business of NRW together with the Golding Civil and Urban businesses.
- Mining: consolidates the Mining businesses of NRW and Golding together with NRW's Mining support business AES Equipment Solutions.
- Drill and Blast: Action Drill & Blast.
- Mining Technologies: consolidates the newly acquired RCRMT business including Heat Treatment.

The performance of the four businesses is outlined below:

Civil

The Civil business specialises in the delivery of private and public civil infrastructure projects, mine development, bulk earthworks and commercial and residential subdivisions. Civil construction projects include roads, bridges, tailings storage facilities, rail formation, ports, water infrastructure and concrete installations.

Results summary ($M)

	FY19		FY18	
Revenue	383.5		311.3	
EBITDA	19.1	*5.0%*	20.3	*6.5%*
Depreciation	(2.3)		(2.5)	
EBIT	16.7	4.4%	17.8	5.7%

The Civil business reported growth in revenue due to awards for Iron Ore sustaining tonnes projects for Rio Tinto, BHP and FMG. During the year the business secured new work for BHP's South Flank project, extension to the Pacific Highway upgrade for Roads and Maritime Services NSW, the mine plant bulk earthworks and Southern Rail Formation for Rio Tinto's Koodaideri project and a contract for FMG's Eliwana Rail project Stage 1.

Golding Civil continued work on the Woolgoolga to Ballina Pacific Highway upgrade and secured a new project for earthworks and associated pipework. The Golding Urban business has continued to perform well by sustaining revenue in a challenging South East Queensland market. Activity on each project is lower than forecast given the slow-down in the market but the business has been able to offset this reduction by increasing the number of projects in work.

The Civil business results include the Forrestfield Airport Link ("FAL") for the PTA which is being undertaken by the SINRW JV. Revenue recognised on the project, which is scheduled to complete in 2021 was lower than in FY18 in line with project scheduling, earnings however were impacted by a reduction in forecast margin. The Tunnel boring machines both encountered mechanical and technical issues that have subsequently been rectified by the manufacturer. The consequential delay has impacted the overall schedule and cost. A key priority for the project team and the client is the agreement of contract claims relating to instructions by the client which are still under negotiation.

OPERATING SEGMENTS (CONTINUED)

Mining

The Mining business specialises in mine management, contract mining, load and haul, dragline operations, coal handling prep plants, maintenance services and the fabrication of water and service vehicles.

Results summary ($M)

	FY19		FY18	
Revenue	622.9		347.3	
EBITDA	113.4	18.2%	66.5	19.1%
Depreciation	(40.6)		(28.1)	
Gascoyne	(33.5)		-	
EBIT	39.3	6.3%	38.4	11.0%

The Mining business reported significant growth in both revenue and earnings before the Gascoyne impairment, which also included incremental activity on two existing mining clients operations (Isaac Plains and Curragh), a full year's contribution from Baralaba North for Wonbindi Coal and for Gascoyne Resources at the Dalgaranga gold project both of which commenced in FY18. EBITDA margins were lower as a result of the higher Baralaba revenues where Golding operate client equipment with consequently no depreciation cost.

The result includes an impairment related to Gascoyne Resources (ASX: GCY) following their entry into voluntary administration in June 2019. NRW had been providing financial support to Gascoyne in the form of deferred settlement terms for work performed (as secured debt and equity) required as a consequence of processing lower grade ore in the initial start-up of operations. As a consequence of the administration, NRW advised the ASX on 4 June 2019 of an exposure to Gascoyne totalling approximately $35 million representing work in progress, monthly billings and the debt and equity support referred to above. NRW is continuing to work on the project where gold output has improved significantly since the administration process commenced. Payment terms for current work have been agreed at one week in arrears; these have been consistently met by the administrators. Initial information on the resource strongly supports the continuation of the project and the expectation that NRW may be able to recover a proportion of its outstanding debts over time. However, given the uncertainty of the projects eventual financial structure and timing, all pre-administration balances referred to above have been impaired in the FY19 accounts ($33.5 million).

Golding secured an agreement in November 2018 for a five-year extension to its mining services contract at Isaac Plains adding approximately $500 million of new work to the existing contract. This was amended in early July 2019 with further increases in scope adding $450 million to the overall contract value. The increased activity has been supported with key purchases of new mining fleet and transfer of fleet from NRW's Middlemount operations. At Middlemount, an agreement with the client has been reached for a phased reduction in activity to contract completion in June 2020. Whilst we have worked successfully at Middlemount, the contracting model of fleet provision with maintenance services is not aligned to our core delivery model of full contract mining services.

OPERATING SEGMENTS (CONTINUED)

Drill and Blast

Action Drill & Blast (ADB) is a market leader in the provision of integrated, end-to-end production drill and blast services to the mining and civil construction sectors across Australia.

Results summary ($M)

	FY19		FY18	
Revenue	140.9		117.0	
EBITDA	12.0	*8.5%*	8.3	*7.1%*
Depreciation	(6.8)		(6.6)	
EBIT	5.2	3.7%	1.7	1.4%

Activity levels have increased across the business compared to last year and importantly earnings have followed. Earnings have for some time been impacted by drill availability, which has been the subject of a structured programme to upgrade drills progressively to ensure availability levels are at an acceptable standard. EBITDA margins in the first half of FY19 were at 5.5%; in the second half these improved to 11.5%. The upgrade programme will continue with the expectation that margins can further improve.

The Drill & Blast business secured a number of new contracts and contract extensions in the year including work for the Civil business at South Flank and Koodaideri, at Greenbushes for Talison Lithium and for Golding at Isaac Plains and Baralaba.

Mining Technologies

RCRMT is a leading original equipment manufacturer (OEM) that offers innovative materials handling design capability. The business was acquired from the RCR Group administration process in mid-February 2019.

Results summary ($M)

	FY19		FY18
Revenue	30.9		-
EBITDA	0.7	*2.3%*	-
Depreciation	(0.3)		-
Gain on acquisition	5.1		-
EBIT	5.5	*17.8%*	-

The result, which is for four months, is in line with expectations reflecting lower activity than normal as a direct consequence of not being able to take on work during the period of administration (assuming clients were prepared to award) without clarity on the future ownership of the business. The business has secured a number of contracts which clients were prepared to hold off placing elsewhere during administration which underlines the reliance clients place on the quality of equipment and services supplied by the business.

The result includes a gain on acquisition related to the transaction. An independent assessment has determined the carrying value of the intangibles relating to "customer contracts and relationships", brand and intellectual property as part of the acquisition. Customer contracts and relationships and intellectual property are being amortised in line with the valuation assessment. Brand name has an indefinite useful life and is therefore not amortised but is tested for impairment at least annually. Transaction costs of $1.2 million have been expensed in FY19.

BALANCE SHEET, OPERATING CASH FLOW AND CAPITAL EXPENDITURE

A summary of the balance sheet as at the end of the current financial year and the previous financial year is provided below.

	30 June 2019	30 June 2018
	$M	$M
Cash	65.0	58.8
Debt	(100.5)	(93.2)
Net Debt	**(35.5)**	**(34.4)**
PPE	239.9	209.5
Net Working Capital	(1.7)	(5.5)
Investments in Associates	2.7	4.8
Net Tax Assets	22.1	38.3
Tangible Assets	**227.5**	**212.7**
Intangibles and Goodwill	63.8	59.9
Net Assets	**291.4**	**272.6**
Gearing [(1)]	*12.2%*	*12.6%*

(1) Gearing is Net Debt / Total Equity

Net debt balances include strong cash generation from earnings which were used to acquire RCRMT, pay down acquisition debt and restructure debt (corporate notes), support further capital investment and to fund dividends. Growth in working capital was minimal mostly to support the newly acquired RCRMT business and growth in Civil projects. Debt established in 2016 in the form of a corporate note was refinanced in the year to normalise the general security structure. Bankwest provided the funds for the refinancing. New debt was almost entirely to support mining equipment purchases funded by the original equipment manufacturers.

Capital expenditure totalled $77.3 million compared to $46.0 million in the previous financial year. The expenditure was on new excavators and trucks to support contract extensions in the Mining business at Curragh and Isaac Plains. The balance of spend was used for component replacements to maintain the existing fleet and drill upgrade programmes in Drill and Blast to improve availability.

The Group was in full compliance with its debt covenants as at 30 June 2019. Overall gearing reduced to 12.2% compared to 12.6% in the prior year.

Intangibles and goodwill reduced as Golding intangibles were fully amortised offset by acquired intangibles resulting from the acquisition of RCRMT.

The income tax expense recognised in net earnings has reduced the deferred tax asset carrying value as expected.

PEOPLE AND SAFETY / OCCUPATIONAL HEALTH AND SAFETY

NRW is committed to achieving the highest possible performance in occupational health, safety and environmental management.

Our vision is for every employee to arrive home safely after each shift or swing. We focus on completing our daily tasks in a safe manner, looking out for our workmates and ultimately delivering projects to our clients that we are proud of.

Our Occupational Health and Safety Management Systems are accredited to AS4801:2001/ISO18001:2007, the applicable Australian and International Standards and are subject to continuous auditing by an external third party.

While health and safety remains the highest priority, it was with great sadness we reported that Jack Gerdes, an excavator operator working for Golding at the Baralaba North Coal Mine was fatally injured on 7 July 2019. The fatality was advised to the ASX on 8 July 2019. The investigations are still ongoing, and Golding has and continues to co-operate with the Mines Inspectorate both onsite and at a corporate level to support their investigation into the accident.

NRW's Total Recordable Injury Frequency Rate (TRIFR) at June 2019 was 6.92 compared to 6.39 at June 2018.

NRW recognises that our success is the result of our dedicated workforce. A workforce that constantly returns to NRW as more projects are secured and positions become available. We re-employ previous NRW employees as first preference wherever possible, and transfer people from completed projects to new projects to ensure we have the most knowledgeable people on the job. When we look for employees in the wider market we attract new highly qualified candidates, even for short term contracts, confirming that NRW is an employer of choice. NRW aims to recruit and retain a skilled workforce and endorses a safe environment free from harassment and unlawful discrimination.

NRW's current workforce levels have increased through the year as a result of the addition of the increased activity and the acquisition of RCRMT. Headcount at June 2019 totalled circa 3,145 (June 2018 – 2,000).

NRW continues to embrace diversity and inclusiveness across all of its activities. NRW relies on and encourages its employees to contribute a diverse range of skills and experience. Our objective is to increase participation across a range of demographics.

NRW is focused on improving the sustainable development of local communities and traditional owners of the areas in which it works. The Company operates a number of projects in joint venture with various Indigenous organisations to provide sustainable business opportunities to these groups and the communities they represent.

The Company has developed a series of initiatives to engage with indigenous communities to provide enduring progressive opportunities. These initiatives have included the "Powerup Program" which offers Indigenous candidates the opportunity to grow a career with NRW and gain valuable experience within the civil and mining industries.

NRW is pleased to report an Indigenous participation rate which has ranged between 5% to 8% across its major projects in West Australia and an employee retention rate, despite project cycles, of 85%.

DIRECTORS'
REPORT CONTINUED

ENVIRONMENTAL REGULATIONS

The Group holds various licences and is subject to various environmental regulations. No known environmental breaches have occurred in relation to the Group's operations.

NRW operates within the strict environmental obligations defined by our clients which requires the project "environmental footprint" to be respected at all times.

NRW is currently assessing the practicalities of implementing processes which will allow it to report on the financial impacts that climate related risks and opportunities have on the organisation as proposed by the Task Force on Climate-Related Financial Disclosures (TCFD).

The TCFD released recommendations for more effective climate-related disclosures which aim to provide a voluntary, consistent disclosure framework that improves the ease of both producing and using climate-related financial disclosures.

RISK MANAGEMENT

NRW has risk management policies and procedures in place to provide early identification of business risks and to monitor the mitigation of those risks across all aspects of the business. These include risk assessment in the tender and contracting phase, management of specifically identified project risks, treasury management and credit risks. We also identify and track appropriate mitigation actions for identified risks. Further commentary on material risks is provided in the Corporate Governance and Risk Management section of this report.

OUTLOOK

The markets in which NRW operates continue to provide opportunities for growth as demonstrated in these results.

Four areas of focus were identified in the outlook commentary last year, progress against which is summarised below:

- Supporting the iron ore sector as plans for sustaining current production volumes are developed.
  – Identified successes –
  - Secured South Flank contract for BHP ($176 million)
  - Secured Eliwana Rail project for FMG
  - Secured Plant site and Southern Rail packages for Rio Tinto
  - Secured major process infrastructure equipment orders from all three majors (RCRMT)
- Growing our presence in Queensland and New South Wales on the back of the Golding acquisition.
  – Identified successes –
  - Further extension and scope expansion of Isaac Plains contract for Stanmore Coal
  - Delivered significant increase in revenues from Golding business
  - Sustaining revenues and winning work for new clients for subdivisions in Urban in a challenging property market
- Project delivery across all contracts.
  – Identified successes –
  - Civil project delivery completions (first half) well above bid margins
  - Productivity improvements now being delivered in the drill and blast business (second half)
- Review opportunities to expand our service offering in our core markets and to diversify where we have relevant expertise.
  – Identified successes –
  - Acquired RCRMT – provides adjacent market with core NRW clients and maintenance business
  - Reviewing joint opportunities between Civil and RCRMT to provide integrated solutions

DIRECTORS' REPORT CONTINUED

OUTLOOK (CONTINUED)

These focus areas have been reviewed and revised recognising the work completed to date and the recent acquisition of RCRMT. Going forward the key focus areas are;

- Positioning in key traditional civil markets to address continued investment in iron ore;
- RCRMT integration going well – significant opportunity to generate additional value from the acquisition and through cross selling to key clients. Reviewing options to build a broader delivery platform;
- Key focus on retaining, recruiting and training our workforce to meet strong market demand;
- NRW operating model continues to evolve as a multi-disciplined through cycle capex and opex business; and
- Further strategic / market consolidation opportunities under review - highly disciplined approach to assessing value (as demonstrated in other recent transactions).

The order book at 30 June 2019 is circa $2.2 billion of which around $1.1 billion is scheduled for delivery in FY20 excluding any orders secured by Urban and RCRMT. These businesses work on a combination of medium and short term work and are expected to contribute at least an additional $200 million of revenue to FY20 bringing the total covered work for FY20 to $1.3 billion.

The near term tender pipeline (one-year award / commencement potential) has strengthened to $8 billion of which NRW has submitted tenders of circa $1.2 billion. We remain very confident of strong activity levels across the resources and infrastructure sectors over the years ahead. NRW is forecasting revenue at circa $1.5 billion in FY20.

SIGNIFICANT EVENTS AFTER PERIOD END

No matter or circumstance has arisen since the end of the financial year and the date of this report that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or its state of affairs in future financial periods.

DIVIDEND

The Directors have declared a final dividend for the financial year of two cents per share. This brings the total dividend for the year to four cents per share following the interim dividend paid in May 2019. The dividend will be fully franked and paid on 10 December 2019.

DIRECTORS' INTERESTS

The relevant interest of each Director in the ordinary share capital are set out in note 5.7 of Executive KMP Remuneration Outcomes. There were no transactions between entities within the Group and Director-related entities as disclosed in note 7.3 to the financial statements.

PERFORMANCE RIGHTS OVER UNISSUED SHARES OR INTERESTS

As at the date of this report, there are 8,213,998 Performance Rights outstanding (2018; 13,290,881).

Details of Performance Rights granted to Executives as part of their remuneration are set out in the Remuneration Report on pages 12 to 22.

DIRECTORS'
REPORT CONTINUED

LETTER FROM CHAIR OF THE NOMINATION & REMUNERATION COMMITTEE

Dear Shareholders and readers of this report,

We are pleased to present NRW's Remuneration report for the year ended 30 June 2019.

NRW's remuneration framework is designed to align management remuneration with shareholder returns, the principles of which are outlined in the "remuneration overview" section of this report.

I am pleased that we have once again been able to report significant growth in NRW as measured by Revenue, Earnings and Market Capitalisation. I have used FY16 as the starting point to demonstrate the extent of the company's growth a date which also coincides with the introduction of the revised incentive plans;

- Revenue has increased from $288 million in FY16 to $1,078 million in FY19;
- Earnings (comparative EBITDA) have increased from $47.4 million in FY16 to $143.9 million in FY19;
- Market Capitalisation has increased by $884 million over three years from $59 million at June 16 to $943 million at June 19; and
- Total shareholder return over the same three years was circa $840 million.

This transformation of the company has been the result of significant commitment and hard work by NRW employees across the business and in particular, the leadership of Jules Pemberton, our CEO and his executive team.

The Board Remuneration Committee in establishing the reward framework for the leadership team and senior professionals across the organisation were mindful of the nature of the work which NRW project teams undertake, the challenges of remote environments, the breadth and diversity of the resources in which our teams deliver infrastructure, mine operations, while providing ongoing maintenance and support to our clients across widely dispersed regions of the country.

Details of the remuneration framework applying to the leadership team are transparently and comprehensively disclosed in this report. Some shareholders expressed concern that the equity based awards adopted proportional vesting over less than 3 years. This decision of the Board was deliberate. When first introduced in 2016 the company needed to deliver on many initiatives quickly. Equity awards were designed to drive those initiatives and meet the challenges faced by our business at that time.

With the accomplishments over the last three financial years, your committee has further reviewed the structure of reward for the leadership team for the period ahead. Details are set out below.

Our objective as a committee is to implement remuneration policies that reward value creation and deliver sustainable value for NRW shareholders. We strongly believe that if investors and their advisers carefully review our accomplishments and forward plans they will endorse the effectiveness of the plans implemented thus far and those which we are proposing as set out below.

We strongly believe that the reward arrangements which we put in place and have delivered a 15 times multiple improvement in the company's market value since 2016 have been successful.

With respect to the key remuneration issues and outcomes in the 2019 financial year;

- We have not made any underlying changes to the fixed remuneration of the CEO, CFO and EGM's of the Golding and Civil and Mining businesses.
- There have been no changes to the annual incentive policy other than to develop challenging and focused objectives for the management team to deliver through the past 12 months (FY19).
- The short term incentive percent of TFR for the CEO and CFO was increased in FY19 by 25% and 20% respectively. This increase, which was for the current financial year, was structured to provide an incentive to meet incremental stretch objectives set after establishing the core targets based on the budget approval. Underlying business performance supported the establishment of these incremental incentives, however the Gascoyne impairment ultimately meant that this element of remuneration was not achieved.

DIRECTORS’ REPORT CONTINUED

LETTER FROM CHAIR OF THE NOMINATION & REMUNERATION COMMITTEE (CONTINUED)

- I am pleased to report that the STI targets set for FY19 were achieved in part and appropriate awards are included, with explanation in this report. In agreeing to these awards the committee has considered other factors which can be applied as modifiers which include safety and strategic development. In making our final assessment we have considered the fatality in July this year further commentary on which is included in the People and Safety / Occupational Health and Safety section of the Directors Report.
- There have been no new equity awards, other than to Ian Gibbs who joined NRW on completion of the RCRMT acquisition in February this year. The vesting period of these awards is less than three years which given the near term growth objectives we want the business to deliver and Ian’s criticality to that new business’s success we consider to be wholly appropriate.
- A number of Performance Rights have vested given that the challenging performance conditions established by the committee were achieved.
- There have been no changes to the remuneration of non-executive directors in the year.

With respect to our thinking going forward;

- Some fixed remuneration increases would appear to be appropriate given the continued growth in the company. The last time changes were made annual revenue was about half that forecast for FY20. Any changes to the remuneration of the CEO will of course be disclosed if and when made.
- New equity awards are being considered which will reflect some of the changes “suggested” by the proxy advisors without over complicating the scheme (and therefore diminishing the potential shareholder value creation). The new scheme will include:
    - Awards with performance periods of two and three years;
    - No retest;
    - The quantum of rights will vest as performance improves rather than on a specific pass/fail objective;
    - Additional performance hurdles to Total Shareholder Return; and
    - An award base close to the start of the performance period and which includes a period post release of the prior year results.

The mandate of the committee remains unchanged. We urge shareholders to support us as we continue to develop and implement schemes which we consider to be in their best interest whilst recognising the particular challenges of the markets in which we work and the core objectives which have been set for those people appointed to manage our businesses.

Michael Arnett

Chair Nomination and Remuneration Committee

DIRECTORS' REPORT CONTINUED

1. REMUNERATION GOVERNANCE

NRW has established a Nomination and Remuneration Committee ("N&RC") consisting of Michael Arnett (Chairman), Jeff Dowling and Peter Johnston. The N&RC is responsible for making recommendations to the Board on the remuneration arrangements for Non-Executive Directors and Key Management Personnel (KMP) as set out in the N&RC Charter. The N&RC provides advice, recommendation and assistance to the Board with respect to the following:

- The remuneration of Non-Executive Directors, including the Chair of the Board;
- The remuneration policies which are designed to attract and retain Executives with the expertise to enhance the competitive advantage, performance and growth of NRW;
- Ensuring that the level and composition of Executive remuneration packages are fair, reasonable and adequate and that the remuneration received by the KMP demonstrates a clear relationship between the performance of the individual and the performance of NRW;
- Termination and redundancy policies and payments made to outgoing Executives; and
- Disclosures to be included in the corporate governance section of NRW's annual report which relates to NRW's remuneration policies and procedures.

The N&RC is mandated to engage external and independent remuneration advisors who do not have a relationship with or advise NRW management. An advisor has been engaged to assist the committee with the development of a revision to the current long term incentive scheme and to provide market analysis on remuneration trends.

2. FIVE YEAR SNAPSHOT

Measure	2019	2018	2017	2016	2015
Market Capitalisation (30 June) - $ million	$943.5	$630.1	$205.9	$58.6	$50.2
Share Price at End of Year	$2.51	$1.70	$0.64	$0.21	$0.18
Total Revenue - $ million	$1,078.1	$685.4	$344.6	$288.0	$775.9
EPS	8.6 cents	11.6 cents	9.1 cents	7.7 cents	(82.4) cents
EPS Growth	n/a	27.5%	18.2%	n/a	n/a
Comparative EBITDA - $ million	$143.9	$93.4	$58.8	$47.2	($77.2)
Net Profit / (Loss) After Tax - $ million	$32.2	$42.2	$28.5	$21.5	($229.8)
NPATA - $ million	$40.4	$33.9	$16.5	$9.8	($93.1)
Interim Dividend Paid	2.0	-	-	-	-
Final Dividend Declared in Respect of the Year	2.0	2.0	-	-	-
Annual Total Shareholder Return (%)	49%	194%	216%	17%	(80%)

Comparative EBITDA – Earnings before interest, tax, depreciation, amortisation, transaction costs, Gascoyne impairment and RCRMT gain on acquisition and or impairment losses.
NPATA – Net profit after Tax adjusted for acquisition amortisation and or impairment losses at normal tax rates.

DIRECTORS' REPORT CONTINUED

2. FIVE YEAR SNAPSHOT (CONTINUED)

3. DETAILS OF KEY MANAGEMENT PERSONNEL

The following persons acted as Non-Executive Directors of the Company during or since the end of the most recent financial year:

Director	Role
Michael Arnett	Chairman and Non-Executive Director
Jeff Dowling	Non-Executive Director
Peter Johnson	Non-Executive Director

The named persons held their current executive position for the whole of the most recent financial year, except as noted:

Executive	Role
Julian Pemberton	Chief Executive Officer and Managing Director
Andrew Walsh	Chief Financial Officer
Kim Hyman	Company Secretary
Geoff Caton	Executive General Manager - Golding
Ric Buratto	Executive General Manager – NRW Civil & Mining
Jeff Whiteman	General Manager – Action Drill & Blast
Ian Gibbs	General Manager – RCR Mining Technologies and Heat Treatment, from 15 February 2019

4. EXECUTIVE KMP REMUNERATION FRAMEWORK

4.1 EXECUTIVE (KMP) REMUNERATION OVERVIEW

The Board has adopted the following over-arching principles which recognise the importance of fair, effective and appropriate remuneration outcomes:

- Alignment: Alignment of the remuneration strategy with the interests of the Company's shareholders;
- Attract and retain: The remuneration framework across NRW has been established and is regularly reviewed to ensure that the company can attract and retain appropriate talent across our workforce;
- Motivate: Remuneration plans are structured to ensure that our top talent are rewarded for achieving both short and long term business objectives. A high proportion of reward is aligned to performance, and
- Appropriate: Remuneration packages are established and reviewed regularly to ensure that they reflect contemporary trends in sectors and regions relevant to the operations of NRW.

4.2 STRUCTURE OF EXECUTIVE KMP REMUNERATION

The NRW remuneration program and consequently the remuneration components for each Executive KMP member comprise:

Total Fixed Remuneration (TFR)

- Comprising salary and superannuation capped at the relevant concessional contribution limit.
- The opportunity to salary sacrifice benefits on a tax compliant basis is available upon request.

Fixed remuneration is set with reference to role, market and relevant experience, which is reviewed annually and upon promotion.

Short Term Incentive Plan (STIP)

- Executives can earn a cash based incentive by achieving specific objectives set by the N&RC.
- The maximum amount of these awards is based on a percentage of the executives TFR (which is set out in the table 4.3).
- Specific objectives are set for each executive based on their core accountabilities.
- Awards up to the maximum amount payable can be achieved when performance is rated as superior reflecting the achievement of stretch objectives.
- An earnings metric (e.g. EBIT or EBITDA) is a primary performance measure to ensure alignment with group and shareholder objectives.
- Awards can be modified downwards if safety performance does not meet expectations.
- Awards are reviewed and agreed by the N&RC which also consider the executives overall performance in the year against specific business objectives.
- Up to 25% of an award can be deferred for up to 12 months at the discretion of the N&RC if the committee determines that additional time is required to provide more certainty on specific business related outcomes.

Long Term Incentive Plan (LTIP)

- Executives can participate in an equity based incentive through the award of Performance Rights (Rights).
- The maximum amount of an award is based on a percentage of the executives TFR (see table 4.3). The number of performance rights is determined by the share price at the time the award is approved by the N&RC.
- Awards are generally made annually and may be split into tranches which have specific objectives within a specified timeframe.
- Performance rights which vest following the achievement of relevant targets, generally aligned to shareholder return, are converted to shares when the vesting conditions are met.
- A critical requirement of the scheme is that the participant remains in employment with the Group up to and including the vesting date.
- The normal performance period is three years, however, a number of performance rights have been granted with periods of less than three years which recognises the following:
    1. Specific milestones aligned to NRW's recovery objectives established in the 2016 & 2017 Financial Years for the CEO and CFO.
    2. The progressive implementation of a three year long term incentive plan for key executives.

4.2 STRUCTURE OF EXECUTIVE KMP REMUNERATION (CONTINUED)

3. The implementation of a retention scheme for key executives who joined NRW through the Golding and RCRMT acquisitions.
4. The implementation of broader equity participation across NRW aligned to the Golding retention program.

- Equity grants to the CEO were aligned to the structure set out above in notes 1 & 2 and specifically approved by shareholders at the 2016 and 2017 AGMs.
- The award of rights is governed by the 'NRW Holdings Limited Performance Rights Plan' approved by shareholders in 2015.

4.3 AWARD LEVELS RELATIVE TO FIXED REMUNERATION

The table below provides information on the remuneration packages of KMP's as at 30 June 2019.

KMP	TFR(1)	STIP	LTIP	Notice Period
Mr J Pemberton	$950,000	75%	180%	6 months
Mr A Walsh	$700,000	60%	80%	6 months
Mr G Caton	$650,000	30%	30%	6 months
Mr E Buratto	$600,000	30%	30%	6 months
Mr I Gibbs(2)	$436,000	N/A	30%	6 months
Mr J Whiteman(3)	N/A	N/A	N/A	See note 4.5
Mr K Hyman	$358,600	Nil	Nil	6 months

(1) Annual Total Fixed Remuneration (TFR) as at 30 June 2019.
(2) Incentive plans relate to FY20 as Mr I Gibbs joined the group through the year (RCRMT).
(3) Mr J Whiteman works under a service contract.

There have been no changes to base TFR from the previous period, any changes reported in the remuneration tables relate to timing of appointments or leave entitlements.

4.4 OTHER CONSIDERATIONS APPLICABLE TO LTI AWARDS

If a KMP's employment with NRW ceases for reasons other than death or permanent disability any unvested Performance Rights will lapse and expire unless the Board of NRW considers it appropriate in the circumstances to consider the vesting of any unvested shares. Where a KMP has died or becomes permanently disabled the Board may determine that the Performance Rights will not lapse and will be tested against the Vesting Conditions on the applicable vesting dates.

Upon a change of control occurring in respect of NRW, the following rules will apply to determine how Performance Rights should vest or lapse.

- Performance Rights that have met the vesting hurdle will vest on a date to be determined before the change of control date.
- Performance Rights which have met the vesting hurdle as a consequence of the change of control (for example a share price increment) will vest on a date to be determined before the change of control date.
- Performance Rights which have not yet met the vesting hurdle: The N&RC may (in its absolute discretion) determine that all or a portion of these performance rights will vest, notwithstanding that time restrictions or performance conditions applicable to the performance rights have not been satisfied.

4.5 EXECUTIVE SERVICE AGREEMENTS

The Executive Service Agreements in place in respect of NRW's KMP contain non-compete provisions restraining the executives from operating or being associated with an entity that competes with the business of NRW up to six months after termination.

All KMP as listed in the remuneration table, other than Mr Whiteman who is working under a service contract, are employed on standard letters of appointment that provide for annual reviews of base salary and up to six months' notice of termination by either party. The appointments are not for any fixed term and carry no termination payments other than statutory entitlements.

The N&RC determines remuneration for all KMP listed under the guidelines contained in this remuneration report.

5. EXECUTIVE KMP REMUNERATION OUTCOMES

5.1 EXECUTIVE PERFORMANCE: STIP

The following table provides information on the outcome of the STIP for each of the KMP for the year ended 30 June 2019. The value of the award is outlined in the remuneration table in section 5.5 with comparable information for the previous year.

	FY19		FY18	
KMP	**STIP Earned**	**STIP Forfeited**	**STIP Earned**	**STIP Forfeited**
Mr J Pemberton	50%	50%	0%	100%
Mr A Walsh	50%	50%	0%	100%
Mr G Caton	100%	0%	100%	0%
Mr E Buratto	33%	67%	0%	100%
Mr J Whiteman	95%	5%	N/A	N/A
Mr I Gibbs	N/A	N/A	N/A	N/A

Commentary on the 2019 performance

- The management team met, in part, the earnings objective set by the board for the financial year. The basis of the earnings target is regarded by the N&RC to be commercially sensitive but given earnings (measured as EBITDA) were more than 20% higher than the previous financial year it should not be surprising that the earnings objective was met in part.
- The Golding business had another strong year of growth and consequently the EGM of the Golding business earned the full STI.
- The Civil and Mining business was impacted by the Gascoyne project impairment which resulted in the targets not being fully achieved. The N&RC have agreed that the amounts forfeited as a result of the Gascoyne impairment in the current financial year will be carried forward. Future awards will be dependent on management establishing a structure to recover amounts owed by Gascoyne.
- The N&RC reviewed other metrics including safety and strategic issues and project margin delivery (see letter from Chairman of the Nomination and Remuneration Committee).

Commentary on the 2018 performance

- Challenging earnings targets were set by the N&RC following the acquisition of Golding in 2017. Despite achieving growth in earnings before interest, tax, depreciation and amortisation (EBITDA) of 53% this was below the agreed target and consequently, no short term incentive was awarded to the CEO or CFO.
- The Golding business acquired in September 2017 made a significant contribution to the overall performance of the business meeting its agreed business plan objectives. Consequently, the Executive General Manager of that business Mr G Caton achieved 100% of the STIP target.

5.1 EXECUTIVE PERFORMANCE: STIP (CONTINUED)

- The Perth based Civil and Mining businesses missed earnings targets set for the businesses. The earnings target assumed award of new mining contracts which were expected to contribute to planned earnings early in the financial year. The shortfall in earnings was to some extent mitigated following the award of the Dalgaranga contract but this contract was not awarded early enough in the year to recover to the earnings target. As a consequence, the EGM of the Civil and Mining businesses did not earn an incentive payment.

5.2 EXECUTIVE PERFORMANCE: LTIP

The structure of the long term incentive plan is set out in section 4.2 above. Commentary is provided below on the achievement against objectives set for each of the current long term incentive plans and the status of awards made from 2016 to 2018. Valuation data is provided in section 5.5. The quantum of rights applicable to each award is detailed in the table under note 4.7 in the notes to the financial statements.

2016 Incentive Plan

As disclosed in the 2017 remuneration report, rights granted in 2016 were determined to have passed the performance test and vested in November 2017. Key points to note with respect to 2016 plan are outlined below:

- Rights were awarded in two equal tranches with a performance hurdle set for June 2016 of 30 cents and October 2017 of 40 cents. Whilst these hurdles appear low in the context of the current share price at 30 June 2019 ($2.51) it is important to note that the share price, on award of these rights, was below 20 cents.

The initial performance hurdle for the first tranche was not met (30 cents).

- The scheme provided for a retest of the first tranche of rights up to October 2017 which was met along with achievement of the second tranche at the same performance hurdle.
- Rights subject to a retest required 25% of the Rights to be forfeited.
- The value of rights awarded in 2016 was assessed at nil cost (as disclosed in the 2016 accounts) given the low value of the shares when granted.

2017 Incentive Plan

Key conditions of the 2017 plan

- Rights were awarded in two equal tranches with a performance hurdle to be met in the periods to June 2017 of 50 cents and October 2018 of 70 cents.
- Again, it is worth noting that the share price at the beginning of the 2017 financial year was 22 cents and therefore the hurdles required increasing TSR in the performance period by more than 100%.
- The performance hurdle for Tranche 1 rights was met and rights vested in November 2017.
- The performance hurdle for Tranche 2 rights was met in FY18 and rights vested in November 2018.

2018 Incentive Plan

The 2018 scheme is structured in three distinct plans which reflect the LTIP structure as disclosed in section 4.2 above; Senior Executive plan, Golding integration plan, and Executive plan. Key terms of each of these plans is outlined below:

Senior Executive plan & Golding integration plan

- The plan participants are the CEO and CFO.
- The structure of the plan and the quantum of rights awarded in these plans to the CEO were approved by shareholders at the 2017 AGM.
- Rights awarded under the plans were valued based on the 60 day VWAP up to and including the day the FY17 results and the Golding acquisition were announced (being 80 cents).

5.2 EXECUTIVE PERFORMANCE: LTIP (CONTINUED)

Senior Executive plan

- Rights were awarded in three equal tranches with increasing performance hurdles set for each year.
- The performance hurdles for the three years are: increase in TSR of 79% by June 18 ($1.33); increase in TSR by June 2019 of 111% ($1.52) and increase in TSR by June 2020 of 140% ($1.71).
- As a result of the very strong increase in the share price the performance hurdles for all three tranches have been met. Tranche 1 rights vested in November 2018, Tranche 2 and 3 rights will vest in November 2019 and 2020 respectively subject to the executive remaining in employment with the Group.

Golding integration plan

- Rights were awarded in two equal tranches with assessment dates of June 2018 and June 2019.
- Rights vest subject to the delivery of key integration objectives and the Golding business meeting agreed financial performance targets, as assessed by the NRW Board.
- Performance in the Golding business post acquisition has been extremely strong. Tranche 1 rights vested in August 2018 and Tranche 2 rights will vest in August 2019.

Executive plan

- The plan participants are the key executives within the business.
- Rights were awarded in a single tranche.
- The performance objective is aligned with the senior executive plan (as above) being an increase in TSR by June 2019 of 111% ($1.52).
- As a result of the very strong increase in the share price the performance hurdle has been met and the rights will vest in November 2019 subject to the executive remaining in employment with the Group.
- The plan was extended in 2019 following the acquisition of RCRMT. The GM of the business was awarded rights in two tranches vesting in November 2020 and 2021. The relatively short performance period reflects the agreed business recovery objectives consistent with the acquisition valuation assumptions.

5.3 LTI AWARDS AND VESTING STATUS

Name	Allocation Date	Balance of Unvested Equity Awards as at 1 July 2018	Granted	Vested in FY 19	Balance of Unvested Equity Awards as at 30 June 19	Fair Value Per Security	Fair Value at Grant Date	Share Based Payments Expense FY 19
		Number	Number	Number	Number	Cents	$	$
Mr J Pemberton	1/02/2016 to 4/12/17	8,638,110	-	(3,738,110)	4,900,000	Nil to 38.5 cents	2,877,500	900,291
Mr A Walsh	1/02/2016 to 4/12/17	3,205,793	-	(1,524,543)	1,681,250	Nil to 38.5 cents	1,047,893	316,563
Mr E Buratto	4/12/2017	288,000	-	-	288,000	41.2	109,152	59,328
Mr G Caton	4/12/2017	357,798	-	-	357,798	41.2	135,606	68,037
Mr I Gibbs	15/02/2019	-	155,770	-	155,770	79.7 to 123.9	158,574	27,062

Details in relation to the KMP long term incentive awards are set out in note 4.7 to the financial statements.

5.4 VALUATION ASSUMPTIONS

The estimation of the fair value of share-based payment awards requires judgement concerning the appropriate valuation methodology. The choice of valuation methodology is determined by the structure of the awards, particularly the vesting conditions.

A Monte-Carlo simulation valuation methodology was used to determine the share based payment cost relative to TSR growth. The valuation methodology used was chosen from those available to incorporate an appropriate amount of flexibility with respect to the particular performance and vesting conditions of the award.

Further details on the valuation assumptions and individual scheme awards are provided in note 4.7 of the financial statements.

5.5 EXECUTIVE DIRECTORS' AND OTHER KMP REMUNERATION

The table below sets out the remuneration outcomes for each of NRW's Executive KMP for the financial year ended 30 June 2019 and 30 June 2018.

Key Management Personnel	Year	Salary & fees	Cash based incentive (STI)	Annual Leave(1)	Post Employment Benefits (Super)	Other Long Term Benefits (2)	Equity Based Payments (LTI)	Total
EXECUTIVE DIRECTORS								
Mr J Pemberton	2019	929,951	356,250	57,205	20,531	15,502	900,291	2,279,730
	2018	929,951	-	86,730	20,049	19,080	1,367,970	2,423,779
EXECUTIVES								
Mr A Walsh	2019	679,951	210,000	18,290	20,531	-	316,563	1,245,335
	2018	679,951	-	6,425	20,049	-	487,666	1,194,091
Mr G Caton(3)	2019	625,000	195,000	11,187	25,000	12,423	68,037	936,647
	2018	520,833	195,000	(3,948)	20,833	10,194	68,037	810,949
Mr E Buratto(4)	2019	557,645	60,000	(2,137)	20,531	-	59,328	695,368
	2018	363,923	-	27,675	15,037	-	59,328	465,962
Mr J Whiteman(5)	2019	513,300	114,000	-	-	-	-	627,300
	2018	121,500	-	-	-	-	-	121,500
Mr I Gibbs(6)	2019	140,143	-	6,264	9,686	2,397	27,062	185,552
	2018	-	-	-	-	-	-	-
Mr K Hyman	2019	356,500	-	18,929	20,531	10,669	-	406,630
	2018	353,999	-	14,347	20,049	5,634	-	394,028
Total 2019	**2019**	**3,802,490**	**935,250**	**109,738**	**116,812**	**40,991**	**1,371,281**	**6,376,562**
Total 2018	**2018**	**2,970,157**	**195,000**	**131,228**	**96,016**	**34,908**	**1,983,000**	**5,410,310**

(1) Represents the movement in accrued annual leave.
(2) Represents the movement in accrued long service leave.
(3) Mr G Caton joined the business as part of the Golding acquisition. Mr G Caton is Chief Executive of Golding. His remuneration details for FY18 are for the period 1st September 2017 to 30 June.
(4) Mr E Buratto joined on the 30 October 2017 as Executive General Manger for the Perth based Civil and Mining businesses.
(5) Mr J Whiteman was appointed General Manager of the Drill and Blast business on the 16 April 2018. Remuneration paid to Mr J Whiteman is paid through a service contract.
(6) Mr I Gibbs joined on the 15 February 2019 as General Manager of RCR Mining Technologies.

5.6 NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-Executive Directors received a fixed fee for Board and Committee duties and are not entitled to any performance related remuneration. The NRW constitution provides that Non-Executive Directors' remuneration must not exceed the maximum aggregate sum determined by the Company in a general meeting. At present, the maximum sum is fixed at $750,000, in aggregate, per annum. This maximum sum cannot be increased without member's approval by ordinary resolution at a general meeting.

The table below sets out the remuneration outcomes for each of NRW's Non-Executive Directors:

		Remuneration		Post-Employment Benefits	Total
NON-EXECUTIVE DIRECTORS		Salary & fees	Non cash benefit	Superannuation	
Mr M Arnett	FY19	145,000	-	14,250	159,250
	FY18	150,000	-	14,250	164,250
Mr J Dowling	FY19	125,000	-	11,875	136,875
	FY18	125,000	-	11,875	136,875
Mr P Johnston	FY19	100,000	-	9,500	109,500
	FY18	100,000	-	9,500	109,500
NON-EXECUTIVE DIRECTORS' TOTAL	**FY19**	**370,000**	**-**	**35,625**	**405,625**
	FY18	**375,000**	**-**	**35,625**	**410,625**

Non-Executive Director fees (excluding superannuation and non-cash benefits) to be paid by the Company to the Chairman is $145,000 (2018: $150,000) and to Non-Executive Directors is $100,000 (2018: $100,000). In addition, the chair of the Audit and Risk committee receives an additional fee of $25,000 (2018: $25,000). Non-Executive Directors are also entitled to receive reimbursement for travelling and other expenses that they properly incur in attending Board meetings, attending any general meetings of the Company or in connection with the Company's business.

5.7 SHARE OWNERSHIP

The table below sets out the current shareholding and movement for the last two financial years for each of the KMP who hold shares in the Company.

Director / KMP	Held at 1 July 17	Purchases	Rights vested to Shares	Held at 30 June 18	Purchases	Rights vested to Shares	Share Sales	Held at 30 June 19
Mr M Arnett	994,474	14,705	-	1,009,179	-	-	-	1,009,179
Mr J Dowling	350,000	14,705	-	364,705	-	-	-	364,705
Mr P Johnston	100,000	9,416	-	109,416	-	-	-	109,416
Mr J Pemberton	3,626,649	10,405	2,833,333	6,470,387	-	3,738,110	-	10,208,497
Mr A Walsh	454,592	14,705	1,856,250	2,325,547	-	1,524,543	(954,592)	2,895,498
TOTAL	**5,525,715**	**63,936**	**4,689,583**	**10,279,234**	**-**	**5,262,653**	**(954,592)**	**14,587,295**

End of Remuneration Report (Audited)

DIRECTORS' REPORT CONTINUED

ROUNDING OF AMOUNTS

NRW Holdings Limited is a Company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instruments, dated 24 March 2016, and in accordance with that Corporations Instruments amounts in the financial report are rounded off to the nearest thousand Australian dollars, unless otherwise indicated.

This report has been made in accordance with a resolution of the Directors of the Company.

Julian Pemberton

Chief Executive Officer and Managing Director

Michael Arnett

Chairman and Non-Executive Director

CORPORATE GOVERNANCE & RISK MANAGEMENT

Good corporate governance and risk management is fundamental to all aspects of NRW's activities. Set out below are the Company's response to the corporate governance principles followed by a review of the key risks.

CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The Australian Securities Exchange Corporate Governance Council sets out best practice recommendations, including corporate governance practices and suggested disclosures. ASX Listing Rule 4.10.3 requires companies to disclose the extent to which they have complied with the ASX recommendations and to give reasons for not following them.

Unless otherwise indicated the best practice recommendations of the ASX Corporate Governance Council, including corporate governance practices and suggested disclosures, have been adopted by the Company for the year ended 30 June 2019.

In addition, the Company has a Corporate Governance section on its website: **www.nrw.com.au** which includes the relevant documentation suggested by the ASX Recommendations.

RISK MANAGEMENT

Risk is an inherent part of the NRW's business and management of those risks is therefore critical to the Company's performance and financial strength.

Material risks that could adversely affect the Company have been identified below along with commentary on the risk and mitigating actions. The risks are not listed in order of significance nor are they all encompassing, rather they reflect the most significant risks identified at a whole-of-entity or consolidated level.

Market Risk

NRW's financial performance is influenced by the level of activity in the resources and mining industry, which is impacted by a number of factors outside the control of NRW. These factors include:

- Demand for mining production, which may be influenced by factors including (but not limited to) prices of commodities, exchange rates, the competitiveness of Australian mining operations and government policy on infrastructure spend;
- The policies of mine owners including their decisions to undertake their own mining operations or to outsource these functions; and
- The availability and cost of key resources including people, earth moving equipment, and critical consumables.

Further, NRW operates in a competitive market and it is difficult to predict whether new contracts will be awarded due to multiple factors influencing how clients evaluate potential service providers.

Mitigation actions include: The development of a diversified service offering with contractual counterparties in infrastructure and across a range of commodities in the resources sector.

Loss of Contracts / Reduction in Contract Scope

NRW's revenues are subject to underlying contracts with varying terms.

- There is a risk that NRW's contracts may be cancelled or may not be renewed if NRW's clients decide to reduce their levels of spending, potentially reducing their revenue.
- Contract operations are vulnerable to the risk of interruption as a result of a variety of factors, which may be beyond NRW's control, including prolonged heavy rainfall or cyclones, geological instability, accidents or unsafe conditions, equipment breakdowns, industrial relations issues, and scarcity of materials and equipment.
- Interruptions to existing operations or delays in commencing operations experienced by NRW's clients may result in lost revenue and, in some circumstances, result in NRW incurring additional costs, which may have a material adverse effect on NRW's business, results of operations and financial condition.
- NRW is also dependant on client assessments of the financial viability of their projects which includes ensuring they have access to sufficient funding to meet project working capital and debt covenant requirements.

Mitigation actions include: NRW continues to work closely with its clients to ensure we understand issues faced by our clients and to identify options where we can assist in ensuring the impact of the types of issues identified above are minimised.

CORPORATE GOVERNANCE & RISK MANAGEMENT CONTINUED

Delivery Performance

NRW's execution and delivery of projects involves judgement regarding the planning, development and management of complex operating facilities and equipment. As a result, NRW's operations, cash flows and liquidity could be affected if the resources or time needed to complete a project are miscalculated, if it fails to meet contractual obligations, or if it encounters delays or unspecified conditions.

NRW is also exposed to input costs through its operations, such as the cost of fuel and energy sources, equipment and personnel. To the extent that these costs cannot be passed on to customers in a timely manner, or at all, NRW's financial performance could be adversely affected. If NRW materially underestimates the cost of providing services, equipment or plant, there is a risk of a negative impact on NRW's financial performance.

Mitigation actions include: the development of robust tender and contract review processes which have been structured to identify risk and develop specific mitigation plans to address issues as they arise. A number of contracts include a rise and fall clause which mitigate changes in input costs to NRW.

Access to Resources

NRW's growth and profitability may be limited by loss of key management or operational personnel or due to being unable to recruit and retain skilled and experienced staff. Further NRW is reliant on third party equipment to perform contract obligations which may not be available or may be subject to pricing premiums in order to secure appropriate equipment.

Mitigation actions include: NRW maintains a database of staff who have worked for the Company on all of its projects and pricing of contracts includes estimates of the likely costs required to attract the right people to perform the contract. NRW has developed strong working relationships with a number of equipment suppliers in order to ensure equipment requirements are understood ahead of time in order to minimise any potential risk around availability.

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

The Board of Directors
NRW Holdings Limited
181 Great Eastern Highway
Belmont WA 6104

21 August 2019

Dear Board Members

NRW Holdings Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of NRW Holdings Limited.

As lead audit partner for the audit of the financial statements of NRW Holdings Limited for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

AT Richards

AT Richards
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.

DIRECTORS’ DECLARATION

THE DIRECTORS DECLARE THAT:

(a) in the Directors’ opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors’ opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1.2 to the financial statements;

(c) in the Directors’ opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors’ opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 7.1 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

ON BEHALF OF THE DIRECTORS

Julian Pemberton

Chief Executive Officer and Managing Director

Michael Arnett

Chairman and Non-Executive Director

Perth, 21 August 2019

CONTENTS
PAGE

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2019

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000
REVENUE	2.2	**1,078,124**	**685,431**
Other income (RCR gain on acquisition)	7.5	5,120	-
Finance income	2.3	739	493
Finance costs	2.3	(7,236)	(6,869)
Share of profit / (loss) from associates	3.3	(2,084)	1,382
Materials and consumables used		(237,099)	(116,374)
Employee benefits expense	2.4	(295,353)	(196,826)
Subcontractor costs		(246,304)	(176,235)
Depreciation and amortisation expenses	2.4	(62,053)	(48,205)
Plant and equipment costs	2.4	(145,651)	(99,870)
Impairment of financial assets (Gascoyne Resources)	4.1	(33,522)	-
Other expenses		(8,944)	(6,852)
Profit before income tax		**45,737**	**36,075**
Income tax (expense) / benefit	6.1	(13,467)	6,091
Profit for the year		**32,270**	**42,166**
Profit and Other Comprehensive Income Attributable to:			
Equity holders of the Company		32,270	42,166
		Cents	**Cents**
EARNINGS PER SHARE	4.6		
Basic earnings per share		8.6	11.6
Diluted earnings per share		8.4	11.4

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		Consolidated	
	Notes	2019	2018
		$'000	$'000
ASSETS			
Current assets			
Cash and cash equivalents		65,031	58,846
Receivables	3.1	158,039	120,699
Inventories	3.2	30,581	22,477
Other current assets		6,445	4,591
Total current assets		**260,096**	**206,613**
Non-current assets			
Investments in associates	3.3	2,652	4,736
Property, plant and equipment	3.4	239,927	209,503
Intangibles	3.5	23,741	19,785
Goodwill	3.6	40,103	40,103
Deferred tax assets	6.3	22,057	39,447
Total non-current assets		**328,480**	**313,574**
Total assets		**588,576**	**520,187**
LIABILITIES			
Current liabilities			
Payables	3.7	157,756	127,730
Borrowings	5.3	45,434	36,921
Current tax liabilities	6.3	-	1,218
Provisions	3.8	31,664	20,166
Total current liabilities		**234,854**	**186,035**
Non-current liabilities			
Borrowings	5.3	55,025	56,291
Provisions	3.8	7,249	5,218
Total non-current liabilities		**62,274**	**61,509**
Total liabilities		**297,128**	**247,544**
Net assets		**291,448**	**272,643**
EQUITY			
Contributed equity	4.2	206,126	206,126
Reserves	4.3	6,824	5,341
Retained profits	4.4	78,498	61,176
Total equity		**291,448**	**272,643**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2019

	Notes	Contributed equity	Foreign currency translation reserve	Share based payment reserve	Total Reserves	Retained earnings	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000
BALANCE AT 1 JULY 2017		**176,901**	**(208)**	**3,370**	**3,162**	**19,010**	**199,073**
Total profit and other comprehensive income for the year	4.4	-	-	-	-	42,166	42,166
Issue of ord. shares under institutional share placement	4.2	25,024	-	-	-	-	25,024
Issue of ord. shares under share placement	4.2	5,000	-	-	-	-	5,000
Share issue costs	4.2	(1,142)	-	-	-	-	(1,142)
Income tax related to share issue costs	4.2	343	-	-	-	-	343
Share-based payments	4.3	-	-	2,179	2,179	-	2,179
BALANCE AT 30 JUNE 2018		**206,126**	**(208)**	**5,549**	**5,341**	**61,176**	**272,643**
Total profit and other comprehensive income for the year	4.4	-	-	-	-	32,270	32,270
Dividends paid		-	-	-	-	(14,948)	(14,948)
Share-based payments	4.3	-	-	1,483	1,483	-	1,483
BALANCE AT 30 JUNE 2019		**206,126**	**(208)**	**7,032**	**6,824**	**78,498**	**291,448**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2019

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,111,610	742,732
Payments to suppliers and employees		(1,004,508)	(660,690)
Interest paid	2.3	(7,236)	(6,869)
Interest received	2.3	739	493
Income tax paid		(789)	(907)
Net cash flow from operating activities	5.1	**99,816**	**74,759**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment		1,333	3,566
Advances paid to associate		-	(504)
Acquisition of property, plant and equipment	3.4	(77,263)	(45,971)
Payment for subsidiary	7.5	(10,000)	(71,904)
Net cash used in investing activities		**(85,930)**	**(114,813)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of equity instruments of the Company	4.2	-	30,024
Payment for share issue costs	4.2	-	(1,142)
Proceeds from borrowings	5.3	88,602	62,631
Repayment of borrowings and finance/hire purchase liabilities	5.3	(81,355)	(34,877)
Payment of dividends to shareholders		(14,948)	-
Net cash from / (used in) financing activities		**(7,701)**	**56,636**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**6,185**	**16,582**
Cash and cash equivalents at beginning of the year		58,846	42,264
Cash and cash equivalents at the end of the year		**65,031**	**58,846**

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL NOTES

1.1 GENERAL INFORMATION

NRW Holdings Limited is a public company listed on the Australian Securities Exchange which is incorporated and domiciled in Australia. The address of the Company's registered office is 181 Great Eastern Highway, Belmont, Western Australia. The consolidated financial statements of the Company for the year ended 30 June 2019 comprises the Company and its subsidiaries (together referred to as 'consolidated', the 'Consolidated Group' or the 'Group'). The Group is primarily involved in civil and mining contracting, urban development, provision of drilling and blasting services and supply of innovative mining technologies.

1.2 BASIS OF PREPARATION

This section sets out the basis of preparation and the Group accounting policies that relate to the consolidated financial statements as a whole. Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements to which it relates.

The financial report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards (AASBs), including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board, and the Corporations Act 2001. The financial report of the Group also complies with International Financial Reporting Standards (IFRSs) and Interpretations as issued by the International Accounting Standards Board (IASB);
- has been prepared on the basis of historical cost except for the revaluation of financial instruments. Historical cost is based on the fair values of the consideration given in exchange for goods and services;
- is presented in Australian dollars (AUD);
- is rounded to the nearest thousand ($000), unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2018. Refer to note 7.8 for further details;
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note 7.8 for further details; and
- has applied the Group accounting policies consistently to all periods presented.

The financial statements were authorised for issue by the Directors on 21 August 2019.

1.3 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1.3 BASIS OF CONSOLIDATION (CONTINUED)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The financial statements of subsidiaries where appropriate are consistent with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

1.4 ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised:

- if the revision affects only that period; or
- in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in Applying Accounting Policies

Preparation of the financial report requires management to make judgements, estimates and assumptions about future events. Information on material estimates and judgements considered when applying the accounting policies can be found in the following notes:

Key accounting judgements and estimates	Note	Page
Revenue recognition	7.8	76
Carrying amount of goodwill and intangibles	3.5 & 3.6	44 - 46
Acquisition accounting	7.5	72 - 75

NOTES TO THE
FINANCIAL STATEMENTS CONTINUED

2. BUSINESS PERFORMANCE

2.1 SEGMENT REPORTING

NRW is comprised of four businesses, constituting four reportable segments, Civil, Mining, Drill and Blast and Mining Technologies.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the management organisational structure and the level of segment information presented to the Board of Directors.

The Directors of the Company have chosen to organise the Group around the following reportable segments:

- Civil: comprises the Civil activities of NRW together with the Golding Civil and Urban businesses.
- Mining: consolidates the Mining businesses of NRW and Golding together with NRW's Mining support business AES Equipment Solutions.
- Drill and Blast: Action Drill & Blast.
- Mining Technologies: RCR Mining Technologies & RCR Heat Treatment

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise predominantly corporate expenses. Inter-segment pricing is determined on an arm's length basis.

Reportable Segment Revenues and Results

2019 $'000	Civil	Mining	Drill & Blast	Mining Technologies	Eliminations	Corporate	Interest add back[5]	Total
Revenue[1]	383,507	622,924	140,942	30,882	(51,919)	-	-	1,126,336
Revenue from Associates	(48,212)	-	-	-	-	-	-	(48,212)
Statutory revenue	335,295	622,924	140,942	30,882	(51,919)	-	-	1,078,124
EBITDA[2]	**19,050**	**113,436**	**12,032**	**688**	**-**	**(6,420)**	**5,152**	**143,938**
EBITDA margin (%)	*5.0%*	*18.2%*	*8.5%*	*2.2%*				*12.8%*
Depreciation and amortisation	(2,325)	(40,614)	(6,826)	(325)	-	(1,186)	-	(51,276)
Gascoyne impairment		(33,522)						(33,522)
RCRMT gain on acquisition				-		5,120		5,120
EBIT	**16,726**	**39,300**	**5,206**	**363**	**-**	**(2,486)**	**5,152**	**64,260**
Amortisation of acquisition intangibles[3]								(10,777)
Transaction costs[4]								(1,249)
Interest								(6,497)
Profit before income tax								**45,737**
Income tax expense								(13,467)
Profit for the year								**32,270**

(1) Revenue including associates.
(2) Comparative EBITDA is earnings before interest, tax, depreciation, amortisation and transaction costs.
(3) Amortisation of Golding and RCRMT acquisition intangibles.
(4) Transaction costs include legal costs associated with the acquisition of RCRMT (FY19) and costs associated with the Corporate note refinance, and early termination costs of bank debt (FY19).
(5) Interest add back is interest included in the cost base of the business segment and recovered over client contracts.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.1 SEGMENT REPORTING (CONTINUED)

2018 $'000	Civil	Mining	Drill & Blast	Mining Technologies	Eliminations	Corporate	Interest add back[5]	Total
Revenue[1]	311,275	347,287	117,022	-	(21,251)	-	-	754,333
Revenue from Associates	(68,902)	-	-	-	-	-	-	(68,902)
Statutory revenue	242,373	347,287	117,022	-	(21,251)	-	-	685,431
EBITDA[2]	**20,345**	**66,455**	**8,325**	**-**	**-**	**(5,508)**	**3,830**	**93,447**
EBITDA margin (%)	6.5%	19.1%	7.1%	-				12.4%
Depreciation and amortisation	(2,539)	(28,083)	(6,643)	-	-	(1,324)	-	(38,589)
EBIT	**17,806**	**38,372**	**1,682**	**-**	**-**	**(6,832)**	**3,830**	**54,858**
Amortisation of acquisition intangibles[3]								(9,615)
Transaction costs[4]								(2,790)
Interest								(6,378)
Profit before income tax								**36,075**
Income tax expense								6,091
Profit for the year								**42,166**

(1) Revenue including associates.
(2) Comparative EBITDA is earnings before interest, tax, depreciation, amortisation and transaction costs.
(3) Amortisation of Golding acquisition intangibles.
(4) Transaction costs include legal costs associated with the acquisition of Golding.
(5) Interest add back is interest included in the cost base of the business segment and recovered over client contracts.

Segment Assets and Liabilities

	Segment Assets		Segment Liabilities	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Civil	92,307	93,224	63,579	88,031
Mining	273,421	253,243	153,160	125,223
Drill and Blast	74,388	75,427	39,975	29,692
Mining Technologies	44,246	-	15,380	-
Unallocated assets	104,214	98,293	25,034	4,598
Consolidated	**588,576**	**520,187**	**297,128**	**247,544**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.1 SEGMENT REPORTING (CONTINUED)

Information About Major Customers

Included in the revenues arising from sales of the reporting segments are approximate revenues to arise from the sales to the Group's largest customers.

These are summarised by segment below for the year end 30 June 2019:

	Civil	Mining	Drill and Blast	Mining Technologies	Total
	$'000	$'000	$'000		$'000
Major customer 1	-	150,304	-	-	150,304
Major customer 2	-	115,267	8,410	-	123,677
Total for continuing operations	**-**	**265,571**	**8,410**	**-**	**273,981**

These are summarised by segment below for the comparative year end 30 June 2018:

	Civil	Mining	Drill and Blast	Mining Technologies	Total
	$'000	$'000	$'000	$'000	$'000
Major customer 1	-	106,942	8,535	-	115,477
Major customer 2	-	96,696	-	-	96,696
Total for continuing operations	**-**	**203,638**	**8,535**	**-**	**212,173**

Other Segment Information

	Depreciation and Amortisation		Additions to non-current assets	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Civil	2,236	2,539	3,151	1,684
Mining	35,534	28,083	60,116	88,448
Drill and Blast	6,826	6,643	8,837	12,340
Mining Technologies	294	-	20,973	-
Other	17,163	10,940	5,159	805
Total for continuing operations	**62,053**	**48,205**	**98,236**	**103,277**

2.2 REVENUE

	Consolidated	
	2019	2018
	$'000	$'000
Revenue - group and equity accounted joint ventures	1,126,336	754,333
Equity accounted joint ventures	(48,212)	(68,902)
Revenue from contracts with customers	**1,078,124**	**685,431**

Revenue from contracts with customers is recognised in the income statement when the performance obligations are considered met, which can be at a point in time, or over time, depending on the various service offerings. Major activities of the Group are: Construction Contracts, Mining, Drill and Blast Service and Mining Technologies.

Revenue is recognised at an amount that reflects the consideration the Group expects to be entitled to, net of goods and services tax or similar tax.

As at 30 June 2019, the Group has recognised revenue from $21.4 million of unapproved claims based on the relative stage of completion.

Further information on the application of AASB15 on the major activities of the Group are provided in note 7.8.

Remaining performance obligations (Work in hand)

The transaction price allocated to remaining performance obligations (unsatisfied or partially satisfied) at 30 June 2019 are set out below. As permitted under the transitional provisions in AASB 15, the transaction price allocated to (partially) unsatisfied performance obligations as at 30 June 2018 is not disclosed.

	Consolidated
	2019
	$'000
Civil	506,485
Mining	1,371,713
Drill and Blast	281,407
Mining Technologies	49,164
Total	**2,208,769**

	Consolidated
	2019
	$'000
Within one year	1,173,099
More than one year	1,035,670
Total	**2,208,769**

NRW's contracts in its operating sectors have varying lengths. The average duration of contracts is given below. Revenue is typically earned over these varying timeframes.

- Construction 1-2 years
- Contract mining 1-6 years
- Mineral processing equipment 1-2 years
- Maintenance services 1-5 years

2.3 NET FINANCE EXPENSE

	Consolidated	
	2019	**2018**
	$'000	$'000
Interest income	739	493
Total finance income	**739**	**493**
Interest expense	(7,236)	(6,869)
Total finance expenses	**(7,236)**	**(6,869)**
NET FINANCE EXPENSE	**(6,497)**	**(6,376)**

Interest Income

Interest income is accrued on a time basis, by reference to the principal amount outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset of that asset's net carrying amount.

Interest Expense

Interest expense is recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2.4 OTHER EXPENSES

Profit for the year from continuing operations has been arrived at after charging:

	Consolidated	
	2019	**2018**
	$'000	$'000
EMPLOYEE BENEFITS EXPENSE		
Wages and salaries	(273,951)	(181,111)
Superannuation contributions	(19,919)	(13,536)
Share based payments (note 4.7)	(1,483)	(2,179)
Total	**(295,353)**	**(196,826)**
OTHER GAINS & LOSSES		
Profit / (loss) on sale of property, plant and equipment	(472)	1,938
Total	**(472)**	**1,938**
DEPRECIATION & AMORTISATION		
Depreciation of non-current assets	(49,963)	(37,090)
Amortisation	(12,090)	(11,115)
Total	**(62,053)**	**(48,205)**
PLANT & EQUIPMENT COSTS		
Operating lease payments	(25,171)	(16,639)
Rental hire payments	(55,536)	(27,117)
Owned plant maintenance and operating costs	(64,944)	(56,114)
Total	**(145,651)**	**(99,870)**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. BALANCE SHEET

3.1 TRADE AND OTHER RECEIVABLES

	Consolidated	
	2019	**2018**
	$'000	$'000
Trade receivables	76,172	76,287
Contract assets	76,674	40,551
Total contract debtors	**152,846**	**116,838**
Other receivables	4,254	2,679
Retentions	196	439
Loans to associates	743	743
Total trade and other receivables	**158,039**	**120,699**

Trade receivables represent receivables in respect of which the Group's right to consideration is unconditional subject only to the passage of time. Trade receivables are non-derivative financial assets accounted for in accordance with the Group's accounting policy for non-derivative financial assets as set out in Note 7.8 AASB 9 Financial Instruments.

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue'. Contract assets represent the Group's right to consideration for services provided to customers for which the Group's right remains conditional on something other than the passage of time. Amounts are generally reclassified to trade receivables when contract performance obligations have been certified or invoiced to the customer. Contract assets balance includes an amount reclassified from amount due from/(to) customers under construction contracts. This had no impact on the statement of profit or loss. Contract liabilities arise where payment is received prior to work being performed.

Trade and other receivables are measured at amortised cost. A gain or loss on trade and other financial assets that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

The average credit period on trade receivables ranges from 30 to 75 days in most cases. In determining the recoverability of a trade receivable, the Group used the expected credit loss model as per AASB 9. The expected credit loss model requires the Group to account for expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit default to have occurred before credit losses are recognised.

Age of Receivables That Are Past Due

	Consolidated	
	2019	**2018**
	$'000	$'000
60-90 days	157	323
90-120 days	250	175
Total	**407**	**498**

Past due is defined under AASB 7 *Financial Instruments: Disclosures* to mean any amount outstanding for one or more days after the contractual due date. Past due amounts relate to a number of trade receivable balances where for various reasons the payment terms may not have been met. These receivables have been assessed to be fully recoverable. Refer to note 4.1 for further details.

3.2 INVENTORIES

	Consolidated	
	2019	**2018**
	$'000	$'000
Raw materials and consumables	27,675	21,351
Work in progress	2,906	1,126
Total inventories	**30,581**	**22,477**

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.3 INVESTMENT IN ASSOCIATES

	Consolidated	
	2019	**2018**
	$'000	$'000
Salini Impregilo NRW Joint Venture (SI-NRW JV)	-	1,773
NewGen Drilling Pty Ltd	2,652	2,963
Total investment in associates	**2,652**	**4,736**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3.3 INVESTMENT IN ASSOCIATES (CONTINUED)

Reconciliation and movement in the Group's carrying value of its investments:

	2019 $'000	2018 $'000
Opening balance of investment in associates	**4,736**	**3,354**
(Loss)/gain recognised in Salini Impregilo NRW Joint Venture	(1,773)	1,773
Share of loss for the period – NewGen Drilling Pty Ltd	(311)	(391)
Total Share of profit / (loss) from associates	**(2,084)**	**1,382**
Closing balance of investment in associates	**2,652**	**4,736**

Salini Impregilo NRW Joint Venture (SI-NRW JV)

The Group formed a Joint Venture company with Salini Impregilo of Italy which was subsequently awarded the Forrestfield–Airport Link contract for the Public Transport Authority of Western Australia. The contract is worth $1.2 billion to be delivered over four years. The Group's share of the joint venture is 20%.

As at 30 June 2019, NRW's share of revenue is $48.2 million (2018: $68.9 million). Due to contract variations not being addressed in a timely manner NRW has reverted to recognising no margin on the contract (2018: share of profit $1.8 million).

NewGen Drilling Pty Ltd

The Group invested in a 20% share purchase in NewGen Drilling Pty Ltd "NewGen" which owns a drill rig to service the oil and gas market. CalEnergy Resources Limited, a subsidiary of Berkshire Hathaway Energy, holds the balance of the shares. The acquisition took place on 24 November 2014. In the financial year ended 30 June 2019 NewGen completed the contract in PNG and secured further work for the drill with Buru Energy Ltd which will continue into the 2019/20 financial year.

NewGen Drilling Pty Ltd

	2019 $'000	2018 $'000
Revenue	1,426	3,839
Loss for the period after tax	(1,552)	(1,955)
Current assets	1,693	1,892
Non-current assets	15,442	16,878
Current liabilities	(3,872)	(3,955)
Non-current liabilities	-	-
Net assets	**13,263**	**14,815**

3.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment held by the Consolidated Group include:

	Land	Buildings	Leasehold improvements	Plant and equipment	Total
	$'000	$'000	$'000	$'000	$'000
COST					
Balance as at 30 June 2017	**3,218**	**6,514**	**1,431**	**502,974**	**514,137**
Acquisitions through business combinations (note 7.5)	-	-	325	27,844	28,169
Additions	-	218	-	45,753	45,971
Disposals	-	-	(76)	(21,475)	(21,551)
Balance as at 30 June 2018	**3,218**	**6,732**	**1,680**	**555,096**	**566,726**
Acquisitions through business combinations (note 7.5)	-	-	-	4,925	4,925
Additions	-	-	-	77,263	77,263
Disposals	-	-	-	(32,354)	(32,354)
Balance as at 30 June 2019	**3,218**	**6,732**	**1,680**	**604,930**	**616,560**
DEPRECIATION					
Balance as at 30 June 2017	**1,000**	**4,969**	**1,431**	**332,656**	**340,055**
Depreciation and amortisation expense	-	284	122	36,684	37,090
Disposals	-	-	(66)	(19,857)	(19,923)
Balance as at 30 June 2018	**1,000**	**5,253**	**1,487**	**349,483**	**357,223**
Depreciation and amortisation expense	-	242	21	49,700	49,963
Disposals	-	-	-	(30,553)	(30,553)
Balance as at 30 June 2019	**1,000**	**5,495**	**1,508**	**368,630**	**376,633**
CARRYING VALUES					
At 30 June 2018	**2,218**	**1,479**	**193**	**205,613**	**209,503**
At 30 June 2019	**2,218**	**1,237**	**172**	**236,300**	**239,927**

Recognition and Measurement

The value of property, plant and equipment is measured as the cost of the asset less accumulated depreciation and impairment. All property, plant and equipment, other than freehold land, is depreciated or amortised at rates appropriate to the estimated useful life of the assets or in the case of certain leased plant and equipment, the shorter lease term or hours (usage) reflecting the effective lives. The normal expected useful lives bands are:

Buildings	4 to 40 years
Leasehold improvements	2 to 7 years
Major plant and equipment	5 to 10 years (normally based on machine hours)
Minor plant and equipment	1.5 to 10 years
Office equipment	2 to 8 years
Furniture and fittings	2 to 5 years
Motor vehicles	3 to 7 years

3.4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The bands provide a range of effective lives regardless of methodology used in the depreciation process (either machine hours, diminishing balance or straight line).

Depreciation rates and methods are normally reviewed at least annually. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a 'prospective' basis.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.5 INTANGIBLE ASSETS

Intangibles held by the Group include:

	Software and System Development	Patent Technology	Brand Names	Customer Relationships	Total
	$'000	$'000	$'000	$'000	$'000
COST					
Balance as at 30 June 2017	**19,813**	**1,453**	**-**	**-**	**21,266**
Assets recognised on business combinations (note 7.5)	1,329	-	8,916	18,892	29,137
Balance as at 30 June 2018	**21,142**	**1,453**	**8,916**	**18,892**	**50,403**
Assets recognised on business combinations (note 7.5)	-	8,007	2,722	5,318	16,047
Balance as at 30 June 2019	**21,142**	**9,460**	**11,638**	**24,210**	**66,450**
AMORTISATION					
Balance as at 30 June 2017	**18,059**	**1,445**	**-**	**-**	**19,504**
Amortisation expense (note 2.4)	1,495	5	-	9,615	11,115
Balance as at 30 June 2018	**19,554**	**1,450**	**-**	**9,615**	**30,619**
Amortisation expense (note 2.4)	1,309	903	-	9,878	12,090
Balance as at 30 June 2019	**20,863**	**2,353**	**-**	**19,493**	**42,709**
CARRYING VALUES					
At 30 June 2018	**1,589**	**3**	**8,916**	**9,277**	**19,785**
At 30 June 2019	**279**	**7,107**	**11,638**	**4,717**	**23,741**

Software and System Development

Software is recognised at cost of acquisition. Software has a finite life and is carried at cost less any accumulated amortisation and any impairment losses. Software is amortised over its useful life ranging from two to five years.

Patent Technology

Patents are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Patents have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. They are amortised over their useful life of up to five years.

3.5 INTANGIBLE ASSETS (CONTINUED)

Brand Names

Brand names recognised by the Group have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment at least annually or more frequently whenever there is the presence of other indicators of impairment.

Customer Relationships

Customer relationships are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Customer relationships have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. They are amortised over their useful life of up to five years.

3.6 GOODWILL

Goodwill held by the Group include:

	2019 $'000	2018 $'000
Gross carrying amount		
Balance at beginning of the period	40,103	-
Amounts recognised from business combinations occurring during the period (note 7.5)	-	40,103
Impairment	-	-
Balance at end of the period	**40,103**	**40,103**

Goodwill arising on an acquisition of a business is carried at cost established at the date of the acquisition of the business less accumulated impairment losses, if any.

Goodwill is not amortised but it is tested for impairment annually or more frequently if there is an indication that it might be impaired. Goodwill arising on the acquisition of Golding in 2017 is allocated to both the mining and civil business and tested at that level.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to goodwill and then to the identifiable assets on a pro rata basis. Any impairment loss for goodwill is recognised directly in profit or loss in the Consolidated Statement of Profit or Loss and Comprehensive Income. An impairment loss recognised for goodwill cannot be reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives, intangible assets not yet available for use, and goodwill are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3.6 GOODWILL (CONTINUED)

Cash Generating Units (CGU's)

As at 30 June 2019, the Company performed the relevant impairment testing of its CGU's. The Company was satisfied that the recoverable values were sufficiently in excess of their carrying values at reporting date. This conclusion was supported having applied a sensitivity analysis on the assumptions used in determining the recoverable values.

Accordingly, no impairment of the CGU's was required to be recognised.

The assumptions used in this assessment and sensitivity analysis thereafter are provided below.

Value in Use Assumptions

EBIT and growth

The value in use assessments for all CGU's were based on Board approved budgets for the year ending 30 June 2020. Growth assumptions thereafter are 3% (2018: 3%) per annum for each future year. The terminal value assumes perpetual growth of 3% (2018: 3%).

Discount rate

A pre-tax discount rate of 13.6% (2018: 13.6%) which includes a risk margin was applied to the cash flows within each of the CGU's.

Working capital and capital expenditure

Working capital has been adjusted to return to, and continue to reflect, what management estimate to be normal operating levels in order to continue to support the underlying businesses.

Capital expenditure forecasts were based on levels considered appropriate to maintain current operating activities.

Key Accounting Judgments and Estimates

Sensitivity analysis

The Company undertook sensitivity analysis with regard to the future years' growth rates, adjusting to a range of 1-2% (year-on-year) growth per annum. Terminal value growth rates have been sensitised to 2.0% and the discount rate increased to 16.0%. Individually, these sensitivities did not result in recoverable values to be lower than the carrying values of the CGUs as at 30 June 2019.

The Company has considered reasonable changes to the key assumptions and concluded that these would be unlikely to cause the CGUs carrying value to exceed its recoverable amount.

3.7 TRADE AND OTHER PAYABLES

	Consolidated	
	2019	**2018**
	$'000	$'000
CURRENT PAYABLES		
Trade payables	99,037	78,894
Goods and service tax	2,325	3,505
Other payables	6,184	4,796
Accruals	50,210	40,535
Total trade and other payables	**157,756**	**127,730**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 75 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. All payables are expected to be settled within the next 12 months.

3.8 PROVISIONS

	Consolidated			
	Onerous lease & contracts	Warranty & other	Employee benefits	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2018	**3,941**	**223**	**21,220**	**25,384**
Provisions in RCRMT opening balance sheet (note 7.5)	-	-	4,400	4,400
Provisions made during the year	304	309	41,110	41,723
Provisions applied	(3,040)	(70)	(29,484)	(32,594)
Balance at 30 June 2019	**1,205**	**462**	**37,246**	**38,913**
Short-term provisions	394	379	30,891	31,664
Long-term provisions	811	83	6,355	7,249
Total balance at 30 June 2019	**1,205**	**462**	**37,246**	**38,913**

The provision for onerous lease relates to substantially unoccupied office buildings of the Golding business located in Gladstone.

The warranty provisions relate to the present value of the estimate of the future outflow of economic benefits under the Groups obligations for warranties arising from specific construction contracts at reporting date. The future cash flows have been measured at the best estimate of the expenditure required to settle the Group's obligation and history of warranty claims.

The provision for employee benefits represents annual leave and long service leave entitlements accrued and compensation claims made by employees. Total direct employees increased to 2,363 at June 2019 (2018: 1,407).

Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee Entitlements

Management judgement is applied in determining employee entitlements for long service leave. This determination considers future increases in wages and salaries, future on cost rates, employee departures and period of service.

4. CAPITAL STRUCTURE

The Group manages its capital structure to ensure that entities in the Group will be able to continue as a going concern while maximising returns to shareholders.

Gearing Ratio

The Board meets regularly to determine the level of borrowings and shareholder funding required to appropriately support business operations. The gearing ratio is a function of the capital structure, dividends and movements in debt. The gearing ratio was calculated at 30 June 2019 as:

	Consolidated	
	2019	2018
	$'000	$'000
Cash	65,031	58,846
Borrowings (note 5.3)	(100,459)	(93,212)
Net Debt	**(35,428)**	**(34,366)**
Total equity	291,448	272,643
Net Debt to Equity Ratio	**12.2%**	**12.6%**

4.1 FINANCIAL INSTRUMENTS

Financial Risk Management

The Group's overall financial risk strategy seeks to ensure appropriate funding levels, approved treasury directives to meet ongoing project needs and to allow flexibility for growth. The Board has ultimate responsibility for the Group's policy of risk management. The risk policies and procedures are reviewed periodically. In addition, the going concern basis is reviewed throughout the year, ensuring adequate working capital is available.

The financial instruments in the Group primarily consist of interest bearing debt, cash, trade receivables and payables. The Group has minimal foreign currency risks, although its presence in Guinea West Africa remains, including some assets that are strategically held there for new opportunities. No cash is held other than to meet the day to day running costs.

Capital Risk Management

The capital structure of the Group comprises of debt (borrowings), cash and cash equivalents, and equity. A significant portion of the debt funding was established with NRW's lead banking partner, Bankwest, through a loan facility drawn in December 2018 used to redeem the Corporate Notes (issued on 19 December 2016 to acquire assets utilised in the operations of Civil, Mining and Action Drill and Blast). In addition, a $48 million Golding Debt Facility was established in August 2017 to partially fund the acquisition of the Golding Group (note 7.5).

The cash position is reviewed regularly and the Group had access to an interchangeable working capital facility (overdraft) as at 30 June 2019, as disclosed at note 5.3.

Interest Rate Risk Management

Principal and interest payments under the Bankwest loan facilities are made quarterly. The term of the Bankwest loans are to expire in December 2020 and the Golding Debt Facility in February 2021. The Board continues to review its risk associated with any covenants and borrowing conditions on a regular basis.

The Bankwest loans are at variable interest rates. All other debt facilities are provided on fixed interest terms.

The Board considers the exposure to market rate volatility as low. If the Group were to consider a movement of 100 basis points in interest rates or cost of funds, there would be no material impact to the cost of capital.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.1 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk Management

The estimated contractual maturity for its financial liabilities and financial assets are set out in the following tables. The tables show the effective interest rates and average interest rates as relevant to each class.

Consolidated interest and liquidity analysis 2019

	Effective interest rate	Total	0 to 30 days	31 days to < 1 year	1 to 5 yrs	> 5yrs
		$'000	$'000	$'000	$'000	$'000
FINANCIAL ASSETS						
Cash and cash equivalents	1.0%	65,031	65,031	-	-	-
Trade and other receivables		158,039	65,551	92,488[(1)]	-	-
Subtotal		**223,070**	**130,582**	**92,488**	**-**	**-**
FINANCIAL LIABILITIES						
Bankwest loan	5.3%	27,750	-	18,500	9,250	
Golding acquisition loan	5.2%	28,116	-	16,116	12,000	
Asset financing	6.3%	44,593	1,298	9,520	33,775	
Trade and other payables		157,756	97,679	60,077[(2)]		
Subtotal		**258,215**	**98,977**	**104,213**	**55,025**	

(1) Normal trade receivable terms. See note 3.1.
(2) Normal trade payable terms. See note 3.7.

Consolidated interest and liquidity analysis 2018

	Effective interest rate	Total	0 to 30 days	31 days to < 1 year	1 to 5 yrs	> 5yrs
		$'000	$'000	$'000	$'000	$'000
FINANCIAL ASSETS						
Cash and cash equivalents	1.5%	58,846	58,846	-	-	-
Trade and other receivables	-	120,699	75,040	45,618[(1)]	41	-
Subtotal		**179,545**	**133,886**	**45,618**	**41**	**-**
FINANCIAL LIABILITIES						
Corporate notes	7.5%	46,256	-	17,543	28,713	-
Golding acquisition loan	5.2%	36,164	-	16,164	20,000	-
Asset financing	8.4%	10,132	211	2,344	7,577	-
Other	5.0%	660	223	437	-	-
Trade and other payables	-	127,730	79,511	48,219[(2)]		
Subtotal		**220,942**	**79,945**	**84,707**	**56,290**	**-**

(1) Normal trade receivable terms. See note 3.1.
(2) Normal trade payable terms. See note 3.7.

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining appropriate banking facilities, ensuring a suitable credit control program, continuously monitoring forecast and actual cash flows, and considering the level of capital commitment commensurate with project demands and other market forces.

4.1 FINANCIAL INSTRUMENTS (CONTINUED)

Foreign Exchange and Currency Exposure

The Group reports its functional currency in Australian dollars (AUD). The Board considers that movements in foreign currency will have virtually no impact on operating profits, given that most projects are agreed and billed in Australian dollars and cash holdings in other currencies other than AUD are negligible. Should foreign operations expand then suitable risk measures would be put in place accordingly. Any new developments which the Group considers or bids for are considered as part of the risk management reviews held by the Board. Other than specific transactions or purchases negotiated with the supplier, transactions dealing in foreign currency are dealt with at spot rates.

Credit Risk

The primary credit risk faced by the Group is the failure of customers to pay their obligations as and when they fall due. Trade and other receivables payment terms are primarily 30 to 75 days. Cash retentions are low as clients require bonds and bank guarantees.

The carrying amount of financial assets recorded in the financial statements net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral.

Bank guarantees at 30 June 2019 total $6.0 million (2018: $4.9 million) and contract guarantees provided by the insurance market total $69.0 million (2018: $29.8 million).

Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In particular, AASB 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk of that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. AASB 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances. The Group has elected to apply this simplified approach, applying the accounting policy set out in Note 7.8.

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, lease receivables, amounts due from customers, as well as on loan commitments and financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Measuring movements in credit risk

The Company considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

4.1 FINANCIAL INSTRUMENTS (CONTINUED)

- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- If there is a material breach of financial covenants by the counterparty and this is not expected to be remedied in the foreseeable future; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is significantly past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

4.1 FINANCIAL INSTRUMENTS (CONTINUED)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

In determining expected credit losses, the Directors of the Company have taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which they operate.

The loss allowance recognised during the period is $29.2 million (2018: nil) and is comprised entirely of Gascoyne Resources related balances:

- Trade Receivables $19.2 million
- Secured Loans $10.0 million

The Group is still entitled to the gross value of the financial assets.

Other than in respect of Gascoyne Resources the Group did not obtain financial or non-financial assets as collateral during the period.

Investments in financial assets

During the year the Group acquired listed equity shares of Gascoyne Resources Limited for the consideration of $4.3 million. Following their entry into voluntary administration in June 2019, the Company has impaired the shares held by $4.3 million to a fair value of nil.

No investments in financial assets were held at 30 June 2018.

4.2 ISSUED CAPITAL

Fully Paid Ordinary Shares

	Consolidated	
	2019	2018
	$'000	$'000
ORDINARY SHARES		
375,880,733 fully paid ordinary shares (2018: 370,618,080)	206,126	206,126

All issued shares are fully paid and rank equally. Fully paid ordinary shares carry one vote per share and carry a right to dividends.

	Consolidated			
	2019	2019	2018	2018
	# No. '000	$'000	# No. '000	$'000
FULLY PAID ORDINARY SHARES				
Balance at the beginning of the financial year	**370,617**	**206,126**	**321,776**	**176,901**
Capital raising at $0.69 share	-	-	36,800	25,024
Share issue under share purchase plan at $0.68 share	-	-	7,353	5,000
Share issue costs net of tax	-	-	-	(1,142)
Income tax related to share issue costs	-	-	-	343
Issue of shares to executives	5,263	-	4,689	-
Balance at the end of the period	**375,880**	**206,126**	**370,618**	**206,126**

The Company has on issue a total of 375,880,733 (2018: 370,618,080) ordinary shares, of which 10,792 (2018: 10,792) shares are held by subsidiaries of the Company and eliminated on consolidation.

4.3 RESERVES

	Consolidated	
	2019	2018
	$'000	$'000
Share based payment reserve	7,032	5,549
Foreign currency reserve	(208)	(208)
Total reserves	**6,824**	**5,341**

Share Based Payment Reserve

	Consolidated	
	2019	2018
	$'000	$'000
Balance at the beginning of the financial year	5,549	3,370
Share based payments	1,483	2,179
Balance at the end of the financial year	**7,032**	**5,549**

Information relating to performance rights, including details of issued, exercised and lapsed during the financial year and outstanding at the end of the financial year, is set out in the Remuneration Report and at note 4.7.

4.4 RETAINED EARNINGS

	Consolidated	
	2019	**2018**
	$'000	$'000
Balance at the beginning of the financial year	61,176	19,010
Net profit attributable to members of the parent entity	32,270	42,166
Dividends paid	(14,948)	-
Balance at the end of the financial year	**78,498**	**61,176**

4.5 DIVIDENDS

The Directors have declared a dividend for the current financial year of 2 cents per share. The dividend will be fully franked and paid on 10 December 2019.

Franking Account

	Consolidated	
	2019	**2018**
	$'000	$'000
Franking account balance at 1 July	**39,914**	**39,007**
Australian income tax paid	789	907
Franking credits attached to dividends paid:		
As final dividend	(3,185)	-
As interim dividend	(3,222)	-
Franking account balance at 30 June	**34,296**	**39,914**
Franking credits that will attach to the payment of fully franked dividends declared but not paid as at reporting date	(3,222)	(3,177)
Franking credits that will arise from the payment of income tax payable as at reporting date	-	1,217
Net franking credits available	**31,074**	**37,954**

4.6 EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	Consolidated	
	2019	**2018**
	$'000	$'000
Profit for the year	32,270	42,166
Weighted average number of shares for the purposes of basic earnings per share (000's)	**373,918**	**362,271**
Basic earnings per share	8.6 cents per share	11.6 cents per share
Shares deemed to be issued for no consideration in respect of:		
– Performance rights (000's)	9,945	8,228
Weighted average number of shares used for the purposes of diluted earnings per share (000's)	**383,863**	**370,499**
Diluted earnings per share	8.4 cents per share	11.4 cents per share

4.6 EARNINGS PER SHARE (CONTINUED)

Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares on issue during the financial 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.

4.7 SHARE BASED PAYMENTS

Share based compensation payments are provided to employees in accordance to the NRW Holdings Limited Performance Rights Plan (PRP) detailed in the remuneration report.

Share based compensation payments are measured at the fair value of the equity instruments at the grant date. The fair value at grant date is independently determined using the valuation methods detailed in the remuneration report.

The fair value of the equity instruments granted is adjusted to reflect market Vesting Conditions, but excludes the impact of any non-market Vesting Conditions. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The Group measures the cost of equity settled transactions with key management personnel at the fair value of the equity instruments at the date at which they are granted. Fair value is determined using valuation methods detailed in the remuneration report.

The variables in the valuation model are the share price on the date of the award, the duration of the award, the risk free interest rate, share price volatility and dividend yield. The inputs used for each of the current schemes is provided below.

Scheme ID	Risk Free Interest Rate	Share Price Volatility	Dividend Yield	Value (cents per share)
D	1.78%	120.0%	0.0%	16.60
E	1.71%	78.8%	10.2%	33.00
F	1.80%	114.9%	10.2%	38.50
G	1.96%	103.2%	10.2%	34.00
H	1.71%	68.0%	10.2%	17.60
I	1.80%	110.6%	10.2%	37.90
J	1.80%	112.8%	10.2%	41.20
K	1.44%	55.14%	1.20%	79.70
L	1.35%	64.05%	1.20%	123.90
M	1.44%	47.26%	1.20%	75.30
N	1.35%	53.62%	1.20%	101.10

For all awards, the volatility assumption is representative of the level of uncertainty expected in the movements of the Company's share price over the life of the award. The assessment of the volatility includes the historic volatility of the market price of the Company's share and the mean reversion tendency of volatilities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.7 SHARE BASED PAYMENTS (CONTINUED)

Details of the awards for each scheme, the status of those awards and share based payment expense for KMP's is provided in the table below.

Name / Scheme	Scheme ID	Allocation Date	Vesting Date	Balance of Unvested Equity Awards as at 1 July 2018	Granted	Vested in FY 19	Balance of Unvested Equity Awards as at 30 June 2019	Fair Value Per Security	Fair Value at Grant Date	Fair Value at Vesting Date	Share Based Payments Expense FY19
				Number of Rights	Number of Rights	Number of Rights	Number of Rights	Cents	$	$	$
J Pemberton											
2017 Tranche 2	D	1/07/2016	30/11/2018	975,610	-	(975,610)	-	16.60	161,951	1,785,366	28,094
2018 Tranche 1	E	4/12/2017	30/11/2018	2,137,500	-	(2,137,500)	-	33.00	705,375	3,911,625	176,344
2018 Tranche 2	F	4/12/2017	30/11/2019	2,137,500	-	-	2,137,500	38.50	822,938	-	352,688
2018 Tranche 3	G	4/12/2017	30/11/2020	2,137,500	-	-	2,137,500	34.00	726,750	-	218,025
2018 Golding Tranche 1 Y1	H	4/12/2017	30/08/2018	625,000	-	(625,000)	-	17.60	110,088	1,318,750	15,727
2018 Golding Tranche 1 Y2	I	4/12/2017	30/08/2019	625,000	-	-	625,000	37.90	237,065	-	109,413
Total				**8,638,110**	**-**	**(3,738,110)**	**4,900,000**		**2,764,167**	**7,015,741**	**900,291**
A Walsh											
2017 Tranche 2	D	1/07/2016	30/11/2018	543,293	-	(543,293)	-	16.60	90,187	994,226	15,644
2018 Tranche 1	E	4/12/2017	30/11/2018	700,000	-	(700,000)	-	33.00	231,000	1,281,000	57,750
2018 Tranche 2	F	4/12/2017	30/11/2019	700,000	-	-	700,000	38.50	269,500	-	115,500
2018 Tranche 3	G	4/12/2017	30/11/2020	700,000	-	-	700,000	34.00	238,000	-	71,400
2018 Golding Tranche 1 Y1	H	4/12/2017	30/08/2018	281,250	-	(281,250)	-	17.60	49,500	593,438	7,071
2018 Golding Tranche 1 Y2	I	4/12/2017	30/08/2019	281,250	-	-	281,250	37.90	106,594	-	49,198
Total				**3,205,793**	**-**	**(1,524,543)**	**1,681,250**		**984,781**	**2,868,664**	**316,563**
E Buratto											
2018 Scheme	J	4/12/2017	30/11/2019	288,000	-	-	288,000	41.20	118,656	-	59,328
Total				**288,000**	**-**	**-**	**288,000**		**118,656**	**-**	**59,328**
G Caton											
2018 Scheme	J	4/12/2017	30/11/2019	357,798	-	-	357,798	41.20	147,413	-	68,037
Total				**357,798**	**-**	**-**	**357,798**		**147,413**	**-**	**68,037**
I Gibbs											
2019 Scheme 1 Tranche 1	K	15/2/2019	30/11/2020	-	77,885	-	77,885	79.70	62,074	-	13,662
2019 Scheme 1 Tranche 2	L	15/2/2019	30/11/2021	-	77,885	-	77,885	123.90	96,500	-	13,400
Total				**-**	**155,770**	**-**	**155,770**		**158,574**	**-**	**27,062**
Non KMP											
2018 Scheme	J	4/12/2017	30/11/2019	801,180	-	-	801,180	41.20	330,086	-	108,609
2019 Scheme 2 Tranche 1	M	18/04/2019	30/11/2020	-	15,000	-	15,000	75.30	11,295	-	1,514
2019 Scheme 2 Tranche 2	N	18/04/2019	30/11/2021	-	15,000	-	15,000	101.10	15,165	-	1,232
TOTAL				**13,290,881**	**185,770**	**(5,262,653)**	**8,213,998**		**4,530,137**	**9,884,405**	**1,482,636**

5. FINANCING

5.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Reconciliation of profit for the period to net cash flows from operating activities

	Consolidated	
	2019	**2018**
	$'000	$'000
PROFIT FOR THE PERIOD	**32,270**	**42,166**
Adjustments for:		
Loss / (gain) on sale of property, plant and equipment	472	(1,938)
Depreciation and amortisation	62,053	48,204
Share of loss / (gain) from associates	2,084	(1,382)
Share based payment expense	1,483	2,179
Gain on acquisition	(5,120)	-
Tax effect of share issue costs recognised in equity	-	343
Net cash generated before movement in working capital	**93,242**	**89,572**
Change in trade and other receivables	(37,340)	(32,423)
Change in inventories	(6,062)	(3,981)
Change in other assets	(1,855)	2,078
Change in trade and other payables	30,025	34,725
Change in provisions and employee benefits	9,128	(7,869)
Change in provision for income tax	(1,218)	(905)
Change in deferred tax balances	13,896	(6,438)
Net cash from operating activities	**99,816**	**74,759**

Note: EBITDA ($114.3 million) is profit for the period ($32.3 million) add back depreciation and amortisation ($62.1 million), net interest ($6.5 million) and tax credit ($13.5 million).

5.2 GUARANTEES

	Consolidated	
	2019	**2018**
	$'000	$'000
Bank guarantees	5,988	4,919
Insurance bonds	69,006	29,831
Balance at the end of the financial year	**74,994**	**34,750**

The Group has contract performance bank guarantees and insurance bonds issued in the normal course of business in respect to its construction contracts.

NOTES TO THE
FINANCIAL STATEMENTS CONTINUED

5.3 BORROWINGS

During the year, the Group secured financing from Bankwest at $37 million principal value which along with funds in the company have been used to repay Corporate Notes on the 19 December 2018. The Notes were issued in December 2016 raising $70 million. The terms of the notes provided for an early repayment at a 2% premium to the outstanding balance after two years. Bankwest debt is fully repayable over two years on a quarterly basis with interest payable at a variable rate linked to the prevailing 90-day BBSY rate at the commencement of each quarter

In the previous financial year, the Company agreed a $48 million debt facility with its lead banker to be used to finance the acquisition of Golding. The debt is fully repayable over three years on a quarterly basis with interest payable at a variable rate linked to the prevailing 90-day BBSY rate at the commencement of each quarter.

Various financial institutions provide the Group with fixed interest rate finance leases, secured by the underlying assets financed.

As at the date of signing the annual accounts, the Company is in compliance with its obligations under its facilities. The Company expects to be in compliance with agreed covenants throughout the year ending 30 June 2020.

Information on the amounts drawn under the Company's finance facilities is provided in the table below.

The group borrowings are comprised of:

	Consolidated	
	2019	**2018**
	$'000	$'000
SECURED AT AMORTISED COST		
Current		
Corporate notes	-	17,543
Bankwest loan	18,500	-
Golding acquisition loan	16,116	16,164
Finance lease liability	10,818	2,554
Other	-	660
Total current borrowings	**45,434**	**36,921**
Non-current		
Corporate notes	-	28,713
Bankwest loan	9,250	-
Golding acquisition loan	12,000	20,000
Finance lease liability	33,775	7,578
Total non-current borrowings	**55,025**	**56,291**
GROUP TOTAL BORROWINGS	**100,459**	**93,212**

The Company currently has in place a multi-option general banking facility with Bankwest. The agreement provides NRW with a facility to be used for contract guarantees, and a facility which can be used for either contract guarantees or as working capital (an overdraft facility).

NOTES TO THE
FINANCIAL STATEMENTS CONTINUED

5.3 BORROWINGS (CONTINUED)

Borrowings Movement Reconciliation

Finance Description	Opening Balance 1 Jul 18	Proceeds from borrowings	Repayments of borrowings	Interest Accrued	Closing balance 30 Jun 19
	$'000	$'000	$'000	$'000	$'000
Corporate notes	46,256	-	(46,256)	-	-
Bankwest loan	-	37,000	(9,146)	(104)	27,750
Golding acquisition	36,164	8,000	(16,000)	(48)	28,116
Asset financing	10,132	39,102	(4,793)	152	44,593
Other	660	4,500	(5,160)	-	-
Total	**93,212**	**88,602**	**81,355**	**-**	**100,459**

Finance Facilities

Consolidated finance facilities as at 30 June 2019

Finance Description	Face Value (limit)	Carrying Amount (utilised)	Unutilised Amount
	$'000	$'000	$'000
Bankwest loan	27,750	27,750	-
Golding acquisition loan	28,116	28,116	-
Asset financing(1)	44,593	44,593	-
Guarantees and insurance bonds(2)	155,000	74,994	80,006

(1) Terms range from one to five years.
(2) $10.0 million of the overall limit is interchangeable as an overdraft facility.

Consolidated finance facilities as at 30 June 2018

Finance Description	Face Value (limit)	Carrying Amount (utilised)	Unutilised Amount
	$'000	$'000	$'000
Corporate notes	46,256	46,256	-
Golding acquisition loan	36,164	36,164	-
Asset financing(1)	10,132	10,132	-
Other	660	660	-
Guarantees and insurance bonds(2)	155,000	34,750	120,250

(1) Terms range from one to three years.
(2) $10.0 million of the overall limit is interchangeable as an overdraft facility.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5.3 BORROWINGS (CONTINUED)

Finance Leases as Lessee

Non-cancellable finance leases are as outlined above and are payable as follows:

	Minimum future lease payments		Present value of minimum future lease payments	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Not later than one year	12,831	3,180	10,819	2,555
Later than one year and not later than five years	37,856	8,440	33,775	7,577
Later than five years	-	-	-	-
Minimum future lease payments	**50,687**	**11,620**	**44,594**	**10,132**
Less future finance charges	(6,094)	(1,488)	-	-
Present value of minimum lease payments	**44,593**	**10,132**	**44,954**	**10,132**

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.3% to 9.5% (2018: 3.91% to 9.5%).

Finance Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where the Group is the lessee, assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

5.4 CAPITAL AND OTHER COMMITMENTS

As at 30 June 2019 the Group has capital and other commitments totalling $24.2 million (2018: $13.7 million).

5.5 OPERATING LEASES

Non-cancellable operating and property lease rentals are payable as follows:

	Consolidated	
	2019	**2018**
	$'000	$'000
Less than one year	21,578	15,386
Between one and five years	44,656	36,813
More than five years	16,441	4,266
Total operating and property leases	**82,675**	**56,465**

The majority of property leases relate to commercial property. The majority of these property leases contain market or CPI review clauses during the term of the leases.

The Group does not have the option to purchase the leased assets at the end of the lease period.

Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Refer to note 7.8 for application of AASB 16.

6. TAXATION

6.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

	Consolidated	
	2019	**2018**
	$'000	$'000
CURRENT TAX EXPENSE		
Current year income tax	-	-
Adjustments for prior years income tax	(422)	-
Subtotal	**(422)**	**-**
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences	16,639	13,072
Deferred tax assets brought to account	(2,750)	(19,163)
Total income tax expense / (benefit)	**13,467**	**(6,091)**

6.2 RECONCILIATION OF EFFECTIVE TAX RATE

	Consolidated	
	2019	**2018**
	$'000	$'000
Profit before tax for the period	45,737	36,075
INCOME TAX USING THE COMPANY'S DOMESTIC TAX RATE OF 30%	**13,721**	**10,823**
Changes in income tax expense due to:		
Effect of expenses that are not deductible in determining taxable profit	(2,064)	512
Effect of impairment of financial assets relating to the Gascoyne Resources loan and equity instruments (note 4.1)	4,295	-
Effect of gain on acquisition related to RCRMT acquisition (note 7.5)	(1,536)	-
Adjustments recognised in the current year in relation to the effect of tax consolidation in prior years	-	1,837
Adjustments recognised in the current year in relation to the current tax of prior years (effect of expenses that are not deductible in determining taxable profit)	1,801	(100)
Deferred tax assets brought to account	(2,750)	(19,163)
Total income tax expense / (benefit)	**13,467**	**(6,091)**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Relevance of Tax Consolidation to the Group

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group under Australian taxation law with effect from 1 July 2014 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is NRW Holdings Limited. The members of the tax-consolidated group are identified in note 7.1.

6.2 RECONCILIATION OF EFFECTIVE TAX RATE (CONTINUED)

Tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand-alone taxpayer' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Nature of Tax Funding Arrangements and Tax Sharing Agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, NRW Holdings Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

Goods and Services

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

Income taxes are paid in the jurisdictions where the Group operates, predominantly Australia. Significant judgement is involved in applying the tax rules and regulations relevant in deriving the final provision for income tax. If in subsequent periods matters arise that causes the final tax outcome to vary to the reported carrying amounts, such differences will alter the deferred tax balances in the period the change is identified.

6.3 CURRENT AND DEFERRED TAX BALANCES

Current Tax Liabilities

	Consolidated	
	2019	**2018**
	$'000	$'000
Income tax payable(1)	-	1,218
Total	**-**	**1,218**

(1) Current tax liability disclosed on the face of the balance sheet relates to an assumed liability from the Golding acquisition.

6.3 CURRENT AND DEFERRED TAX BALANCES (CONTINUED)

Deferred Tax Balances

	Assets		Liabilities		Net	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000	$'000	$'000
Share based payments	727	341	-	-	727	341
Investment in Associates	714	-	-	-	714	-
Costs of equity raising FY17/18	300	415	-	-	300	415
Provisions	11,136	6,845	-	(8)	11,136	6,837
Work in progress (construction)	-	606	(17,703)	(12,427)	(17,703)	(11,821)
Inventories	-	1,125	(3,684)	(2,730)	(3,684)	(1,605)
Intangible assets	-	-	(7,039)	(5,459)	(7,039)	(5,459)
PP&E	1,071	1,906	(23,571)	(19,086)	(22,500)	(17,180)
Other creditors and accruals	971	191	-	-	971	191
Other assets	960	286	(323)	(237)	637	49
Losses	58,498	67,679	-	-	58,498	67,679
Deferred tax assets / (liabilities)	**74,377**	**79,394**	**(52,320)**	**(39,947)**	**22,057**	**39,447**

Movement of Deferred Tax Balances

	Consolidated	
	2019	**2018**
	$'000	$'000
DEFERRED TAX EXPENSE		
Recognised in profit or loss (note 6.1)	(16,639)	(13,068)
Deferred tax assets brought to account (note 6.1)	2,750	19,163
Recognised directly in equity	-	343
Balance acquired through business combinations	(3,494)	(3,261)
Total	**(17,383)**	**3,177**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is adjusted to recognise the estimated value of future tax liabilities likely to arise based on risk assessed forecasts.

6.3 CURRENT AND DEFERRED TAX BALANCES (CONTINUED)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Unrecognised Deferred Tax Balances

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:

	Consolidated	
	2019	**2018**
	$'000	$'000
Tax losses (revenue in nature)	-	2,750

7. OTHER NOTES

7.1 SUBSIDIARIES

Parent entity	Principal Activities	Country of incorporation	Ownership interest	
			2019	2018
NRW Holdings Limited	Holding Company	Australia	-	-
WHOLLY OWNED SUBSIDIARIES				
NRW Pty Ltd as trustee for NRW Unit Trust	NRW Civil & Mining	Australia	100%	100%
Actionblast Pty Ltd	AES Equipment Solutions	Australia	100%	100%
NRW Mining Pty Ltd	Investment Shell	Australia	100%	100%
NRW Intermediate Holdings Pty Ltd	Intermediary	Australia	100%	100%
RCR Mining Technologies Pty Ltd (formerly ACN 107724274 Pty Ltd) (Note 7.5)	RCR Mining Technologies	Australia	100%	100%
NRW Guinea SARL	Contract Services	Guinea	100%	100%
Indigenous Mining & Exploration Company Pty Ltd	Investment Shell	Australia	100%	100%
NRW International Holdings Pty Ltd	Investment Shell	Australia	100%	100%
Action Drill & Blast Pty Ltd (formerly NRW Drill & Blast Pty Ltd)	Action Drill & Blast	Australia	100%	100%
Hughes Drilling 1 Pty Ltd	Action Drill & Blast	Australia	100%	100%
Golding Group Pty Ltd	Golding Holding Company	Australia	100%	100%
Golding Finance Pty Ltd	Dormant	Australia	100%	100%
Golding Employee Equity Pty Ltd	Dormant	Australia	100%	100%
Golding Contractors Pty Ltd	Golding Civil, Mining & Urban	Australia	100%	100%
Golding Civil Pty Ltd	Golding Civil	Australia	100%	100%
Golding Mining Pty Ltd	Golding Mining	Australia	100%	100%
Golding Services Pty Ltd	Golding Civil, Mining & Urban	Australia	100%	100%
Golding Urban Pty Ltd	Golding Urban	Australia	100%	100%
RCR Heat Treatment Pty Ltd (incorporated 22 January 2019)	RCR Heat Treatment	Australia	100%	-

All of the wholly-owned subsidiaries and Parent entity, incorporated in Australia, form the Tax Consolidation Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.1 SUBSIDIARIES (CONTINUED)

Deed of Cross Guarantees

Pursuant to ASIC Class Order 98/1418 (as amended) dated 22 June 2011, the wholly-owned subsidiaries listed in note 7.1 as parties to the Deed of Cross Guarantee are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of Financial Reports and Directors' Reports.

RCR Heat Treatment Pty Ltd and NRW Guinea SARL are not part of the above deed of cross guarantee arrangements.

The consolidated statement of comprehensive income of the entities party to the deed of cross guarantees is as follows:

	Consolidated	
	2019	**2018**
	$'000	$'000
STATEMENT OF COMPREHENSIVE INCOME		
Revenue	1,075,681	685,431
Other income	5,120	-
Finance income	738	493
Finance costs	(7,236)	(6,869)
Share of profit/(loss) in associate	(2,084)	1,382
Materials and consumables used	(236,803)	(116,374)
Employee benefits expense	(294,163)	(196,826)
Subcontractor costs	(279,822)	(176,235)
Depreciation and amortisation expenses	(62,022)	(48,205)
Plant and equipment costs	(145,538)	(99,870)
Other expenses	(8,662)	(6,852)
Profit before income tax	**45,209**	**36,075**
Income tax expense	(13,311)	6,091
Profit for the year	**31,898**	**42,166**

	Consolidated	
	2019	**2018**
	$'000	$'000
OTHER COMPREHENSIVE INCOME		
Total comprehensive income for the year	**31,898**	**42,166**

7.1 SUBSIDIARIES (CONTINUED)

The consolidated statement of financial position of the entities party to the deed of cross guarantees is:

	Consolidated	
	2019	**2018**
	$'000	$'000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets		
Cash and cash equivalents	64,445	58,841
Trade and other receivables	156,529	120,699
Inventories	30,570	22,477
Other current assets	6,439	4,666
Total current assets	**257,983**	**206,683**
Non-current assets		
Investment in associates	2,653	4,736
Inter group loans	3,738	-
Property, plant and equipment	239,343	209,429
Intangibles	20,161	19,785
Goodwill	40,103	40,103
Deferred tax assets	22,938	39,447
Total non-current assets	**328,936**	**313,500**
Total assets	**586,919**	**520,183**
LIABILITIES		
Current liabilities		
Trade and other payables	157,183	127,764
Borrowings	45,434	36,921
Current tax liabilities	(156)	1,218
Provisions	31,226	20,166
Total current liabilities	**233,687**	**186,069**
Non-current liabilities		
Borrowings	55,025	56,291
Provisions	7,162	5,218
Total non-current liabilities	**62,187**	**61,509**
Total liabilities	**295,874**	**247,578**
Net assets	**291,045**	**272,605**
EQUITY		
Issued capital	206,126	206,123
Reserves	6,824	5,549
Retained earnings / (Accumulated losses)	78,095	60,933
Total equity	**291,045**	**272,605**

7.1 SUBSIDIARIES (CONTINUED)

Changes in the Group's Ownership Interests in Existing Subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

7.2 UNINCORPORATED JOINT OPERATIONS

The Group has significant interests in the following jointly controlled operations:

Name of Operation	Principal Activity	Group Interest	
		2019	2018
NRW-NYFL Joint Venture	Bulk Earthworks construction - Nammuldi Waste Fines Tails Dam wall - completed	85%	85%
NRW-Eastern Guruma Joint Venture	Construction of the HME Overpass and the Silvergrass Access Roads - completed	50%	50%
City East Alliance	Upgrade of Great Eastern Highway – completed	15%	15%
NRW Njamal ICRG Joint Venture	Bulk Earthworks and services for the Iron Bridge (North Star Magnetite Project) - completed	50%	50%
NRW Eastern Guruma Wirlu-Murra Enterprises Joint Venture	Construction of a tailings dam - completed	50%	50%

The following amounts are included in the Group's consolidated financial statements as a result of the proportionate consolidation of the above interests in joint operations.

Financial Information

	Consolidated	
	2019	2018
	$'000	$'000
STATEMENT OF FINANCIAL PERFORMANCE		
Income	55	15,988
Expenses	538	(16,586)
STATEMENT OF FINANCIAL POSITION		
Current assets	94	1,451
Current liabilities	33	1,461

7.2 UNINCORPORATED JOINT OPERATIONS (CONTINUED)

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

7.3 RELATED PARTIES

The ultimate parent entity within the Group is NRW Holdings Limited. The interests in subsidiaries are set out in note 7.1.

Trading Summary

There are no sales of goods or services to, or purchases from, related parties at reporting date.

Related Party Outstanding Balances

There are no amounts receivable from or payable to related parties at reporting date or at the end of the prior reporting period.

7.4 PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2019 the parent company of the Group was NRW Holdings Limited.

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

Financial Position

	Parent	
	2019	**2018**
	$'000	$'000
ASSETS		
Current assets	169,609	182,487
Non-current assets	81,481	94,420
Total assets	**251,090**	**276,907**
LIABILITIES		
Current liabilities	17,731	18,127
Non-current liabilities	9,250	28,713
Total liabilities	**26,981**	**46,840**
EQUITY		
Contributed equity	206,149	206,149
Retained earnings	11,205	18,646
RESERVES		
Share based payment reserve	6,755	5,272
Total equity	**224,109**	**230,067**

Financial Performance

	Parent	
	2019	**2018**
	$'000	$'000
Profit for the year	7,508	50,098
Total comprehensive income	**7,508**	**50,098**

Guarantees Entered into by the Parent in Relation to the Debts of its Subsidiaries

	Parent	
	2019	**2018**
	$'000	$'000
Asset finance	54,726	10,132
Total	**54,726**	**10,132**

NRW Holdings Limited has entered into a Deed of Cross Guarantee as disclosed in note 7.1.

7.5 BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share Based Payment' at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Noncurrent Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on acquisition.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

RCR Mining Technologies

On 31 January 2019, the Company entered into an agreement with the Administrators' of RCR Tomlinson Limited to acquire the assets of RCRMT.

The business acquisition was completed on 15 February 2019 for a total purchase consideration of $10 million, which was funded from the Group's existing cash reserves.

The Group assumed various property leases, together with the requisite property, plant and equipment, inventories, and intangible assets in order to continue to run the RCRMT businesses. Intangible assets include intellectual property across a range of products and processes, patents, customer contracts, licences and the RCR brand. The Group also assumed the relevant RCRMT workforce and their current employment entitlements.

7.5 BUSINESS COMBINATIONS (CONTINUED)

a) Fair value of Assets Acquired and Liabilities Assumed at the Date of Acquisition

	2019
	$'000
CURRENT ASSETS	
Inventories	2,042
Total current assets	**2,042**
NON-CURRENT ASSETS	
Property, plant and equipment	4,925
Intangibles	16,047
Total non-current assets	**20,972**
Total assets	**23,014**
CURRENT LIABILITIES	
Provisions	3,563
Total current liabilities	**3,563**
NON-CURRENT LIABILITIES	
Provisions	837
Deferred tax liability	3,494
Total non-current liabilities	**4,331**
Total liabilities	**7,894**
NET ASSETS ACQUIRED	**15,120**

b) Gain on Acquisition

	$000's
Consideration paid in cash	10,000
Less fair value of identifiable net assets acquired	(15,120)
Gain on acquisition	**(5,120)**

RCRMT business combination resulted in a gain on acquisition transaction because the fair value of assets acquired and liabilities assumed exceeded the total of the fair value of consideration paid.

The gain on acquisition amount has been recorded within “Other revenue” in the consolidated statement of income for the year ended 30 June 2019.

An independent assessment has determined the carrying value of the intangibles relating to “customer contracts and relationships”, brand and intellectual property as part of the acquisition. Customer contracts and relationships and intellectual property are being amortised in line with the valuation assessment. Brand name has an indefinite useful life and is therefore not amortised but is tested for impairment at least annually.

c) Impact of Acquisition on the Results of the Group

RCRMT has generated revenue of $30.9 million since the acquisition, contributing $5.5 million profit before tax including $0.4 million operating profit before tax and $5.1 million gain on acquisition.

Due to the abnormal nature of operating activities throughout the Voluntary Administration period pre-acquisition, it is impractical to determine what contribution to revenue and profit for the Group would have been, had the acquisition occurred on 1 July 2018.

Acquisition related costs amounting to $1.2 million have been excluded from the consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss for the year ended 30 June 2019.

7.5 BUSINESS COMBINATIONS (CONTINUED)

Golding Group Pty Ltd

On 31 August 2017, the Company concluded the acquisition of Golding Group Pty Ltd (Golding). Total consideration for Golding was $85.0 million for 100% of the shares.

The principal activities of Golding include:

- Civil Construction including bulk earthworks and infrastructure development capability in relation to roads, rail, bridges and ports;
- Urban Solutions including earthworks, drainage, roads, energy and water infrastructure projects; and
- Mining Services including mine development and operations from construction of mine-site infrastructure and removal of overburden and topsoil to open cut mining. Services include specialist mine site rehabilitation works, environmental dam construction, and reclamation earthworks.

Acquisition related costs amounting to $2.8 million have been excluded from the consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss for the year ended 30 June 2018.

a) Fair value of Assets Acquired and Liabilities Assumed at the Date of Acquisition

	2018 $'000
CURRENT ASSETS	
Cash and cash equivalents	13,096
Trade and other receivables	32,719
Inventories	2,209
Other current assets	723
Total current assets	**48,747**
NON-CURRENT ASSETS	
Property, plant and equipment	28,169
Intangibles	29,137
Total non-current assets	**57,306**
Total assets	**106,053**
CURRENT LIABILITIES	
Trade and other payables	37,527
Borrowings	2,358
Current tax liabilities	1,612
Provisions	6,978
Total current liabilities	**48,475**
NON-CURRENT LIABILITIES	
Provisions	9,420
Deferred tax liability	3,261
Total non-current liabilities	**12,681**
Total liabilities	**61,156**
NET ASSETS ACQUIRED	**44,897**

b) Goodwill arising on acquisition

	$000's
Consideration paid in cash	85,000
Less fair value of identifiable net assets acquired	(44,897)
Goodwill arising on acquisition	**40,103**

7.5 BUSINESS COMBINATIONS (CONTINUED)

Golding business combination resulted in Goodwill purchase transaction as consideration paid for the combination included amounts in relation to the benefit of expected synergies, future market development, and the assembled workforce of Golding. These benefits are not recognised separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

7.6 AUDITORS REMUNERATION

	Consolidated	
	2019	**2018**
	$	$
AUDIT SERVICES		
Auditors of the Company		
Deloitte Touche Tohmatsu	374,000	396,000
OTHER SERVICES		
Coal levy audits	18,000	18,000
Accounting services related to Golding acquisition	-	32,500
Total	**392,000**	**446,500**

7.7 EVENTS AFTER THE REPORTING PERIOD

Other than the events noted below, there has not arisen in the interval between the end of the financial year and the date of this report any transaction or event of a material nature likely in the opinion of the Directors, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years.

The Directors have declared a fully franked dividend for the current financial year of two cents per share, payable on 10 December 2019.

7.8 CHANGES TO ACCOUNTING POLICIES

Adoption of New and Revised Accounting Standards and Interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current financial year.

New and revised Standards and amendments thereof effective for the current financial year that are relevant to the Group include:

Standard/Interpretation	
AASB 15	Revenue from Contracts with Customers
AASB 9	Financial Instruments

AASB 15 Revenue from Contracts with Customers

The new standard has been applied from 1 July 2018 replacing AASB 118 Revenue and AASB 111 Construction Contracts and establishes a comprehensive framework for determining the timing and quantum of revenue recognised. The main premise of the new standard is that an entity shall recognise revenue when control of a good or service transfers to a customer. Under AASB 15, the transaction price is required to be allocated to each performance obligation and recognised as revenue as the performance obligations are satisfied, which can be at a point in time, or over time.

As stated in the Group's 2018 annual financial report, the group commenced a coordinated review of the potential impacts of the new standard on the Group's results and disclosures. The Groups conclusions at that time, summarised here, was that the implementation of AASB 15 would not have a material impact on revenue.

The Group has elected to implement AASB 15 using the cumulative effect method, with the effect of applying this standard recognised at the date of initial application (i.e. 1 July 2018). A coordinated review of the potential impacts of the new standard was carried out which concluded that no adjustments to the opening balance of the Group's equity were required. The implementation of AASB 15 has not had a material impact on the Group's revenue recognition. The comparative information for FY18 has been accounted for in accordance with the Group's previous accounting policies outlined in the Group's 2018 annual financial report.

Revenue recognition

Revenue is recognised when control of a good or service transfers to a customer. Allocation of the transaction price is made proportionately based on stand-alone selling prices of the performance obligations to each of the separately identified performance obligations under the contract. The amount allocated to the performance obligation is recognised as revenue at a point in time, or over time, depending on the various service offerings described below.

Where certain contractual items include additional services, these are considered as distinct performance obligations, for example, post-completion maintenance services or provisional sums. Revenue is recognised on these additional services when approved by the customer and all relevant conditions have been met.

The Group's contracts with customers usually specify the price of each contractual item (detailed in the contract), which is typically representative of the price at which the Group will sell that individual good or service to a customer.

Further information on the application of AASB 15 on the three major activities of the group, "Construction contracts", "Mining services and drill & blast services", and "Services" is provided below.

Construction contracts

The Group derives revenue from the construction and delivery of resource projects and public sector infrastructure projects across Australia. The performance obligation is usually the entire project, as provided for in the contract, given that the different services are highly interdependent and integrated and are aimed at transferring the project to the customer as a whole, representing the combined output for which the customer has contracted.

Revenue is recognised over time as an asset is created by the group that the customer controls. In cases where the Group does not create an asset with an alternative use other than sale to the customer, and where the Group has the right to collect the consideration for the services over the contract term.

7.8 CHANGES TO ACCOUNTING POLICIES (CONTINUED)

Revenue is calculated based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Group considers that this input method (e.g. costs incurred) is an appropriate measure of the progress towards completion of the contractual performance obligations under AASB 15.

Mining services and drill and blast services contracts

The Group generates revenue from the provision of mining services, including mine development, contract mining, waste stripping, ore haulage and rehabilitation and drilling and blasting services to the mining and civil infrastructure sectors.

Revenue from mining services contracts and drill and blast services contracts is predominantly recognised on the basis of the value of work completed. Customer contracts are generally based on schedule of rates for each of the activities performed which identify value for the work performed and hence the value of revenue to be recognised.

Services revenue

The Group performs maintenance and other services for a variety of different industries. Contracts entered into can cover servicing of related assets which may involve various different services. Each service is deemed to be a separate performance obligation. The transaction price is allocated to each performance obligation based on contracted prices. Revenue from services contracts is predominantly recognised on the basis of the value of work completed.

Transaction price and contract modifications

The transaction price is the amount of consideration to which the company expects to be entitled to under the customer contract and which is used to value total revenue and is allocated to each performance obligation. The determination of this amount includes both “fixed consideration”, (for example the agreed lump sum, aggregated schedule of rates or pricing for services) and “variable consideration”.

The main variable consideration elements are claims (contract modifications) and consideration for optional works and provisional sums each of which need to be assessed. Contract modifications are changes to the contract approved by the parties to the contract. When determining whether approval has been granted by the parties to the contract, the Group takes into consideration factors including, but are not limited to, contract terms, customary business practices, the status of the negotiation process, the ability to enforce the other party and expert legal opinion.

A contract modification may exist even though the parties to the contract may not have finalised the scope or price (or both) of the modification. Contract modifications may include a claim, which is an amount that the contractor seeks to collect as reimbursement for costs incurred (and/or to be incurred) due to reasons or events that could not be foreseen and are not attributable to the contractor, for more work performed (and/or to be performed) or variations that were not formalised in the contract scope.

The right to the consideration shall be provided for contractually generating an enforceable right. Once the enforceable right has been identified, the Group applies the guidance given in AASB 15 in relation to variable consideration. This requires an assessment that it is highly probable that there will not be a significant reversal of revenue in the future.

The measurement of the additional consideration arising from claims is subject to a high level of uncertainty, both in terms of the amounts that the customer will pay and the collection times, which usually depend on the outcome of negotiations between the parties or decisions taken by judicial/arbitration bodies. The Group considers all the relevant aspects and circumstances such as the contract terms, business and negotiating practices of the sector, the Group’s historical experiences with similar contracts and consideration of those factors that affect the variable consideration that are out of the control of the Group or other supporting evidence when making the above decision.

Costs to obtain and fulfil a contract

Costs incurred prior to the commencement of a contract which may include incremental tender costs for example and are expected to be recovered over the duration of the contract are capitalised and amortised over the course of the contract consistent with the transfer of service to the customer.

7.8 CHANGES TO ACCOUNTING POLICIES (CONTINUED)

Financing components

The Group 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 Group does not adjust any of the transaction prices for the time value of money.

Warranties

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. Refer to note 3.8 for further details.

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. The provision is recognised in full in the period in which loss making contracts are identified under AASB 137.

Equity-accounted joint ventures

The Salini Impregilo NRW Joint Venture (SI-NRW JV) is accounted for as an equity method joint venture. The book carrying value of the Group's investment in SI-NRW JV reflects the Group's share of SI-NRW JV's net profit, including SI-NRW JV's recognition of revenue. SI-NRW JV adopted AASB 15 for the reporting period beginning 1 January 2018. NRW's share of profits from SI-NRW JV represents NRW management's best measurement of profit recognised post adoption of AASB15. In determining the level of profit to recognise on the project NRW also refers to an agreement with Salini Impregilo which caps the total amount of profit that NRW can recognise on the project (being $19 million) and the maximum loss which NRW can sustain on the project (being $8 million). NRW does not expect either cap to apply.

AASB 9 Financial Instruments

This standard has been applied from 1 July 2018 and replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

Non-derivative financial assets

i. Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing 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 trade and other financial assets, 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 Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

ii. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Measurement of cash and cash equivalents and trade and other receivables remains at amortised cost consistent with the comparative period.

7.8 CHANGES TO ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank and call deposits. For the purposes of the statement of cash flows, net cash includes cash on hand, at bank and short term deposits at call, net of bank overdrafts where there is an ability to offset and an intention to settle.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group 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. A gain or loss on trade and other financial assets that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collecting contractual cash flows and through sale on specified dates. A gain or loss on a debt investment that is subsequently measured at FVOCI is recognised in other comprehensive income.
- Fair value through profit or loss (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 and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises. None are currently held by the Group or at any point during the year.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Changes in the fair value of financial assets at FVPL are recognised in other expenses in the statement of profit or loss as applicable.

iii. Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its trade and other financial assets 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, contract debtors and lease receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

iv. Non-derivative financial liabilities

Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Trade and other payables

Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are settled on normal commercial terms.

7.8 CHANGES TO ACCOUNTING POLICIES (CONTINUED)

Standards and Interpretations in Issue Not Yet Adopted

The following new or amended accounting standards issued by the AASB are relevant to current operations and may impact the Group in the period of initial application. They are available for early adoption but have not been applied in preparing this Financial Report.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 'Leases'	1 January 2019	30 June 2020

AASB 16 Leases

AASB 16 applies to annual reporting periods beginning on or after 1 January 2019 and replaces AASB 117 Leases and the related interpretations. AASB 16 Leases specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, excluding those that are classified as short-term leases or leases for low-value assets, requiring lessees to recognise right-of-use assets and lease liabilities, similar to the accounting for finance leases under AASB 117.

Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. In cases where the Group is a lessor (for both operating and finance leases), the Directors of the Company do not anticipate that the application of AASB 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

As an on-going process the Group manages it's owned and leased assets to ensure there is an appropriate level of equipment to support its current order book and tender pipeline within the normal capital constraints of the Company. The decision as to whether to lease or purchase an asset is dependent on a broad range of considerations including capital structure, risk management and operational strategies most suitable to the type and duration of both current and near term projects.

NRW will adopt the new standard with effect from 1 July 2019 and in doing so uses significant judgement and estimates when measuring the opening lease liability and corresponding right-of-use asset under AASB 16. The Group plans to adopt the new standard using the modified retrospective approach, electing to measure the right of use asset retrospectively, by calculating what the right-of-use asset balance would have been on the adoption date if the new standard had always applied. Under this approach, any differences that exist between the lease liability and right-of-use asset balances will be recognised as an adjustment to the opening balance on retained earnings on 1 July 2019.

The Group has applied the practical expedient not to reassess whether a contract is, or contains, a lease at the date of application. It will apply the definition of a lease requirement only to contracts entered into (or modified) on or after date of initial application taking into account the expected lease term.

As at the reporting date, the Group expect the following balance:

- Non-cancellable operating lease commitments of $83 million, refer to note 5.5. Furthermore, the Group has certain equipment hire contracts which will need to be assessed, and are likely to meet the criteria of AASB 16. Based on the current assessment, the Group will recognise a right-of-use asset of $117 million;
- A corresponding lease liability of $126 million for these respective leases;
- Opening retained earnings at 1 July 2019 are expected to reduce by approximately $9 million.

The following effects to the Group's financial statements and disclosures are expected:

- Total assets and liabilities on the balance sheet will be grossed-up, due to the recognition of the right-to-use assets (non-current assets) and the corresponding fair value of lease liabilities. Current liabilities will also show an increase due to a portion of the lease liability being classified as a current liability;
- EBITDA will increase as operating lease costs are replaced with incremental depreciation and interest charges;
- Compared to the current net earnings profile, interest expense will be greater earlier in a lease's life due to the higher principal value, causing profit variability over the course of a lease's life. This effect may be partially mitigated due to a mix of different leases held in the Group at different stages of their term; and
- Cash inflows from operating activities will increase for the reclassification of repayments of leases to cash outflows from financing activities.

7.8 CHANGES TO ACCOUNTING POLICIES (CONTINUED)

Other new accounting standards

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions;
- AASB 2017-5 Amendment to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections; and
- Interpretation 22 Foreign Currency Transactions and Advance Consideration.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 26 July 2019. NRW's contributed equity comprises 375,880,733 fully paid ordinary shares.

Distribution of Shareholdings

Range	Fully paid ordinary	%	No of Holders	%
100,001 and Over	335,967,247	89.38	178	4.01
10,001 to 100,000	30,723,289	8.17	1,058	23.82
5,001 to 10,000	5,041,240	1.34	665	14.97
1,001 to 5,000	3,619,741	0.96	1,270	28.60
1 to 1,000	540,008	0.14	1,270	28.60
Total	**375,891,525**	**100.00**	**4,441**	**100.00**
Unmarketable parcels	11,986	0.00	371	8.35

NRW's 20 Largest Shareholders

Rank	Name	Shares	% Interest
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	80,952,377	21.54
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	72,771,711	19.36
3	CITICORP NOMINEES PTY LIMITED	48,398,303	12.88
4	NATIONAL NOMINEES LIMITED	23,595,202	6.28
5	BNP PARIBAS NOMINEES PTY LTD	13,535,428	3.60
6	JULIAN ALEXANDER PEMBERTON	9,723,702	2.59
7	MR DAVID RONALDSON	7,153,304	1.90
8	BNP PARIBAS NOMS PTY LTD	6,677,660	1.78
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,336,308	1.15
10	ANDREW JOHN WALSH	2,895,498	0.77
11	WARBONT NOMINEES PTY LTD	2,287,183	0.61
12	JEFFRESS NOMINEES PTY LTD	2,188,000	0.58
13	CITICORP NOMINEES PTY LIMITED	2,141,829	0.57
14	MR PETER HOWELLS	2,100,000	0.56
15	BOND STREET CUSTODIANS LIMITED	2,000,000	0.53
16	GABRIELLA NOMINEES PTY LTD	1,651,031	0.44
17	MR STEVEN SCHALIT & MS CANDICE SCHALIT	1,540,500	0.41
18	SCHALIT SUPER PTY LTD	1,462,068	0.39
19	MR STEVEN SCHALIT	1,397,427	0.37
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,332,149	0.35

SHAREHOLDER
INFORMATION CONTINUED

Substantial Shareholders

As at the date of this report, the names of the substantial holders in the Company who have notified the company in accordance with Section 671B of the Corporations Act 2001 are set out below:

Name	No. of shares	Ownership %
MITSUBISHI UFJ FINANCIAL GROUP INC	25,023,786	6.66
VANGUARD GROUP	22,704,233	6.04
VINVA INVESTMENT MANAGEMENT	18,890,582	5.03

Voting Rights

Every shareholder present in person or represented by a proxy or other representative, shall have one vote for each share held by them.

INDEPENDENT AUDITOR'S
REPORT

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

Independent Auditor's Report to the members of NRW Holdings Limited

Report on the Audit of the Financial Report

Opinion

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

In our opinion, the accompanying financial report of the Group 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 2019 and of its financial performance for the year then ended; 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit responded to the Key Audit Matter
Revenue recognition As disclosed in Note 2.2 and Note 7.8, the Group's Civil revenues are recognised over time as performance obligations are fulfilled over time. Revenue is recognised by management after assessing all factors relevant to each contract, including: • Determination of stage of completion and measurement of progress towards satisfaction of performance obligations; • Estimation of total contract revenue and costs including the estimation of cost contingencies; • Determination of contractual entitlement and assessment of the probability of customer approval of changes in scope and/or price; and • Estimation of project completion date. The Group recognises in contract asset and contract receivables progressive measurement of the value to customers of goods and services transferred and valuation of work completed as well as amounts invoiced to customers. The recognition of these amounts is based on management's assessment of the expected amounts recoverable. NRW have submitted Variation Change Requests ("VCRs") on some projects. NRW remain in negotiations in relation to the validity and valuation of some of the VCRs.	Our procedures included, but were not limited to: • Evaluating management's processes and controls in respect of the recognition of construction revenue. As part of this process we tested key controls including: o The review process conducted at the tendering phase; and o The preparation, review and authorisation of monthly valuation reports for all contracts. • Obtaining an understanding of the contract terms and conditions to evaluate whether these were reflected in management's estimate of forecast costs and revenue; • Testing a sample of costs incurred to date and agreeing these to supporting documentation; • Assessing the forecast costs to complete through discussion and challenging of project managers and finance personnel; • Testing contractual entitlement for changes, variations and claims recognised within contract revenue to supporting documentation and by reference to the underlying contract; • Evaluating significant exposures to liquidated damages for late delivery of contract works; • Evaluating contract performance in the period subsequent to year end to audit opinion date to confirm management's year end revenue recognition judgements; and • Evaluating the probability of recovery of outstanding amounts by reference to the status of contract negotiations, historical recoveries and other supporting documentation. We also assessed the appropriateness of the disclosures in Note 2.2 to the financial statements.

Deloitte.

Acquisition of RCR Mining and Heat treatment ('RCR')	
As disclosed in Note 7.5 the Group completed the acquisition of RCR on 15 February 2019 for consideration of $10 million. Management has completed the process to allocate the purchase price to identifiable assets, liabilities and separately identifiable intangible assets as relevant. This process involved estimation and judgement in determining the equipment values, inventory, provisions, customer relationships, intellectual property, brand value and discount rate applied to future cash flow forecasts.	Our procedures included, but were not limited to: • Reading the relevant agreements to understand the key terms and conditions, and confirming our understanding of the transaction with management; • Evaluating management's process for the identification of the assets and liabilities acquired; • Evaluating management's process for the determination of the fair value of the assets and liabilities acquired; • In conjunction with our valuation specialists assessing the competence and objectivity of management's specialist who valued the intangible assets; and • Challenging the values attributable to equipment, inventory, provisions, customer relationships, intellectual property and brand value recognised in respect of the acquisition, including the appropriateness of recording negative goodwill. We also assessed the appropriateness of the disclosures in Note 7.5 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual 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 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, 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Deloitte.

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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Deloitte.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 22 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of NRW Holdings Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards

A T Richards
Partner
Chartered Accountants
Perth, 21 August 2019

GLOSSARY

Term	Description
FY18	The financial year ended 30 June 2018
FY19	The financial year ended 30 June 2019
FY20	The financial year ending 30 June 2020
$	Australian dollars, unless otherwise stated
AASB	Australian Accounting Standards Board
AGM	Annual General Meeting of NRW's shareholders
Amortisation of Acquisition Intangibles	Amortisation of Golding and RCRMT acquisition intangibles
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
Board	Board of Directors of NRW
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Comparative Result	The result, the calculation of which is shown and which generally excludes nonrecurring items which is most appropriate to compare to prior comparative periods.
Corporations Act	*Corporations Act 2001 (Cth)*
EBIT	Earnings before interest, tax, transaction costs Gascoyne impairment and RCRMT gain on acquisition.
EBITDA	Earnings before interest, tax, depreciation, amortisation, transaction costs, Gascoyne impairment and RCRMT gain on acquisition.
ECI	Early contract involvement
ECL	Expected credit loss
EGM	Executive General Manager
EPS	Earnings per share
FAL	Forrestfield-Airport Link
Gascoyne	Gascoyne Resources Limited ASX (GCY) and its subsidiaries
Gascoyne Impairment	Relates to the pre-administration carrying value of certain accounts on the Dalgaranga contract and agreements with Gascoyne Resources and its subsidiary GNT impairment of all of which have been expensed.
KMP	Key Management Personnel as defined in AASB 124 *Related Party Disclosure*
LTIP	Long-term incentive plan
NPAT	Net profit after Tax
Non-Executive Director	Non-Executive Director of NRW
PBT	Profit before tax
PCP	Prior comparative period
Performance Right	An entitlement to a Share subject to satisfaction of applicable conditions (including performance based vesting conditions)

GLOSSARY
CONTINUED

PPE	Property plant and equipment
PRP	Performance rights plan
RCRMT	RCR Mining Technologies
STIP	Short-term incentive plan
Subsidiary	Subsidiary of the Company as defined in the Corporations Act
TBM	Tunnel boring machine
TFR	Total fixed remuneration
Transaction Costs	Include legal costs associated with the acquisition of RCRMT (FY19) and the acquisition of Golding (FY18)
TRIFR	Total recordable injury frequency rate
TSR	Total shareholder return
VWAP	Volume weighted average price

APPENDIX
4E

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the Year Ended 30 June 2019

	% Change up / (down)	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Revenues from ordinary activities	57.29%	1,078,124	685,431
Profit from ordinary activities after tax attributable to members	(23.47%)	32,270	42,166
Total Comprehensive Income	(23.47%)	32,270	42,166
INTERIM DIVIDEND			
Date dividend is payable		8 May 2019	N/A
Record date to determine entitlements to dividend		24 April 2019	N/A
Interim dividend payable per security (cents)		2.0	-
Franked amount of dividend per security (cents)		2.0	-
FINAL DIVIDEND			
Date dividend is payable		10 December 2019	6 November 2018
Record date to determine entitlements to dividend		2 December 2019	18 October 2018
Final dividend payable per security (cents)		2.0	2.0
Franked amount of dividend per security (cents)		2.0	2.0
RATIOS AND OTHER MEASURES			
Net tangible asset backing per ordinary security	5.45%	$0.61	$0.57

Commentary on the Results for the Year

A commentary for the results for the year is contained in the statutory financial report dated 21 August 2019.

Status of Accounts

This statutory financial report is based on audited accounts.

NRW Holdings Limited - ACN 118 300 217


793C
DT67
DT67

NRW HOLDINGS LIMITED
181 Great Eastern Highway
Belmont, Western Australia 6104
+ 61 8 9232 4200

nrw.com.au