

For personal use only

NRW Holdings Limited (ASX: NWH)

ABN 95 118 300 217

Interim Financial Report

For the Half-Year Ended

31 December 2016

ASX Appendix 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half-year ended 31 December 2016

NRW Holdings Limited

ACN 118 300 217

	% change up / (down)	Half-year ended 31 December 2016 \$'000	Half-year ended 31 December 2015 \$'000
Revenues from ordinary activities	13.95	171,344	150,374
Profit / (loss) from ordinary activities after tax attributable to members	90.10	11,579	6,091
Net profit / (loss) for the period attributable to members	90.10	11,579	6,091
Interim dividend			
Date dividend is payable		-	-
Record date to determine entitlements to dividend		-	-
Interim dividend payable per security (cents)		-	-
Franked amount of dividend per security (cents)		-	-
Ratios and other measures			
Net tangible asset backing per ordinary security		\$0.56	\$0.53

Corporate Directory

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

Kimberley 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
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

Web Page

www.nrw.com.au

For personal use only

Contents

Directors' report	5
Auditor's independence declaration	8
Directors' declaration	9
Condensed consolidated statement of profit or loss and other comprehensive income	10
Condensed consolidated statement of financial position	11
Condensed consolidated statement of changes in equity	12
Condensed consolidated statement of cash flows	13
Notes to the consolidated financial statements	14
Independent review report	21

For personal use only

Directors' Report

The Directors present their report together with the financial report of NRW Holdings Limited and its subsidiaries for the half year ended 31 December 2016. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows.

Directors

The following persons that held office as Directors of NRW Holdings Limited during or since the end of the half year are:

Name	Status	
Michael Arnett	Chairman	Mr Arnett was appointed as a Director on 27 July 2007 and appointed Chairman on the 9 March 2016.
	Independent Non-Executive Director	
Julian Pemberton	Chief Executive Officer and Managing Director	Mr Pemberton was appointed as a Director on 1 July 2006.
Jeff Dowling	Non-Executive Director	Mr Dowling was appointed as a Director on 21 August 2013.
Peter Johnson	Non-Executive Director	Mr Johnson was appointed as a Director on 1 July 2016.

Company Secretary

Mr Kimberley Hyman holds the position of Company Secretary, appointed 10 July 2007.

State of Affairs

There were no significant changes in the state of affairs of the company or the group during the half year ended 31 December 2016 other than the matters referred to in this report.

Results for the half-year and review of operations

Financial Performance

NRW reported Revenue including revenue generated by associates of \$176.6 million, (statutory revenue of \$171.3 million) which compares to \$150.4 million in the same period last year. The increase in revenue was mostly due to new civil work secured during calendar year 2016.

Net Profit after tax (NPAT) improved to \$11.6 million compared to \$6.1 million in the same period last year. The result includes an improvement in earnings before interest, tax, depreciation, amortisation and before \$2.4 million of transaction costs (EBITDA) to \$29.2 million, up 21.7% on the prior comparative period due to higher sales activity. The transaction costs which include legal fees, early termination costs of the existing bank debt and expenses related to the acquisition of the Hughes business totalled \$2.4 million. NPAT includes a \$2.1 million tax credit due to the recognition of additional tax assets.

Cash holdings at 31 December 2016 were \$31.0 million compared to \$37.2 million at 30 June 2016. Debt reduced from \$96.5 million to \$71.8 million resulting in an improvement in net debt of \$18.6 million to \$40.7 million.

Business Segments

NRW Holdings is a leading provider of diversified services to the resources, energy and public infrastructure sectors reporting its results through three business units the performance of which is outlined below:

NRW Civil & Mining

The Civil and Mining business specialises in the delivery of private and public civil infrastructure projects, mine development and contract mining, waste stripping and ore haulage supported by a fully mobile work force and an extensive schedule of plant and equipment. Civil construction projects have included bulk earthworks, rail formation, concrete installation, and construction of roads. Mining projects include work in iron ore, coal and gold.

Activity in the six months ending 31 December 2016 included mining support at Middlemount, continuation of mining, haulage and crushing operations for Rio Tinto Iron Ore at Nammuldi, commencement of the Yandi Oxbow contract and work on the Nammuldi waste fines storage facility both for Rio Tinto Iron Ore. Sales continued to grow totalling \$138.5 million compared to \$108.1 million in the same period last year mostly due to the ramp up in activity on the Nammuldi contract which having commenced last year reached full production during the half and higher activity on civil projects. Increased revenue and continued focus on project profitability contributed to an improvement in earnings totalling \$13.1 million compared to \$9.2 million in the same period last year.

Action Drill and Blast Pty Ltd

Action Drill & Blast (ADB) provides contract drill and blast services to mining (including iron ore, coal, gold and lithium) and to civil projects throughout Australia.

Revenues were lower at \$35.0 million compared to \$39.9 million in the prior comparative period mostly due to lower sales on the Middlemount contract where the client insourced explosives supply as part of the contract extension agreements negotiated mid-2016. Underlying volumes on drill and blast activities contracts excluding the Middlemount contract were around 20% higher following award of a number of contracts in 2016. Earnings reflected the improved underlying volume increase at \$1.6 million compared to a break even result for the same period last year.

The acquisition of the Hughes east coast business completed in December 2016 strengthens the business further aligning our strategy to build on our existing presence in Queensland and expanding our geographical service offering into New South Wales. The business is now integrated within Action Drill and Blast and is expected to contribute to improved earnings in the second half of the year.

AES Equipment Solutions

AES Equipment Solutions (AES) provides maintenance services to the mining and resources sectors including the fabrication of water and service trucks.

Revenues in the business were similar to last year at \$7.8 million. The business generated a small loss but operates at breakeven cash levels and provides an in house resource which supports our mobile mining fleet. Recovery is dependent on activity increases in particular for water trucks and service vehicles where demand has been weak for the last 24 months.

Balance Sheet, Operating Cash Flow and Capital Expenditure

Net assets increased to \$182.1 million in the six-month period due to the reported profit and a net \$19.7 million capital raising. The capital raising was in the form of a 15% placement to qualified institutional and sophisticated investors. The funds raised were used to reduce debt and to provide additional liquidity.

The debt reduction step was important as it allowed the refinancing of a lower debt base through an innovative corporate note structure which raised \$70.0 million. The debt rescheduling concluded in December providing funds to repay bank debt. The corporate notes issued to Australian based investors have a four-year term with a coupon rate of 7.5% similar to the interest costs on the now repaid bank debt.

Both the placement and note issue significantly improved liquidity which in turn allowed our banking partner to normalise banking arrangements which now include both contract guarantee and overdraft facilities.

Net debt has improved to \$40.7 million compared to \$59.3 million at June 2016 and \$80.5 million at the same time last year. Capital expenditure at \$8.2 million was higher than last year due to major component replacement cycles. Gearing improved to 22.4% compared to 39.6% at June 2016.

The group was in full compliance with its debt covenants as at 31 December 2016.

Interim Financial Report

For the half-year ended 31 December 2016

At June 2016 we reported unrecognised deferred tax balances of \$31.7 million which have reduced by circa \$5.0 million in the half year.

Outlook

The company has secured a number of long term contracts which underpin business activity in the short and medium term. The order book at February 2017 totals \$1.0 billion which includes \$170 million of secured work for delivery in the second half of FY17 and also includes \$300 million of work secured for delivery in FY18.

Operationally our focus will remain on

- Continuing to deliver projects to client expectations
- Supporting the Iron Ore sector as plans for sustaining current production volumes are developed
- Growing our presence in QLD and NSW on the back of the recent Hughes acquisition
- Reviewing opportunities to expand our service offering in our core markets and to diversify where we have relevant expertise
- Assessing strategic partnerships and opportunistic consolidation targets

Interim Dividend

Whilst the balance sheet at December 2016 is now in a much improved position with gearing levels of 22.4% and our banking relationships normalised, this represents a relatively recent transition in financial standing. The revised debt structure provides improved liquidity and potentially additional funds to recommence payment of a dividend within the near future. The Directors have resolved not to declare an interim dividend. The Directors will continue to actively assess options to reintroduce dividend payments when appropriate.

Significant Events after Period End

No matter or circumstance has arisen since the end of the interim reporting period, other than that referred to on the revised banking arrangements outlined above, 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.

Auditor's Independence Declaration

The Directors received the Auditor's Independence Declaration from the auditor of the Company, which is included on page 8 of the interim financial report.

Rounding of Amounts

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to s306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Julian Pemberton
Chief Executive Officer
Dated this 15 February 2017



Michael Arnett
Chairman



Deloitte Touche Tohmatsu
ABN 74 490 121 060
Brookfield Place, Tower 2
123 St Georges Terrace
Perth, WA, 6000
Australia

Phone: +61 8 9365 7000
www.deloitte.com.au

The Board of Directors
NRW Holdings Limited
181 Great Eastern Highway
BELMONT WA 6014

15 February 2017

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 review of the financial statements of NRW Holdings Limited for the half-year ended 31 December 2016, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

AT Richards
Partner
Chartered Accountants

For personal use only

Directors' declaration

The Directors of the Company 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; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with the accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Julian Pemberton

Chief Executive Officer
Dated this 15 February 2017



Michael Arnett

Chairman

For personal use only

Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

	Notes	Consolidated Half-year ended 31 December 2016 \$'000	Consolidated Half-year ended 31 December 2015 \$'000
Revenue	4	171,344	150,374
Finance income		107	45
Finance costs		(3,210)	(5,177)
Share of loss from associates		(601)	(758)
Materials and consumables used		(21,088)	(22,666)
Employee benefits expense		(54,241)	(49,907)
Subcontractor costs		(38,068)	(28,479)
Depreciation and amortisation expenses		(14,333)	(12,761)
Plant and equipment costs		(27,949)	(23,263)
Other expenses		(2,515)	(1,317)
Profit before income tax		9,448	6,091
Income tax benefit	5	2,131	-
Total comprehensive income		11,579	6,091
Profit attributable to:			
Equity holders of the Company		11,579	6,091
Total comprehensive income attributable to:			
Equity holders of the Company		11,579	6,091
Earnings per share (cents per share)			
Basic earnings per share		3.8	2.2
Diluted earnings per share		3.8	2.2

Condensed consolidated statement of financial position

As at 31 December 2016

	Notes	Consolidated Half-year ended 31 December 2016 \$'000	Consolidated Full-year ended 30 June 2016 \$'000
Assets			
Current assets			
Cash and cash equivalents		31,041	37,182
Trade and other receivables		49,588	36,437
Inventories		15,255	28,417
Other current assets		3,745	2,937
Total current assets		99,629	93,095
Non-current assets			
Property, plant and equipment		177,904	172,675
Intangible assets		2,255	2,858
Investments in associates		3,518	4,069
Deferred tax assets		30,092	27,726
Total non-current assets		213,769	207,326
Total assets		313,399	300,421
Liabilities			
Current liabilities			
Trade and other payables		48,398	44,405
Borrowings	7	17,062	37,414
Provisions		8,815	7,835
Total current liabilities		74,274	89,654
Non-current liabilities			
Borrowings	7	54,707	59,072
Provisions		2,276	1,904
Total non-current liabilities		56,984	60,976
Total liabilities		131,258	150,630
Net assets		182,141	149,791
Equity			
Contributed equity	8	176,901	156,432
Reserves	9	3,178	2,878
Retained earnings / (Accumulated losses)	10	2,062	(9,519)
Total equity		182,141	149,791

Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2016

	Contributed equity \$'000	Foreign currency translation reserve \$'000	Share based payment reserve \$'000	Retained earnings/ (Accumulated losses) \$'000	Total Equity \$'000
Balance at 1 July 2015	156,432	(184)	3,085	(30,969)	128,364
Profit for the period	-	-	-	6,090	6,090
Exchange differences arising on translation of foreign operations	-	-	-	-	-
Total comprehensive income for the period	-	-	-	6,090	6,090
Payment of dividends	-	-	-	-	-
Balance at 31 December 2015	156,432	(184)	3,085	(24,879)	134,454
Balance at 1 July 2016	156,432	(208)	3,085	(9,519)	149,791
Profit for the period	-	-	-	11,579	11,079
Exchange differences arising on translation of foreign operations	-	-	-	-	-
Total comprehensive income for the period	-	-	-	11,579	11,079
Issue of ordinary shares under institutional share placement	20,497	-	-	-	20,497
Share issue costs net of tax	(549)	-	-	-	(549)
Issue of shares to executives	522	-	-	-	522
Share based payment expense	-	-	300	-	300
Issue of shares to employees	21	-	-	-	21
Acquisition of treasury shares	(23)	-	-	-	(23)
Balance at 31 December 2016	176,901	(208)	3,385	2,061	182,140

Condensed consolidated statement of cash flows
For the half-year ended 31 December 2016

	Notes	Consolidated Half-year ended 31 December 2016 \$'000	Consolidated Half-year ended 31 December 2015 \$'000
Cash flows from operating activities			
Cash receipts from customers		176,053	197,866
Cash paid to suppliers and employees		(152,940)	(177,069)
Interest paid		(3,210)	(5,177)
Interest received		107	45
Income tax refunded / (paid)		(1)	5,928
Net cash provided by operating activities		20,009	21,593
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		173	8,596
Advances to associates		(50)	-
Acquisition of property, plant and equipment		(8,151)	(3,061)
Payment for business acquired	6	(11,000)	-
Net cash provided by / (used in) investing activities		(19,028)	5,535
Cash flows from financing activities			
Proceeds from issues of equity instruments of the Company		20,497	-
Payment for share issue costs		(784)	-
Proceeds from issue of debt securities		70,000	-
Payment for debt issue costs		(2,100)	-
Proceeds from borrowings		3,503	3,017
Repayment of borrowings and finance/hire purchase liabilities		(98,216)	(26,236)
Acquisition of shares by NRW Employee Share Trust		(23)	-
Net cash used in financing activities		(7,122)	(23,219)
Net increase/(decrease) in cash and cash equivalents		(6,141)	3,909
Cash and cash equivalents at beginning of the period		37,182	34,631
Cash and cash equivalents at the end of the period		31,041	38,540

Notes to the condensed consolidated financial statements are included on pages 14 to 20.

Notes to the consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance to International Financial Reporting Standards IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors Reports) Instrument*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2016 annual financial report for the financial year ended 30 June 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Amendments to Accounting Standards that are mandatorily effective for the current reporting period

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 half-year.

New and revised Standards and amendments thereof effective for the current half-year that are relevant to the group include:

AASB 2014-4	Amendments to Australian Accounting Standards – Clarifications of Acceptable Methods of Depreciation and Amortisation
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

2. Critical accounting judgments and key sources of estimation uncertainty

Revenue recognition on construction contracts

The group accounts for construction contracts in accordance with AASB 111 Construction Contracts. Accounting for construction contracts involves the continuous use of assessed estimates based on a number of detailed assumptions consistent with the project scope and schedule, contract and risk management processes. These contracts may span several accounting periods requiring estimates and assumptions to be updated on a regular basis.

Details of the estimation procedures followed in accounting for the group's construction contracts are detailed below.

- (i) Forecast costs to completion: management regularly update forecast costs at completion in accordance with agreed upon work scope and variations. Forecast costs are based on rates expected to be applied to the related activity to be undertaken.
- (ii) Revenues: revenues reflect the contract price agreed in the contract and variations where it is probable

For personal use only

that the client will approve those variations or where negotiations are at final stages with the client.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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).

Useful lives of property, plant and equipment

The group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The effective lives are based on intended utilisation and working conditions.

Borrowing costs

Borrowing costs in relation to the issue of secured corporate notes have been capitalised to other current assets on the consolidated statement of financial position. These costs will be amortised over the life of the secured corporate notes on issue (note 7).

Taxation

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 cause 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.

The recoverability of the groups deferred tax balances are recognised only when the Group considers it is probable that future taxable amounts will be derived to utilise those losses and associated deferred tax benefits. A net deferred tax asset of \$30.1 million has been recognised on the face of the Consolidated Statement of Financial Position. 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.

3. Segment Information

(a) Reportable segments

NRW is comprised of three businesses, NRW Civil & Mining, Action Drill & Blast and AES Equipment Solutions. 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.

(b) Segment revenues and profit

	Consolidated half-year ended 31 December 2016 \$'000		Consolidated half-year ended 31 December 2015 \$'000	
	Segment revenue	Segment earnings	Segment revenue	Segment earnings
NRW Civil and Mining	138,492	13,088	108,104	9,209
Action Drill & Blast	35,024	1,559	39,948	9
AES Equipment Solutions	7,804	(321)	8,216	(263)
Eliminations	(4,745)	-	(5,894)	-
Corporate costs unallocated	-	(2,600)	-	(2,909)
Interest costs in segment results above	-	3,188	-	5,177
Group revenue including Associates/ Earnings before interest, taxes and transaction costs (below)	176,575	14,915	150,374	11,223
Share of revenue from associates equity accounted	(5,231)	n/a	-	n/a
Legal and break costs related to debt restructure and acquisition of the Hughes business	-	(2,364)	-	-
Revenue and earnings before tax and interest	171,344	12,551	150,374	11,223
Net finance costs	-	(3,103)	-	(5,132)
Income tax benefit	-	2,131	-	-
Total statutory revenue/ Net earnings after tax and interest	171,344	11,579	150,374	6,091
EBITDA				
Earnings before interest, taxes and transaction costs		14,915		11,223
Depreciation		14,333		12,761
EBITDA before transaction costs		29,248		23,984

(c) Segment assets

Disclosure of segment assets and liabilities is not provided as the business does not report such measures by segment to the Chief Operating Decision Maker.

4. Revenue

During the period, revenue was derived by the consolidated entity through an equity accounted joint venture. In accordance with Accounting Standards, the consolidated entity's share of revenue from equity accounted joint ventures is excluded from revenue noted in the income statement. Details of the consolidated entity's share of equity accounted joint venture revenue is provided as additional information below.

	Consolidated half-year ended 31 December 2016 \$'000	Consolidated half-year ended 31 December 2015 \$'000
Revenue – Group	171,344	150,374
Revenue – Equity accounted joint venture	5,231	-
Revenue – Group and equity accounted joint venture	176,575	150,374

5. Taxation

A reconciliation of tax expense applicable to accounting profit before tax at the statutory income tax rate to tax expense at the Group's effective tax rate for the periods ended 31 December 2016 and 2015 is provided below:

	Consolidated half-year ended 31 December 2016 \$'000	Consolidated half-year ended 31 December 2015 \$'000
Accounting profit before tax	9,448	6,091
At the statutory income tax rate of 30% (2015: 30%)	2,834	1,827
Previously unrecognised deferred tax assets	(4,965)	(1,827)
Income tax benefit	(2,131)	-

Unused tax losses for which no deferred tax assets have been recognised of \$26.7 million (2016 - \$31.7 million).

6. Business acquisition

During the half year ended 31 December 2016 the company acquired the East coast operations of Hughes drilling. The business acquisition was completed in December for a total purchase consideration of \$11.0 million. The group acquired various customer contracts and trade receivables, together with the associated property plant and equipment. The group also assumed the various obligations for employee liabilities and provisions. Work is progressing to determine the fair value of these assets and liabilities acquired and the final distribution of the purchase consideration in the balance sheet. The business acquisition has been included in the 31 December 2016 balance sheet as an \$11.0 million increment to property, plant and equipment. The final recognition and measurement of identifiable assets acquired and liabilities assumed is expected to be concluded before completion of the 30 June 2017 full year accounts.

Given the proximity of the finalisation of the acquisition to the half year end, no incremental revenue or earnings have been included in the half year accounts.

7. Borrowings

During the half year ended 31 December 2016 the Company undertook a senior secured corporate note offering raising a total of \$70.0 million. The corporate notes have a four-year term with a coupon rate of 7.5% per annum. Proceeds from the note offer were used to repay existing secured debt.

Information on the amounts drawn under the company's finance facilities are provided in the table below.

(a) **Group borrowings**

	Consolidated half-year ended 31 December 2016 \$'000	Consolidated full-year ended 30 June 2016 \$'000
SECURED AT AMORTISED COST		
Current		
Corporate notes	15,834	-
Finance lease liability	718	37,414
Insurance funding	510	-
Total current borrowings	17,062	37,414
Non-current		
Corporate notes	54,400	-
Finance lease liability	307	59,072
Total non-current borrowings	54,707	59,072
GROUP TOTAL BORROWINGS	71,769	96,486

(b) **Banking facilities**

During the half year ended 31 December 2016, the company agreed a new Multi option general banking facility with a regional bank based in Western Australia. 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).

Consolidated banking facilities as at 31 December 2016:

	Face Vale (limit) \$'000	Carrying Amount (utilised) \$'000	Unutilised Amount \$'000
Guarantees and other funding	25,000	9,840	15,160
Overdraft	10,000	-	10,000

Consolidated banking facilities as at 30 June 2016:

	Face Vale (limit) \$'000	Carrying Amount (utilised) \$'000	Unutilised Amount \$'000
Guarantees and other funding	25,000	4,593	20,407
Overdraft	-	-	-

8. Contributed equity

		Consolidated Half-year ended 31 December 2016		Consolidated Full-year ended 30 June 2016
Ordinary shares	No.	\$'000	No.	\$'000
Balance at the beginning of the period	278,877,219	156,432	278,877,219	156,432
Capital raising at \$0.49 share	41,833,201	20,497	-	-
Share issue costs net of tax	-	(549)	-	-
Issue of shares to executives	1,065,136	522	-	-
Issue of shares to employees	(40,816)	21	-	-
Acquisition of treasury shares	40,816	(23)	-	-
Transfer to contributed equity	-	-	-	-
Balance at the end of the period	321,775,556	176,901	278,877,219	156,432

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

9. Reserves

	Consolidated Half-year ended 31 December 2016 \$'000	Consolidated Full-year ended 30 June 2016 \$'000
Share based payment reserve	3,385	3,085
Foreign currency reserve	(208)	(208)
Total reserves	3,177	2,878

	Consolidated Half-year ended 31 December 2016 \$'000	Consolidated Full-year ended 30 June 2016 \$'000
Share based payment reserve		
Balance at the beginning of the financial year	3,085	3,085
Share based payment expense	300	-
Balance at the end of the financial year	3,385	3,085

	Consolidated Half-year ended 31 December 2016 \$'000	Consolidated Full-year ended 30 June 2016 \$'000
Foreign currency translation reserve		
Balance at the beginning of the financial year	(208)	(184)
Exchange differences arising on translation of foreign operations	-	(24)
Balance at the end of the financial year	(208)	(208)

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve. The reserve is recognised in the income statement when the foreign operation is disposed of.

10. Retained earnings / (Accumulated losses)

	Notes	Consolidated Half-year ended 31 December 2016 \$'000	Consolidated Full-year ended 30 June 2016 \$'000
Balance at the beginning of the period		(9,519)	(30,969)
Net profit attributable to members of the parent entity		11,579	21,450
Dividends paid	11	-	-
Balance at the end of the period		2,061	(9,519)

11. Dividends

During the period, NRW Holdings Limited did not make any dividend payments. The Directors have resolved not to declare a dividend in respect of the period ended 31 December 2016 (2015 – nil).

12. Subsequent events

There has been no significant event that has occurred between the balance date and the date of this report that has significantly affected, or may significantly affect the operations of the consolidated entity, the results of these operations or the state of affairs of the entity in future periods.

For personal use only



Deloitte Touche Tohmatsu
ABN 74 490 121 060
Brookfield Place, Tower 2
123 St Georges Terrace
Perth, WA, 6000
Australia

Phone: +61 8 9365 7000
www.deloitte.com.au

Independent Auditor's Review Report to the Members of NRW Holdings Limited

We have reviewed the accompanying half-year financial report of NRW Holdings Limited, which comprises the condensed statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 20.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of NRW Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of NRW Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of NRW Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



A T Richards

Partner

Chartered Accountants

Perth, 15th February 2017

For personal use only