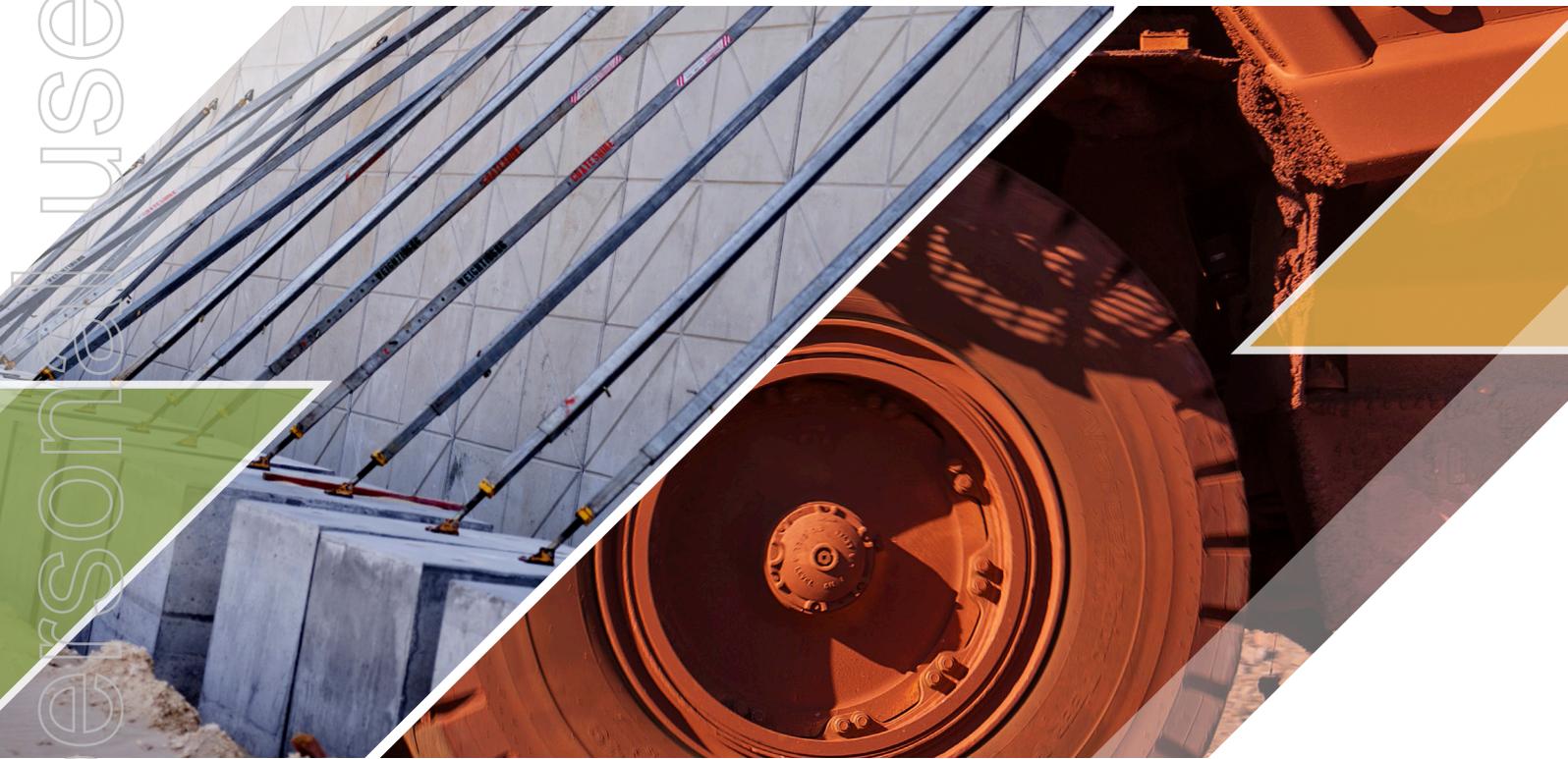


For personal use only



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 June 2020

NRW HOLDINGS LIMITED (ASX: NWH)
ABN 95 118 300 217

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

FIONA MURDOCH

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 12, QV1 Building
250 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

nrw.com.au

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 2020.

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.

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 25 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.

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 (“AICD”) 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:

- Non-Executive Director, 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.

Mr Johnston graduated from the University of Western Australia with a Bachelor of Arts majoring in psychology and industrial relations. He is also a Fellow of the AICD and AusIMM.

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, Jervis Mining Ltd (Appointed 19 June 2018)

DIRECTORS' REPORT CONTINUED

FIONA MURDOCH

Non-Executive Director

Ms Murdoch was appointed as a Non-Executive Director on 24 February 2020.

Ms Murdoch has 30 years resource and infrastructure experience in Australia and overseas, holding senior operational roles with AMCI investments, MIM Holdings and Xstrata Qld.

She has extensive domestic and international experience with major projects in Western Australia, Northern Territory and Queensland, and in South America, Dominican Republic, Papua New Guinea and the Philippines.

Fiona is a Graduate of the AICD Company Director program and holds an MBA as well as an Honours degree in Law.

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

- Non-Executive Director, Metro Mining Limited (Appointed 11 May 2019)
- Non-Executive Director, KGL Resources Limited (Appointed 12 June 2018)

In addition, Fiona serves on the Board of Building Queensland and the Joint Venture Committee for the West Pilbara Iron Ore Project. Fiona is also a Chair of The Pyjama Foundation, a not-for-profit organisation providing learning-based activities for children in foster care.

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 were:

Director	Directors' Meetings Held	Directors' Meetings Attended
Michael Arnett	15	15
Jeff Dowling	15	15
Peter Johnston	15	15
Fiona Murdoch	6	6
Julian Pemberton	15	15

NOMINATION & REMUNERATION COMMITTEE

The members of the Nomination & Remuneration Committee ("N&RC") are Michael Arnett (Chairman), Jeff Dowling and Peter Johnston. Fiona Murdoch replaced Peter Johnston on the Committee effective 1 July 2020.

During the 2020 financial year two meetings of the Committee were held with all members in attendance. 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 with Fiona Murdoch replacing Peter Johnston effective 1 July 2020. During the 2020 financial year three meetings of the Audit & Risk Committee were held with all members in attendance. In addition, some audit and risk matters were considered in the course of regular board meetings.

SUSTAINABILITY COMMITTEE

The Board established a new committee in the year to provide advice, recommendations and assistance to the Board of Directors of the Company with respect to sustainability primarily relating to environmental, social and corporate governance matters. The members of the committee are Peter Johnston (Chair), Fiona Murdoch and Michael Arnett.

DIRECTORS' REPORT CONTINUED

OPERATING AND FINANCIAL REVIEW

ABOUT NRW (PRINCIPAL ACTIVITIES)

NRW is a leading, diversified provider of contract services to the resources and infrastructure sectors in Australia. With extensive operations in Western Australia, South Australia, New South Wales and Queensland. NRW's geographical diversification is complemented by its delivery of a wide range of operations. These encompass civil expertise including bulk earthworks and concrete installation; contract mining and drill and blast. NRW also offers a leading original equipment manufacturing (OEM), specialist maintenance (shutdown services and onsite maintenance), industrial engineering and innovative materials handling design capability with comprehensive additional experience for refurbishment and rebuild service for earthmoving equipment and machinery. NRW has a workforce of around 7,000 people and more than one hundred projects around Australia supporting clients across the infrastructure, resources, industrial engineering, maintenance and urban sectors.

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

SIGNIFICANT CHANGES IN BUSINESS ACTIVITIES

The Company acquired BGC Contracting on the 9 December 2019, the results of which have been incorporated into this report from that date. BGC Contracting was subsequently renamed as NRW Contracting ("NRWC").

GROUP RESULTS

OVERVIEW OF OPERATIONS

The current financial year has been eventful on a number of fronts. The Company has delivered record revenue, strong earnings growth and excellent cash conversion. The successful acquisitions of BGC Contracting and RCR Mining Technologies ("RCRMT") both completed in calendar year 2019 have made significant contributions to the strategic development of the company.

All of this has been achieved despite having to deal with an entirely new set of challenges created by the responses needed to address COVID-19. Most of our activities were classified as essential services in the early days of Federal and State virus measures. Whilst we have seen significant cost impacts to our operations as a consequence of the virus, revenue has been maintained in line with guidance provided post the BGC Contracting acquisition. Cost impacts included dealing with roster changes, border closures, social distancing and staff logistics. The Company has not accessed any of the State or Federal support packages for any part of its operations. We entered the early phases with a strong balance sheet and increased liquidity. We took early action to retain funds by deferring the interim dividend payment given the uncertainty that we all faced in those early days. Through the last six months activity levels and cash flow remained as planned and consequently in May we were able to announce that the interim dividend would be paid in June 2020.

We remain vigilant across all parts of the business and while we haven't seen any material change to our activities the ever-changing threat brought about by COVID-19 requires us to be ready to respond at all times.

FINANCIAL PERFORMANCE

A summary of the key financial performance metrics for the current financial year (FY20) is provided below with comments on significant movements compared to the prior comparative period (pcp), the financial year ending 30 June 2019 (FY19).

Revenue including associates at \$2,062 million increased by 83% compared to \$1,126 million in FY19. The increase in revenue was a result of continued growth in the Civil and Mining businesses, a full year's contribution from RCRMT (acquired in February 2019) and seven months contribution from the newly acquired BGC Contracting business.

Profit before income tax increased to \$100.2 million compared to \$45.7 million in FY19, a 119% increase mostly reflecting the growth in sales. FY19 earnings were impacted by impairments related to Gascoyne Resources further details of which can be found in the FY19 annual report.

DIRECTORS' REPORT CONTINUED

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

	FY20		FY19	
	Revenue	Earnings	Revenue	Earnings
	\$M	\$M	\$M	\$M
Total Revenue / EBITDA	2,062.4	250.0	1,126.3	143.9
Revenue from Associates	(58.1)		(48.2)	
Depreciation		(109.1)		(51.3)
Gascoyne impairment / RCR		-		(28.4)
Operating EBIT		140.9		64.2
Amortisation of Acquisition Intangibles		(13.0)		(10.8)
Transaction costs		(14.9)		(1.2)
EBIT		113.0		52.2
Interest		(12.8)		(6.5)
Profit before income tax		100.2		45.7
Tax		(26.5)		(13.5)
Statutory Revenue / Net earnings	2,004.3	73.7	1,078.1	32.2
NPAT (N)		89.7		40.4

Net Earnings increased to \$73.7 million compared to \$32.2 million as a result of the revenue increase and continued margin growth compared to FY19.

Non statutory measures of earnings including earnings before interest, tax, depreciation, and amortisation (EBITDA) increased to \$250.0 million compared to \$143.9 million in FY19. The increase of around 74% was due to higher business activity (revenue). This result also includes the impact of the adoption of AASB16 which increased EBITDA by \$14.0 million compared to FY19. One-off costs associated with the acquisition of BGC Contracting have been shown separately in the table above and have been excluded from EBITDA and operating EBIT. Net Earnings excluding non-cash costs for acquisition intangibles at standard tax rates increased to \$89.7 million compared to \$40.4 million in FY19.

The Balance Sheet as at 30 June 2020 includes the acquisition of BGC Contracting. The acquisition was funded through new equity and the assumption of asset financing debt in BGC Contracting. Consequently, overall financial debt increased in the year to \$245 million and by a further \$65 million of lease debt recognised through the adoption of AASB16.

Cash balances reflected the very strong cash conversion delivered in the financial year. Cash increased to \$170 million at 30 June 2020 compared to \$65 million at the start of the financial year.

Returns to shareholders included both a final dividend for FY19 of 2 cents paid in December 2019 and an interim dividend for the current financial year of 2.5 cents paid in June 2020. Overall dividend payments in the year totalled \$18.3 million.

NRW continued to maintain strong relationships with its banking partner, Bankwest and negotiated a new \$55 million facility with Bank of China to support the acquisition of BGC Contracting. All banking covenants were in compliance at all times during the year and as at 30 June 2020.

DIRECTORS' REPORT CONTINUED

OPERATING SEGMENTS

NRW has structured its business reporting into four segments, Civil, Mining, Drill & Blast and Mining Technologies.

- **Civil:** Delivery of private and public civil infrastructure projects, mine development, bulk earthworks and commercial and residential subdivisions.
- **Mining:** Mine management, contract mining, load and haul, dragline operations, coal handling prep plants, maintenance services and the fabrication of water and service vehicles.
- **Drill & Blast:** Provision of integrated, end-to-end production drill and blast services to the mining and civil construction sectors.
- **Mining Technologies:** provides innovative materials handling services as well as facility maintenance and shutdown services.

Commentary on the performance of each segment is provided 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)

	FY20		FY19	
Revenue	811.0		383.5	
EBITDA	32.1	4.0%	19.1	5.0%
Depreciation	(7.2)		(2.3)	
EBIT	24.9	3.1%	16.8	4.4%

The Civil business reported significant growth in revenue due to increased iron ore sustaining tonnes project activity for Rio Tinto, BHP and Fortescue Metals Group and the inclusion of seven months revenue from BGC Contracting. Earnings grew in the year in line with the increase in revenue. Margins were slightly lower due to lower volumes in the Golding Urban business which was directly impacted at a revenue level due to reduced demand in land sales as a result of COVID-19 measures. Margins were also affected by the Woolgoolga to Ballina Pacific Highway upgrade project which did not contribute any margin. This project was identified as non performing through due diligence and has been successfully managed through the Golding business post acquisition. Golding will deliver the project within the cost assumptions consistent with our acquisition valuation and have negotiated a number of key variations which were outstanding at the time of the acquisition most of which were paid in FY20.

Activity in the Civil business included mine sustaining work for Rio Tinto at Koodaideri and for Fortescue Metals Group at Eliwana, completion of the South Flank project for BHP, construction of the Forrestfield-Airport Link ("FAL") for the Public Transport Authority ("PTA") in joint venture with Salini Impregilo, upgrades to the Pacific Highway for Roads and Maritime Services ("RMS") and work on a number of subdivision stages for a range of clients in the urban business in South East Queensland.

Progress on the FAL project included completion of the twin eight kilometre tunnels, and completion of construction stages of the three stations to be delivered as part of the contract. No margin has been recognised on the project, (no margin was recognised in FY19).

In Queensland, the business secured new work for BHP Mitsubishi Alliance ("BMA") at the Blackwater mine site and for the same client at Goonyella. In Western Australia, the civil business was awarded a contract by Fortescue Metals Group to construct 65 kilometres of rail formation for their Eliwana iron ore project and in South Australia an airport upgrade at BHP's Olympic Dam site. Post year end NRWC was named as the preferred proponent on the Bunbury Outer Ring Road project through the Southwest Connex Alliance of which NRWC is a 40% partner.

DIRECTORS' REPORT CONTINUED

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)

	FY20		FY19	
Revenue	969.7		622.9	
EBITDA	182.7	18.8%	113.4	18.2%
Depreciation	(82.3)		(40.6)	
Gascoyne			(33.5)	
EBIT	100.4	10.3%	39.3	6.3%

The Mining business reported significant growth in both revenue and earnings mostly due to the addition of BGC Contracting's mining activities.

Mining projects included work for Stanmore Coal at Isaac Plains, Coronado Coal at Curragh, Wonbindi Coal at Baralaba and Idemitsu at Boggabri. Iron ore mining activities included work for Simec at Iron Baron, Atlas Iron at Mount Webber and Rio Tinto at Koodaideri. Gold projects include continuation of mining at Gascoyne Resources ("Gascoyne") Dalganga project. Gascoyne entered administration in FY19 resulting in an impairment shown in the table above. We continue to work with both Gascoyne and their administrators FTI and have agreed full recovery of all amounts owed subject to a capital raising which Gascoyne is progressing.

The Mining business secured a further five-year extension with Stanmore Coal for Isaac Plains East valued at \$500 million and the Koodaideri pre-strip contract for Rio Tinto valued at \$95 million.

DRILL & 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)

	FY20		FY19	
Revenue	172.7		140.9	
EBITDA	21.4	12.4%	12.0	8.5%
Depreciation	(9.9)		(6.8)	
EBIT	11.5	6.7%	5.2	3.7%

Activity levels have increased across the business as a result of new contract awards and higher civil activity for both internal businesses and external customers. Earnings continue to improve as a result of the higher revenues and lower operating costs particularly related to drill maintenance following improvement programmes initiated in calendar year 2018.

The Drill & Blast business secured a number of new contracts and contract extensions in the year including work for the Mining business at Koodaideri pre strip, and Iron Bridge bulk earthworks. Of the \$96 million of new awards during the year, more than 60% of this was generated through external clients and opportunities.

DIRECTORS' REPORT CONTINUED

OPERATING SEGMENTS CONTINUED

MINING TECHNOLOGIES

The Mining Technologies business includes RCRMT which is a leading original equipment manufacturer (OEM) that offers innovative materials handling design capability, and DIAB Engineering acquired in December 2019 as part of the BGC Contracting transaction. DIAB Engineering has proven capabilities in the metals and mining industry and provides specialist maintenance (shutdown services and onsite maintenance), industrial engineering and fabrication services.

Results summary (\$M)

	FY20		FY19	
Revenue	187.2		30.9	
EBITDA	22.4	12.0%	0.7	2.3%
Depreciation	(6.5)		(0.3)	
Gain on acquisition			5.1	
EBIT	15.9	8.5%	5.5	17.8%

Revenue delivery across the business was ahead of expectations and earnings were strong. The FY20 result includes seven months of DIAB Engineering; FY19 include four months of RCRMT activity. RCRMT was acquired in February 2019. Depreciation costs increased to include right of use asset ("lease asset") costs following the adoption of AASB16 for the workshops leases in Geraldton, Welshpool and Bunbury, (\$3.6 million).

Activity in the year in RCRMT included the delivery of 34 major materials handling machines with a total mass of over 2,000 tonnes, delivered to all the major iron ore producers throughout the year and all the significant Western Australia iron ore projects. The Service and Spare parts division grew 20% on the back of a strategic focus to support installed OEM products post commissioning both locally and internationally.

A key award for the business was to design, manufacture and construct a 3,000 tonnes per hour sizing plant and conveyor for FMG Cloudbreak. The EPC project was delivered in less than 12 months, featured a number of innovations for this type of equipment and is a continuation of the evolving development of RCRMT's in pit crushing and conveying capability.

DIAB Engineering undertook fabrication and construction of a gold processing plant for Northern Star, fabrication and construction of an ultra fines processing plant and the construction of a 6.5 kilometre conveyor system for Roy Hill, installation of a crushing circuit for a major lead/zinc producer Golden Grove and the construction of a screening/stacking plant for Iluka.

DIRECTORS' REPORT CONTINUED

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-Jun-20	30-Jun-19
	\$M	\$M
Cash	170.2	65.0
Financial debt	(244.8)	(100.5)
Lease debt	(65.1)	-
Net Debt	(139.7)	(35.5)
PPE	437.8	239.9
Lease assets (right of use)	58.3	-
Working capital	7.2	(1.6)
Investments in associates	2.6	2.7
Tax (Liabilities)/Assets	(9.7)	22.1
Net Tangible Assets	356.5	227.6
Intangibles and Goodwill	115.9	63.8
Net Assets	472.4	291.4
Gearing	29.6%	
Gearing Excl. AASB 16	15.6%	12.2%

Cash balances have increased due to the strong cash conversion achieved in the financial year. Lease debt and lease assets have been included to recognise lease obligations and the corresponding lease assets under AASB16 reporting. Most other balance sheet headings have increased as a result of the acquisition of BGC Contracting funded through an equity raise of \$125 million after costs.

Capital expenditure totalled \$82.6 million compared to \$77.3 million in the previous financial year. Spend included new excavators and trucks mostly to support contract extensions in the mining business at Curragh and Isaac Plains. Most new spend was financed through debt facilities provided by the equipment manufacturers. The balance of spend was used for component replacements to maintain the existing fleet and drill upgrade programmes in Drill & Blast to improve plant availability.

Intangibles and goodwill increased due to the BGC Contracting acquisition.

The income tax expense recognised in net earnings has reduced the deferred tax asset carrying value as expected. Tax balances are now carried as a net tax liability but include within that balance further tax losses. No income tax was paid in the year and is unlikely to be paid at the current earnings run rate until calendar year 2021.

All banking covenants were in compliance at all times during the year and as at 30 June 2020. Gearing at year end including AASB16 lease debt was 29.6% compared to 12.2% in the prior year. Excluding the impact of AASB16 gearing was 15.6% only marginally higher than FY19 despite the increased debt assumed on the acquisition of BGC Contracting.

DIRECTORS' REPORT CONTINUED

PEOPLE AND SAFETY / OCCUPATIONAL HEALTH AND SAFETY

While health and safety remains the highest priority, it was with great sadness we reported the fatalities of Jack Gerdes, an employee of Golding at the Baralaba North Coal Mine on 7 July 2019, and Howard Prosser an employee of DIAB Engineering working at the Roy Hill iron ore mine in Western Australia on 27 January 2020. Golding and DIAB Engineering continue to assist with the Inspectorate organisations both onsite and at a corporate level to support their ongoing investigations into the incidents.

The emergence of COVID-19 has raised significant challenges across the business. Our actions were guided by health advice driven by Federal and State governments in our operating regions. These actions included social distancing, working from home, changes to how we managed the logistics for getting our workforce to sites and the implementation of new operating procedures. Our workforce responded incredibly well and despite numerous requests to review alternate shift rosters, we have maintained a healthy workforce while meeting client schedules. We are incredibly proud of the way over 7,000 members of our workforce over five states have responded to this unprecedented challenge.

NRW is committed to achieving the highest possible performance in occupational health, safety and environmental management. Our vision is for every member of our workforce to arrive home safely after each shift or swing. We focus on continuous improvement and completing our daily tasks in a safe and efficient manner, looking out for our workmates and ultimately delivering projects to our clients.

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 external third parties.

NRW's Total Recordable Injury Frequency Rate (TRIFR) at June 2020 reduced to 5.21 compared to 6.92 at June 2019.

NRW has been able to successfully deliver our projects with no lost time due to industrial disputes, or any form of work ban or limitation and recognise that our success is the result of our dedicated workforce. We employ a high performing, skilled, experienced and appropriately qualified team of people across all our companies, who provide a wealth of knowledge at all levels across our business.

We ensure that we provide competitive remuneration and benefits to the people who choose to work with us and we are particularly pleased that we have a workforce that consistently returns to NRW as more projects are secured and positions become available. We consider previous NRW employees as first preference wherever possible, and transfer people from completed projects to new projects to ensure we retain our skilled workforce and 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.

We continue to enhance and upgrade our practices, systems and processes to deliver a better candidate experience that allows for a fast and efficient mobilisation approach to our people from the point of application, through to starting work, and continued positive communication and engagement throughout the employee lifecycle to ensure that we remain an employer of choice and that we maintain our positive relationship with our workforce.

This financial year we have taken on graduates in the disciplines of Commercial/Administration and Surveying as well as Civil, Mining and Mechanical Engineering. These new eager and hardworking young people have great future prospects with NRW and will add to the strength of our technical teams, now and into the future.

We have also partnered with some of our key suppliers to deliver a trade skill upgrade program particularly Light Vehicle Mechanics who are in the process of upgrading their trade qualifications to a heavy industry qualification.

Opportunities for new entrants into trade qualifications continues to be of high importance delivered through our apprentice trade programme.

DIRECTORS' REPORT CONTINUED

PEOPLE AND SAFETY / OCCUPATIONAL HEALTH AND SAFETY CONTINUED

The Company is in the process of establishing a new training facility linked to a quarry owned by BGC Australia. NRW will lease part of the facility to provide training to new recruits to the mining sector and for upskilling existing employees. The facility can support training for up to 250 people per year on a range of mobile mining equipment and simulators. Priority recruits will be individuals who have lost employment as a result of COVID-19.

NRW's current workforce levels have increased through the year as a result of increased activity and the successful acquisition and integration of BGC Contracting. Headcount at June 2020 totalled 7,053 (June 2019 – 3,145).

NRW continues to embrace diversity and inclusiveness across all of its activities. NRW relies on and encourages its employees to act in accordance with the Company values and contribute a diverse range of skills and experience. Our objective is to increase participation across a range of demographics, to ensure we recruit and retain a skilled workforce and endorse a safe and productive working environment which encourages equity, diversity and inclusion.

NRW is focused on improving the sustainable development of local communities and traditional owners of the areas in which we work. 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 entry level training opportunities such as 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 engaged 42 employees in entry level positions within the last year, with 10 of those employees being indigenous candidates.

NRW is pleased to report an Indigenous participation rate which has ranged between 5% to 11% across our major projects in Western Australia and an employee retention rate, despite project cycles, of 79%.

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.

This year the risk management framework has been updated to recognise the challenges which have arisen from COVID-19. Further commentary on material risks is provided in the Corporate Governance and Risk Management section of this report.

DIRECTORS' REPORT CONTINUED

OUTLOOK

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

A number of areas of focus were identified in the outlook commentary last year:

- 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 acquisition of BGC Contracting was important to the broader delivery of the business strategy. The acquisition positions NRW in the Civil Infrastructure sector particularly in Western Australia. The importance of addressing this market has already been demonstrated through the progress made on the Bunbury Outer Ring Road project where we have been named as the preferred proponent as a member of the Southwest Connex Alliance. Greater participation in the growing infrastructure sector will provide opportunities for growth and delivers on the through cycle evolution objective noted last year.

The addition of DIAB Engineering to the Mining Technologies business delivers on the strategy to “build a broader delivery platform”. The maintenance sector in which DIAB Engineering works is expected to show continued year on year growth. The two businesses have developed a joint strategy to leverage capability and add value from the enlarged business unit.

The Group has secured a number of new projects in the year for major iron ore projects, (Eliwana, West Angeles, Koodaideri and Iron Bridge) maintaining our position to address the continued investment in this sector.

Finally, the discipline applied to the BGC Contracting acquisition resulted in a transaction with a sub three times EBITDA multiple fully funded through new equity raised at a premium. Post acquisition we have realised the forecast synergies from the combined organisations and have maintained gearing below 30% (despite the inclusion of additional debt on the adoption of AASB16).

Our objectives going forward remain broadly unchanged although with the strengthened organisation we will concentrate more on growth through proven capability by:

- Addressing growing public civil infrastructure opportunities through proven delivery, our position in Bunbury Outer Ring Road and our accreditations around Australia;
- Leveraging our enlarged maintenance, OEM products and mechanical construction capabilities through the combination of RCRMT and DIAB Engineering to accelerate growth in this through cycle market;
- Building on our delivery record in the Pilbara to address continued investment in iron ore;
- Retaining, recruiting and training our workforce to meet strong market demand; and
- Continuing to review options to build a broader delivery platform.

The order book post the announcement of the Bunbury Outer Ring Road is circa \$3.5 billion. NRW is forecasting revenue of between \$2.2 billion to \$2.3 billion in FY21 of which around \$2 billion is either in the order book or is expected as repeatable business in Urban, RCRMT and DIAB Engineering.

The near term tender pipeline capable of being awarded in the next 12 months has strengthened to \$12.9 billion of which NRW has submitted tenders of circa \$1.4 billion.

SIGNIFICANT EVENTS AFTER PERIOD END

The Company continues to monitor issues related to COVID-19. Changes have been made to operations across the Company in order to minimise the spread including following advice on social distancing. As the pandemic develops we will continue to monitor operations and activities to ensure we remain as vigilant as possible.

DIRECTORS' REPORT CONTINUED

DIVIDEND

The Directors have declared a final dividend for the financial year of four cents per share. This brings the total dividend for the year to six and a half cents per share following the interim dividend paid in June 2020. The dividend will be fully franked and paid on 14 October 2020.

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 30 June 2020 there are 4,187,762 Performance Rights outstanding (2019; 8,213,998).

Details of Performance Rights granted to Executives as part of their remuneration are set out in the Remuneration Report on pages 14 to 27.

For personal use only

DIRECTORS' REPORT CONTINUED

LETTER FROM CHAIR OF THE NOMINATION & REMUNERATION COMMITTEE

Dear Shareholders and readers of this report,

The Remuneration Report that follows this letter details the principles, structures and outcomes required to be reported by the Corporations Act and ASX Listing Rules.

The Company has performed exceedingly well over recent years and the year ended 30 June 2020 has been one of our best. Earnings growth has been unparalleled and yet we have received 'strikes' against the Remuneration Report in each of the last two years.

Having received a remuneration strike in late 2018, primarily due to the remuneration arrangements of the CEO, we sought specific independent advice as a remuneration committee from external consultants. The key elements of that advice have been adopted, despite some shareholders expressing concerns that the proposed new remuneration structure, particularly of the CEO, was moving away from a more equity (performance) based incentive to a more fixed (TFR) structure.

Specifically, a number of changes to the remuneration structure for 2020 were made:

- Changes to the ratio of fixed and variable remuneration for KMP's tested against the market by independent advisors.
- The inclusion of a set of objectives in the short-term incentive plan (rather than one single metric), including financial outcomes as before but also objectives related to safety performance, business integration, strategic and business development. (Safety was always a factor but as a modifier to other metrics).
- The addition of objectives other than TSR to the long-term incentive scheme (forward EBITDA and Gearing) and, now that the business recovery schemes implemented in previous years have done their job, a change to a minimum three-year vesting period.

Support for the changes, specifically with respect to the long-term incentive scheme appeared evident, in that the shareholders voted in favour of these changes at the last AGM for the Chief Executive Officer (CEO) arrangements.

We have developed the Company's remuneration structure to recognise that NRW is a larger and more complex organisation. This will no doubt raise further challenges which we will address to ensure the management team is remunerated recognising these new challenges and incentivised to maximise value across the enlarged organisation.

With respect to the safety and wellbeing of our workforce, ensuring that all NRW employees work in a safe environment has always been a fundamental element of the incentive structure. The Board noted the improved performance in safety as reported across a range of safety metrics. The Board has been provided with full disclosure on both fatalities that occurred in the last 12 months. Notwithstanding the improvement in safety performance across the group the safety component of the incentive structure has not been awarded this financial year.

The management team have also had to deal with a whole new set of challenges as a consequence of COVID-19. This has involved developing safe social distancing practices, changes to rosters, site travel and normal day to day activities previously taken for granted. To date we have been incident free across all our site operations. This is a commendable result, particularly given activity levels have been sustained throughout the last five months, but not a cause for complacency.

I do hope that all readers of this report will recognise the exceptional business performance delivered by the management team and support these remuneration outcomes.

In closing I would like to remind shareholders of my message from last year. Our mandate 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 market in which we work and the core objectives which have been set for those appointed to manage our business.



Michael Arnett

Chair Nomination and Remuneration Committee

DIRECTORS' REPORT CONTINUED

1. REMUNERATION GOVERNANCE

NRW has established a Nomination & Remuneration Committee ("N&RC") consisting of Michael Arnett (Chairman), Jeff Dowling and Fiona Murdoch. 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, recommendations 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. In June 2019, the Board engaged Egan Associates (Egan) to review its existing remuneration policies and to provide recommendations on executive short-term and long-term incentive plan design and non-executive director remuneration. Egan was paid \$23,730 as at 30 June 2020 to perform these services.

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- Egan was engaged by, and reported to, the Chair of the Remuneration Committee. The agreement for the provision of the remuneration consulting services was executed by the Chair of the Remuneration Committee under delegated authority on behalf of the Board;
- The report containing the remuneration recommendations was provided by Egan directly to the Chair of the Remuneration Committee; and
- Egan was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives, if so required. However, Egan was not permitted to provide any member of management with a copy of their draft or final report that contained remuneration recommendations.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

This advice resulted in changes to fixed remuneration, short term incentives and the structure of the long term incentive scheme and was duly implemented with effect from 1 July 2019 (including the LTI grants made to the CEO in November 2019). The advice was based on market analysis of remuneration trends on a comparative and industry specific basis.

DIRECTORS' REPORT CONTINUED

2. FIVE YEAR SNAPSHOT

Measure	2020	2019	2018	2017	2016
Market Capitalisation (30 June) - \$ million	\$793.6	\$943.5	\$630.1	\$205.9	\$58.6
Share Price at End of Year	\$1.86	\$2.51	\$1.70	\$0.64	\$0.21
Total Revenue – \$ million	\$2,004	\$1,078	\$685	\$345	\$288
EPS	18.2 cents	8.6 cents	11.6 cents	9.1 cents	7.7 cents
EPS Growth	109.3%	n/a	27.5%	18.2%	n/a
Comparative EBITDA - \$ million ¹	\$250.0	\$143.9	\$93.4	\$58.8	\$47.2
Net Profit / (Loss) After Tax - \$ million	\$73.7	\$32.2	\$42.2	\$28.5	\$21.5
NPATA - \$ million ²	\$89.7	\$40.4	\$33.9	\$16.5	\$9.8
Interim Dividend Paid	2.5	2.0	-	-	-
Final Dividend Declared in Respect of the Year	4.0	2.0	2.0	-	-
Annual Total Shareholder Return (%)	n/a	49%	194%	216%	17%

1. Comparative EBITDA – Earnings before interest, tax, depreciation, amortisation, transaction costs, Gascoyne impairment and RCRMT gain on acquisition and or impairment losses.

2. NPATA – Net profit after Tax adjusted for acquisition amortisation and or impairment losses at normal tax rates.

NWH Share Price - 4 years



DIRECTORS' REPORT 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 Johnston	Non-Executive Director
Fiona Murdoch	Non-Executive Director (from February 2020)

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	Executive General Manager – Action Drill & Blast (to February 2020)
Andrew Broad	Executive General Manager – Action Drill & Blast (from February 2020)
Ian Gibbs	Executive General Manager – RCR Mining Technologies and Heat Treatment
Glen Payne	Executive General Manager – DIAB Engineering (from December 2019)

For personal use only

DIRECTORS' REPORT CONTINUED

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.
- Awards are made through achieving a set of objectives which include where relevant financial performance, safety, business development, business integration and strategic.
- 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 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.
- Rights which vest following the achievement of relevant targets 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 a minimum of three years.
- Awards have been made in previous years to address retention objectives for key executives who joined NRW through the Golding and RCRMT acquisitions, and to establish an equity based plan for the CEO and CFO where no plan existed for a number of years.

DIRECTORS' REPORT CONTINUED

4.3 AWARD LEVELS RELATIVE TO FIXED REMUNERATION

The table below provides information on the remuneration packages of KMP's as at 30 June 2020.

KMP	TFR ¹	STIP	LTIP ²	Notice Period
Julian Pemberton	1,200,000	80%	120%	6 months
Andrew Walsh	725,000	60%	100%	6 months
Kim Hyman	384,570	0%	0%	6 months
Geoff Caton	650,000	33%	35%	6 months
Ric Buratto	600,000	33%	35%	6 months
Andrew Broad	500,000	33%	35%	4 weeks
Ian Gibbs	436,386	33%	35%	6 months
Glen Payne	429,003	33%	35%	12 months

1. Annual Total Fixed Remuneration (TFR) as at 30 June 2020.

2. LTIP structure approved by N&RC.

A number of changes were made to TFR in the year to recognise the expanded business following the successful acquisitions of Golding and RCRMT and following external advice from Egan.

As a result of that review, the CEO's base remuneration was changed from \$950,000 to \$1,200,000 and aggregate STI and LTI was reduced from 255% to 200% of TFR.

Full details of the change were advised in an ASX announcement dated 21 October 2019.

The changes pre dated the acquisition of BGC Contracting. Changes in remuneration to other KMP's also recognised changes in responsibility.

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 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 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.

DIRECTORS' REPORT CONTINUED

4.5 EXECUTIVE SERVICE AGREEMENTS

The Executive Service Agreements in place in respect of NRW's KMPs 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 Jeff Whiteman who worked under a service contract, are employed on standard letters of appointment that normally provide for annual reviews of base salary and up to six months' notice of termination by either party. Mr Glen Payne has a 12 month notice period having joined the business from BGC Contracting. 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 2020. The value of the award is outlined in the remuneration table in section 5.5 with comparable information for the previous year.

KMP	FY20		FY19	
	STIP Earned	STIP Forfeited	STIP Earned	STIP Forfeited
Mr J Pemberton	80%	20%	50%	50%
Mr A Walsh	80%	20%	50%	50%
Mr G Caton	65%	35%	100%	0%
Mr E Buratto	50%	50%	33%	67%
Mr J Whiteman	80%	20%	95%	5%
Mr A Broad	80%	20%	N/A	N/A
Mr I Gibbs	80%	20%	N/A	N/A
Mr G Payne	0%	100%	N/A	N/A

Commentary on the 2020 performance

The FY20 STIP objectives are listed below with an overview of performance provided against each objective

- **Earnings** – The business reported earnings at more than twice that delivered in FY19. Consequently, group management achieved stretch targets. Most parts of the business contributed to this improvement although there were some parts of the business which were impacted by specific issues and consequently did not meet the performance thresholds resulting in a lower or nil award against this part of the overall incentive plan.
- **Safety** – Assessment of performance against safety criteria resulted in a number of different outcomes for each individual KMP operationally. Progress on improving safety metrics was a requirement across all businesses for this element of the scheme to be achieved. In determining the level of award the two fatalities were critical to the final assessment. Notwithstanding the improvement in overall safety performance, the safety component of the incentive structure has been determined not to be awarded this financial year.
- **Business Development** – new order wins across the business were ahead of plan growing the order book from \$2.2 billion at the end of FY19 to over \$3.0 billion at June 2020.

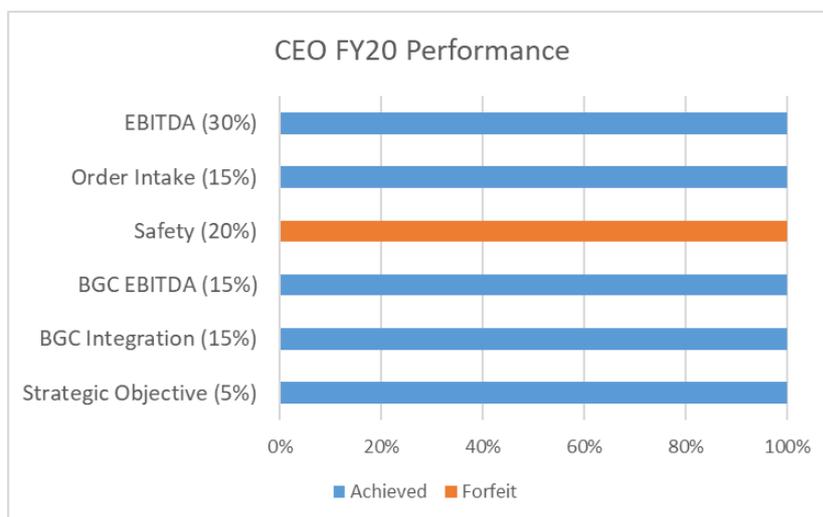
DIRECTORS' REPORT CONTINUED

5.1 EXECUTIVE PERFORMANCE: STIP CONTINUED

- **BGC Integration** – Following the acquisition of BGC Contracting those members of the management team mostly impacted by the challenges of integrating the newly acquired business were given specific objectives related to the integration plan. In addition, the CEO and CFO were given the objective of delivering a target EBITDA aligned to the acquisition assumptions. The BGC Contracting business has been successfully integrated into both the East and West coast activities of NRW and Golding. Although DIAB Engineering is running as a standalone entity, it has contributed to developing a joint strategy for the enlarged Mining Technologies sector. Financial metrics were in line with acquisition assumptions.
- **Strategic** – a range of specific strategic objectives were set by the Board and the CEO. The successful acquisition of BGC Contracting and a growing presence in the infrastructure sector were very tangible results aligned to this objective.

The N&RC noted the progress being made to recover funds owed by Gascoyne Resources which were impaired in FY19. The agreement noted in the FY remuneration report for KMP's to recover amounts forfeited if funds are recovered remains on foot.

The CEO's performance against the objectives set for FY20 is shown below. The boxes represent the ratio of the STI objectives within his overall plan, (for example delivery of EBITDA had the highest weighting of 30%). All objectives were met other than safety where 10% was forfeited as noted above.



DIRECTORS' REPORT CONTINUED

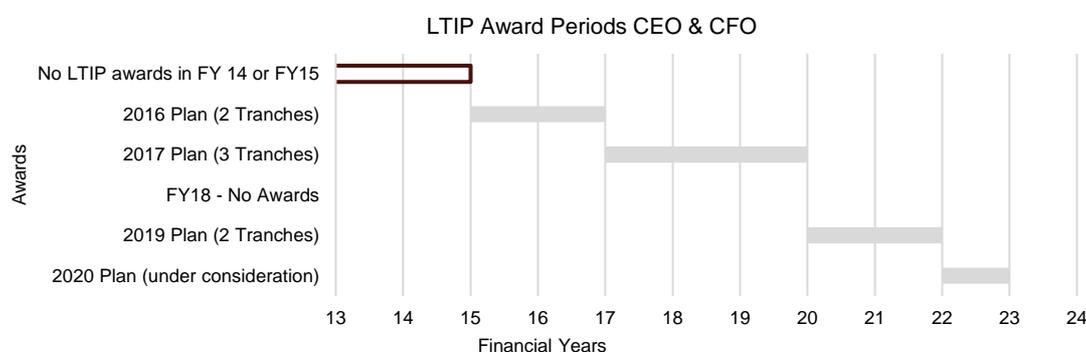
5.2 EXECUTIVE PERFORMANCE: LTIP

The structure of the Company's long term incentive plan is set out in section 4.2 above. Details of specific awards and progress on meeting objectives within those awards is provided below.

CEO and CFO

- No awards were made or were outstanding in FY14 and FY15.
- In FY16 a "recovery" scheme was put in place with a relatively short term horizon given the very low value of the Company's market capitalisation at that time. The second tranche of awards from this scheme vested in FY19 and forms part of the comparatives in this report.
- In FY17 a plan was approved by shareholders again as part of a medium and longer term objective to increment shareholder value. Initial awards from that scheme vested in FY19 and further awards (Tranche 2) have vested in the current financial year. The objectives set at the time of the award required the market capitalisation (TSR) to be doubled in the performance period adding circa \$300 million to the value of the Company. The objective set for Tranche 3 has also been met and consequently rights will vest in November 2020 in line with the scheme.
- No awards were made in FY18 as the remuneration committee considered changes to the schemes following the "normalisation" of Company value as measured by market capitalisation. The table in note 2 above shows an increase in market capitalisation in the year of \$205 million to \$630 million.
- A revised scheme was introduced in the current financial year. The scheme has a three and four year vesting period. Rights were awarded however for two years as the FY17 scheme included value for FY20. This scheme is included as a share based payment cost for the current financial year. The objectives have not as yet been met.
- It is anticipated that a further scheme will be implemented in FY20 to recognise the next year of the current rolling three and four year plan.

The table below shows the development of the Company's equity based incentive scheme for the CEO and CFO over time and the progression towards an annual award grant to accommodate the current rolling 3 and 4 year plan.



Details of the plans which affect the FY20 results and awards made in the financial year are provided below. The comparative results include an earlier scheme which resulted in rights vesting in November last year details of which can be found in the FY19 remuneration report.

2017 Incentive Plan

The 2017 scheme was structured as three separate plans which reflect the long term incentive structure established to meet very specific business challenges relevant at that time. The three plans were; Senior Executive plan, Golding integration plan, and Executive plan (for other KMP's). Key terms of each of these plans is outlined below:

Senior Executive 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).
- Rights were awarded in three equal tranches with increasing performance hurdles set for each year.

DIRECTORS' REPORT CONTINUED

5.2 EXECUTIVE PERFORMANCE: LTIP CONTINUED

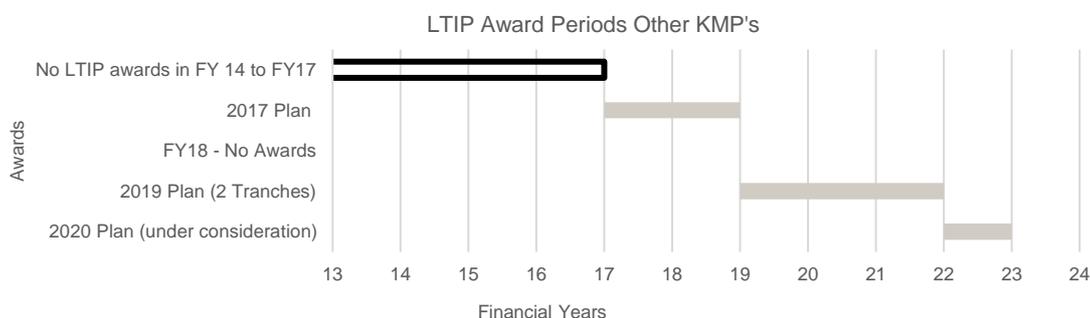
- The performance hurdles for the three years are: increase in TSR of 79% by June 18 (\$1.33); increase in TSR by June 2019 of 111% (\$1.52) and increase in TSR by June 2020 of 140% (\$1.71).
- As a result of the very strong increase in the share price the performance hurdles for all three tranches have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

Golding Integration Plan

- The plan participants are the CEO and CFO.
- The structure of the plan and the quantum of rights awarded to the CEO were approved by shareholders at the 2017 AGM.
- Rights awarded under the plan 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).
- 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 vested in August 2019.

Other KMP's

The table below shows the development of the Company's equity based incentive scheme over time for the senior management team other than the CEO and CFO.

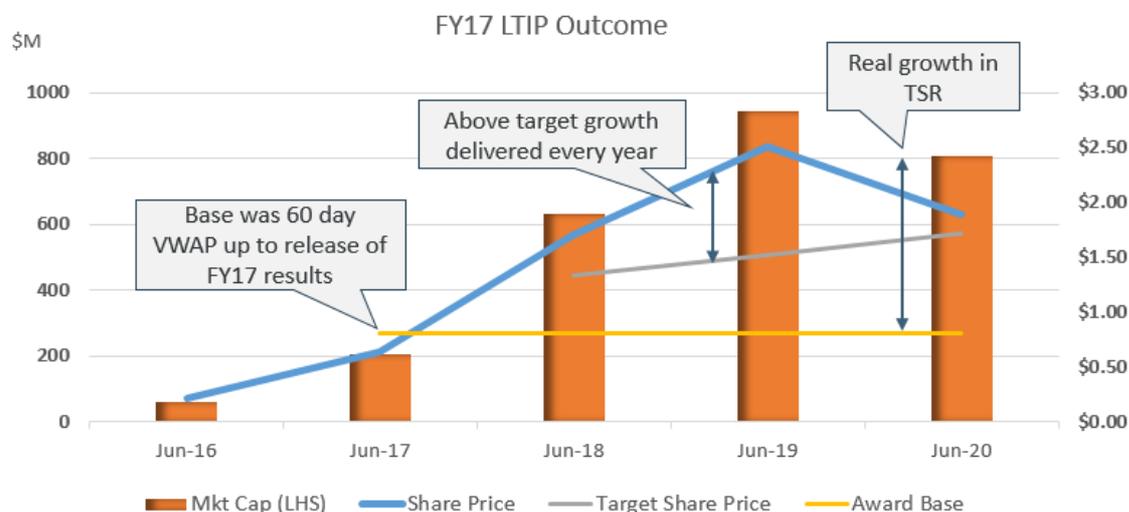


- There were no active long term incentive schemes from FY14 to FY17.
- An initial long term plan was implemented in FY17 to both support business growth as measured by TSR and to act as a retention incentive for the senior management team of the then newly acquired Golding business.
- The plan participants are the key executives within the business.
- Rights were awarded in a single tranche.
- The performance objective was aligned with the senior executive plan (as above) being an increase in TSR by June 2019 of 111% (\$1.52).
- The plan was extended in 2019 following the acquisition of RCRMT. The EGM 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.

DIRECTORS' REPORT CONTINUED

5.2 EXECUTIVE PERFORMANCE: LTIP CONTINUED

The table below shows performance of the Company compared to the plan objectives over the four years of the scheme.



2019 Incentive Plan

Following the success of the 2017 scheme and input from external advisors a revised structure was approved by the N&RC for new long term awards which was approved by shareholders at the November 2019 AGM as part of the award of Rights to the CEO. The key features of the scheme are outlined below, further details of the scheme can be found in the Notice of Meeting released on 21 October 2019. The scheme was structured to:

- Grant performance rights on an annual basis equal to a percentage of the KMP's TFR as shown in table 4.3 above "LTIP annual value" multiplied by the relevant award period. In the case of the CEO and CFO the award period was two years (as the 2017 scheme recognised an award of long term incentives for FY20). All other KMP's have an award period of three years.
- The number of rights granted are based on the aggregate award value divided by the 30 day VWAP to 30 June 2019 (\$2.47).
- The scheme is structured into two Tranches with performance periods of three and four years respectively.
- Each Tranche has a set of performance hurdles which specify expected share price growth (TSR); earnings growth (EBITDA) and minimum gearing levels.
- The targets which have now been adjusted for AASB16 are set out in the table below:

		Tranche 1	Tranche 2
		2022	2023
Total Shareholder Return (Share Price)	Min	\$3.22	\$3.46
	Max	\$3.36	\$3.66
EBITDA (\$M's)	Min	\$224	\$245
	Max	\$237	\$263
Gearing (%)	Below	40%	40%

No rights have vested under this scheme. Scheme costs are included in share based payment costs in the remuneration report aligned to the grant of rights for each individual.

DIRECTORS' REPORT CONTINUED

5.3 LTI AWARDS AND VESTING STATUS

Name	Allocation Date	Balance of Unvested Equity Awards as at 1 July 2019	Granted	Vested in FY20	Balance of Unvested Equity Awards as at 30 June 2020	Fair Value Per Security	Fair Value at Grant Date	Share Based Payments Expense FY20
		Number	Number	Number	Number	Cents	\$	\$
Mr J Pemberton	4/12/17 to 26/11/19	4,900,000	1,164,492	(2,762,500)	3,301,992	30.10 to 182	3,390,949	818,939
Mr A Walsh	4/12/2017	1,681,250	-	(981,250)	700,000	34 to 38.5	614,094	118,100
Mr G Caton	4/12/2017	357,798	-	(357,798)	-	41.2	147,413	11,339
Mr E Buratto	4/12/2017	288,000	-	(288,000)	-	41.2	118,656	-
Mr I Gibbs	15/02/2019	155,770	-	-	155,770	79.7 to 123.9	158,574	71,924

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:

- Market based valuations – a Monte-Carlo simulation valuation methodology is used to determine the share based payment cost relative to TSR growth. The valuation methodology used is chosen from those available to incorporate an appropriate amount of flexibility with respect to the particular performance and vesting conditions of the award.
- Non-market based valuations – EBITDA and Gearing targets are based on a 60 day VWAP up to and including the grant date, risk-weighted for the likelihood of achievement of the vesting conditions. The valuation methodology assumes between 90% and 100% achievement of vesting conditions.

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

DIRECTORS' REPORT CONTINUED

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 2020 and 30 June 2019.

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	2020	1,178,997	768,000	150,473	21,003	39,207	818,939	2,976,619
	2019	929,951	356,250	57,205	20,531	15,502	900,291	2,279,730
EXECUTIVES								
Mr A Walsh	2020	703,997	348,000	37,215	21,003	-	118,100	1,228,315
	2019	679,951	210,000	18,290	20,531	-	316,563	1,245,335
Mr K Hyman	2020	363,568	-	14,459	21,003	9,755	-	408,785
	2019	356,500	-	18,929	20,531	10,669	-	406,629
Mr G Caton	2020	625,000	139,425	26,509	25,000	10,433	11,339	837,706
	2019	625,000	195,000	11,187	25,000	12,423	68,037	936,647
Mr E Buratto	2020	557,645	99,000	17,031	21,003	-	-	694,679
	2019	557,645	60,000	(2,137)	20,531	-	59,328	695,367
Mr A Broad ⁽³⁾	2020	156,595	43,759	12,042	7,876	-	-	220,272
	2019	-	-	-	-	-	-	-
Mr J Whiteman ⁽⁴⁾	2020	356,400	42,433	-	-	-	-	398,833
	2019	513,300	114,000	-	-	-	-	627,300
Mr I Gibbs ⁽⁵⁾	2020	415,383	120,079	(23,975)	19,485	(41,139)	71,924	561,757
	2019	140,143	-	6,264	9,686	2,397	27,062	185,552
Mr G Payne ⁽⁶⁾	2020	298,154	-	(52,460)	11,309	7,237	-	264,240
	2019	-	-	-	-	-	-	-
Total 2020	2020	4,655,739	1,560,696	181,294	147,682	25,493	1,020,302	7,591,206
Total 2019	2019	3,802,490	935,250	109,738	116,810	40,991	1,371,281	6,376,560

1. Represents the movement in accrued annual leave.

2. Represents the movement in accrued long service leave.

3. Mr A Broad joined on 1 March 2020 as Executive General Manager of Action Drill & Blast.

4. Mr J Whiteman ceased his role as Executive General Manager of Action Drill & Blast on 28 February 2020.

5. Mr I Gibbs joined on the 15 February 2019 as Executive General Manager of RCR Mining Technologies.

6. Mr G Payne joined on 9 December 2019 as Executive General Manager of DIAB Engineering.

DIRECTORS' REPORT CONTINUED

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:

NON-EXECUTIVE DIRECTORS		Remuneration		Post-Employment Benefits	Total
		Salary & fees	Non cash benefit	Superannuation	
Mr M Arnett	FY20	150,000	-	14,250	164,250
	FY19	145,000	-	14,250	159,250
Mr J Dowling	FY20	125,000	-	11,875	136,875
	FY19	125,000	-	11,875	136,875
Mr P Johnston	FY20	100,000	-	9,500	109,500
	FY19	100,000	-	9,500	109,500
Ms F Murdoch	FY20	38,387	-	3,330	41,717
	FY19	-	-	-	-
NON-EXECUTIVE	FY20	413,387	-	38,955	452,342
DIRECTORS' TOTAL	FY19	370,000	-	35,625	405,625

Non-Executive Director fees (excluding superannuation and non-cash benefits) to be paid by the Company to the Chairman is \$150,000 (2019: \$145,000) and to Non-Executive Directors is \$100,000 (2019: \$100,000). In addition, the chair of the Audit & Risk committee receives an additional fee of \$25,000 (2019: \$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 30 June 18	Rights vested to Shares	Share Sales	Held at 30 June 19	Purchases	Rights vested to Shares	Share Sales	Held at 30 June 20
Mr M Arnett	1,009,179	-	-	1,009,179	3,355	-	-	1,012,534
Mr J Dowling	364,705	-	-	364,705	-	-	-	364,705
Mr P Johnston	109,416	-	-	109,416	3,355	-	-	112,771
Mr J Pemberton	6,470,387	3,738,110	-	10,208,497	-	2,762,500	(3,650,000)	9,320,997
Mr A Walsh	2,325,547	1,524,543	(954,592)	2,895,498	3,355	981,250	(570,000)	3,310,103
Ms F Murdoch	-	-	-	-	13,700	-	-	13,700
Mr G Caton	-	-	-	-	-	357,798	(357,798)	-
Mr E Buratto	-	-	-	-	-	288,000	(200,000)	88,000
TOTAL	10,279,234	5,262,653	(954,592)	14,587,295	23,765	4,389,548	(4,777,798)	14,222,810

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

For personal use only

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 2020.

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 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 revenue generated on those projects.
- 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 working closely with our clients to ensure we understand issues faced by them 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 the maintenance of 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.

Pandemic

The ongoing challenges related to the COVID-19 pandemic require constant monitoring. To date, the impact of the virus has not materially impacted operations, however, there is no certainty that this position will be maintained in the future. Our clients depend on open access to international markets without which they may need to reduce or temporarily suspend operations currently performed by NRW. We employ over 7,000 people across the Group and rely on them to apply social distancing both at work and when not at work. We cannot assume that we are immune to a local infection which may require operations to be temporarily suspended. Our supply chain is not heavily reliant on overseas sourcing but none the less remains dependant on the few overseas suppliers to remain in normal operations and local (Australian) suppliers being able to meet delivery obligations which in turn could be impacted by the need for State or Federal responses to the ongoing pandemic.

There is a risk that a material impact related to the virus may impact operations which could result in the carrying values of certain assets being overstated. NRW has carried out additional impairment testing to ensure the carrying value of assets can continue to be supported.

Mitigation actions include alignment with State and Federal advice, regular reviews of processes adopted as a result of the pandemic to ensure they are as effective as they can be in preventing the spread of the virus.

Climate Related Risks

NRW recognises the potential challenges posed by a number of factors which can be grouped under the heading "Climate risk". These risks mainly relate to the operations of our clients which NRW currently works for but could nonetheless impact operations over the medium to long term. Risks include reduction to current activity levels, and potential disruption to operations from activists. NRW operates within the strict environmental obligations defined by our clients which requires the project "environmental footprint" to be respected at all times. NRW will continue to monitor the effect that climate related risks have on its operations and take appropriate action to ensure there is a balanced approach to capital allocation and the sustainable growth objectives of the Company.

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

18 August 2020

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 2020, 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



D K Andrews
Partner
Chartered Accountants

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, 18 August 2020

CONTENTS

PAGE

Consolidated Statement of Profit or Loss and Other Comprehensive Income	34
Consolidated Statement of Financial Position	35
Consolidated Statement of Changes in Equity	36
Consolidated Statement of Cash Flows	37
Notes to the Financial Statements	38
1. General Notes	38
2. Business Performance	42
3. Balance Sheet	48
4. Capital Structure	57
5. Financing	66
6. Taxation	71
7. Other Notes	74
Shareholder Information	85
Independent Auditor's Report	86
Appendix 4E	91
Appendix A	92

For personal use only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2020

	Notes	Consolidated	
		2020 \$'000	2019 \$'000
REVENUE	2.2	2,004,362	1,078,124
Lease income		311	-
Gain on acquisition	7.5	-	5,120
Finance income	2.3	506	739
Finance costs	2.3	(13,310)	(7,236)
Share of profit / (loss) from associates	3.4	(42)	(2,084)
Materials and consumables		(390,599)	(237,099)
Employee benefits expense	2.4	(570,183)	(295,353)
Subcontractor costs		(441,929)	(246,304)
Depreciation and amortisation expenses	2.4	(122,081)	(62,053)
Plant and equipment costs	2.4	(343,961)	(145,651)
Impairment of financial assets (Gascoyne Resources)	4.1	-	(33,522)
Other expenses	2.4	(22,856)	(8,944)
Profit before income tax		100,218	45,737
Income tax expense	6.1	(26,469)	(13,467)
Profit for the year		73,749	32,270
Profit and Other Comprehensive Income Attributable to:			
Equity holders of the Company		73,749	32,270
		Cents	Cents
EARNINGS PER SHARE	4.6		
Basic earnings per share		18.2	8.6
Diluted earnings per share		18.0	8.4

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 2020

	Notes	Consolidated	
		2020 \$'000	2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		170,229	65,031
Receivables	3.1	369,906	158,039
Lease receivable		2,546	-
Inventories	3.2	51,358	30,581
Other current assets		8,771	6,445
Total current assets		602,810	260,096
Non-current assets			
Property, plant and equipment	3.3	437,825	239,927
Lease assets (right of use)	3.3	58,276	-
Lease receivable		2,545	-
Investments in associates	3.4	2,610	2,652
Intangibles	3.5	33,961	23,741
Goodwill	3.6	81,913	40,103
Deferred tax assets	6.3	-	22,057
Total non-current assets		617,130	328,480
Total assets		1,219,940	588,576
LIABILITIES			
Current liabilities			
Payables	3.7	331,642	157,756
Financial debt	5.3	81,799	45,434
Lease debt	5.4	14,757	-
Provisions	3.8	78,442	31,664
Total current liabilities		506,640	234,854
Non-current liabilities			
Financial debt	5.3	162,996	55,025
Lease debt	5.4	50,301	-
Provisions	3.8	17,871	7,249
Deferred tax liabilities	6.3	9,743	-
Total non-current liabilities		240,911	62,274
Total liabilities		747,551	297,128
Net assets		472,389	291,448
EQUITY			
Contributed equity	4.2	332,863	206,126
Reserves	4.3	8,453	6,824
Retained profits	4.4	131,073	78,498
Total equity		472,389	291,448

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 2020

	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 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
Adjustment on adoption of AASB 16 Leases		-	-	-	-	(2,885)	(2,885)
Balance at 1 July 2019 – As restated		206,126	(208)	7,032	6,824	75,613	288,563
Total profit and other comprehensive income for the year	4.4	-	-	-	-	73,749	73,749
Issue of ordinary shares under institutional share placement	4.2	120,000	-	-	-	-	120,000
Share purchase plan	4.2	10,000	-	-	-	-	10,000
Share issue costs (net of tax benefit)	4.2	(3,287)	-	-	-	-	(3,287)
Treasury shares transferred to contributed equity	4.2	24	-	(24)	(24)	-	-
Dividends paid	4.5	-	-	-	-	(18,289)	(18,289)
Share-based payments	4.3	-	-	1,653	1,653	-	1,653
Balance at 30 June 2020		332,863	(208)	8,661	8,453	131,073	472,389

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 2020

	Notes	Consolidated	
		2020 \$'000	2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,120,573	1,111,610
Payments to suppliers and employees		(1,892,067)	(1,004,508)
Interest paid ¹	2.3	(13,310)	(7,236)
Interest received	2.3	506	739
Income tax paid		-	(789)
Net cash flow from operating activities	5.1	215,702	99,816
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment		1,377	1,333
Acquisition of property, plant and equipment	3.3	(82,622)	(77,263)
Payment for subsidiary	7.5	(111,759)	(10,000)
Net cash used in investing activities		(193,004)	(85,930)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of equity instruments of the Company	4.2	130,000	-
Payment for share issue costs	4.2	(4,694)	-
Proceeds from borrowings	5.3	68,469	88,602
Repayment of borrowings	5.3	(82,434)	(81,355)
Repayment of lease debt ¹	5.4	(10,552)	-
Payment of dividends to shareholders	4.5	(18,289)	(14,948)
Net cash from / (used in) financing activities		82,500	(7,701)
NET INCREASE IN CASH AND CASH EQUIVALENTS		105,198	6,185
Cash and cash equivalents at beginning of the year		65,031	58,846
Cash and cash equivalents at the end of the year		170,229	65,031

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

¹ In accordance with the new accounting standard AASB 16 Leases, adopted from 1 July 2019, the Group has classified:

- Cash payments for the principal portion of lease payments as financing activities;
- Cash payments for the interest portion of lease payments as operating activities; and
- Short term lease payments and payments for leases of low-value assets as operating activities.

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 2020 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 2019. Refer to note 1.4 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 1.4 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 18 August 2020.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line 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.

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.

1.4 NEW ACCOUNTING STANDARDS

New Standards effective for the current financial year that are relevant to the Group include:

Standard/Interpretation	
AASB 16	Leases

In the current year, the Group has applied AASB 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset ("lease asset") and a lease liability ("lease debt") at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

The date of initial application of AASB 16 for the Group is 1 July 2019.

The Group has applied AASB 16 using the modified retrospective approach which:

- Requires the Group to recognise the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under AASB 117.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1.4 NEW ACCOUNTING STANDARDS CONTINUED

Lease definition

The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 will continue to be applied to those leases entered or changed before 1 July 2019. The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in AASB 117.

The Group applies the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or changed on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of AASB 16, the Group carried out an implementation project. The project has showed that the new definition in AASB 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

Explanatory note on application (Lessee Accounting)

i) Former operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- a) Recognises lease asset and lease debt in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the lease asset adjusted by the amount of any prepaid or accrued lease payments in accordance with AASB 16;
- b) Recognises depreciation of lease assets and interest on lease debt in the consolidated statement of profit or loss; and
- c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the lease assets and lease debt whereas under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under AASB 16, lease assets are tested for impairment in accordance with AASB 136.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'Other expenses' in profit or loss.

The Group has used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating leases applying AASB 117.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise lease assets and lease debt to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the lease asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

ii) Former finance leases

There were no changes to leases that were classified as finance leases applying AASB 117. The carrying amount of the leased assets and obligations under finance leases measured applying AASB 117 immediately before the date of initial application are disclosed within property, plant and equipment and financial debt respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1.4 NEW ACCOUNTING STANDARDS CONTINUED

When assessing the nature of a contract, the Group considers whether the contract transfers control of the underlying asset itself (as opposed to conveying the right to control the use of the underlying asset for a period of time). If so, the transaction is a sale or purchase within the scope of other Standards.

The lease asset and the lease debt are accounted for applying AASB 16 from 1 July 2019. The weighted average lessees incremental borrowing rate applied to lease debt recognised in the statement of financial position on 30 June 2020 is 6.1%.

The Group has applied a modified retrospective approach and therefore, the comparative figures have not been restated within accompanying financial statements.

Explanatory note on application (Lessor Accounting)

AASB 16 does not change substantially how a lessor accounts for leases. Under AASB 16, a lessor continues to classify leases as either finance leases or operating leases and accounts for those two types of leases differently.

However, AASB 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under AASB 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the lease asset arising from the head lease (and not by reference to the underlying asset as was the case under AASB 117).

The Group did not reclassify any of its operating sublease agreements.

Reconciliation on application of AASB 16

Refer to Appendix A for financial statement analyses of AASB 16 impact.

Standards in issue but not yet effective

Standard/Interpretation and Amendments	
Definition of a Business	AASB 2018-6 Amendments to Australian Accounting Standards (AASB 3)
Definition of Material	AASB 2018-7 Amendment to Australian Accounting Standards (AASB 1 and AASB 8)
Interest Rate Benchmark Reform	AASB 2019-3 Amendment to Australian Accounting Standards (AASB 9 and AASB 7)
Conceptual Framework for Financial Reporting	AASB 2019 -1 Amendments to References to the Conceptual Framework in AASB Standard

The directors do not expect that the adoption of the Standards listed above will have an impact on the financial statements of the Group in future periods.

1.5 OTHER ACCOUNTING POLICIES

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.

1.6 ACCOUNTING JUDGMENTS AND ESTIMATES

In applying the Group's accounting policies, which are described throughout the notes to the financial statements, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. 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.

Throughout the notes to the financial statements further information is provided about key judgements and estimates that we consider material to the financial statements.

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. All revenues and activities are conducted in Australia.

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.

Significant business acquisition

On 9 December 2019, the Company completed the acquisition of BGC Contracting Pty Ltd subsequently renamed as NRW Contracting Pty Ltd ("NRWC"). Total consideration for NRWC was \$140.4 million for 100% of the shares. The Civil and Mining NRWC businesses have been integrated into the Civil and Mining segments, DIAB Engineering has been incorporated into the Mining Technologies segment. For further details on the acquisition of NRWC refer to note 7.5.

Reportable segments

NRW has structured its business reporting into four segments, Civil, Mining, Drill & Blast and Mining Technologies.

- **Civil:** Delivery of private and public civil infrastructure projects, mine development, bulk earthworks and commercial and residential subdivisions.
- **Mining:** Mine management, contract mining, load and haul, dragline operations, coal handling prep plants, maintenance services and the fabrication of water and service vehicles.
- **Drill & Blast:** Provision of integrated, end-to-end production drill and blast services to the mining and civil construction sectors.
- **Mining Technologies:** Provides innovative materials handling services as well as facility maintenance and shutdown services.

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

2020 \$'000	Civil	Mining	Drill & Blast	Mining Technologies	Eliminations / Corporate	Total
Revenue ⁽¹⁾	810,998	969,677	172,724	187,167	(78,120)	2,062,446
Revenue from Associates	(58,084)	-	-	-	-	(58,084)
Statutory revenue	752,914	969,677	172,724	187,167	(78,120)	2,004,362
EBITDA ⁽²⁾	32,121	182,664	21,410	22,384	(8,555)	250,024
EBITDA margin (%)	4.0%	18.8%	12.4%	12.0%	-	12.1%
Depreciation and amortisation	(7,212)	(82,323)	(9,890)	(6,532)	(3,124)	(109,081)
EBIT	24,909	100,341	11,520	15,852	(11,679)	140,943
Amortisation of acquisition intangibles ⁽³⁾						(13,000)
Transaction costs ⁽⁴⁾						(14,921)
Interest						(12,804)
Profit before income tax						100,218
Income tax expense						(26,469)
Profit for the year						73,749

(1) Revenue including associates and joint ventures.

(2) EBITDA is earnings before interest, tax, depreciation, amortisation of acquisition intangibles and transaction costs.

(3) Amortisation of RCRMT and NRW Contracting acquisition intangibles.

(4) Transaction costs include costs associated with the acquisition of NRW Contracting.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.1 SEGMENT REPORTING CONTINUED

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	16,725	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) EBITDA is earnings before interest, tax, depreciation, amortisation of acquisition intangibles 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.

Segment Assets and Liabilities

	Segment Assets		Segment Liabilities	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Civil	202,757	92,307	194,959	63,579
Mining	647,177	273,421	369,097	153,160
Drill and Blast	63,426	74,388	37,923	39,975
Mining Technologies	106,066	44,246	63,041	15,380
Unallocated assets	200,514	104,214	82,531	25,034
Consolidated	1,219,940	588,576	747,551	297,128

Information About Major Customers

Included in the revenues arising from sales of the reportable 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 2020:

	Civil	Mining	Drill and Blast	Mining Technologies	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Major customer 1	239,871	26,632	9,877	13,819	290,199
Major customer 2	169,178	-	14,310	32,346	215,834
Major customer 3	-	183,195	31,472	-	214,667
Total for continuing operations	409,049	209,827	55,659	46,165	720,700

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.1 SEGMENT REPORTING CONTINUED

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

	Civil	Mining	Drill and Blast	Mining Technologies	Total
	\$'000	\$'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

2.2 REVENUE

	Consolidated	
	2020	2019
	\$'000	\$'000
Revenue - group and equity accounted joint ventures (1)	2,062,446	1,126,336
Equity accounted joint ventures	(58,084)	(48,212)
Revenue from contracts with customers	2,004,362	1,078,124

1) The Group defines aggregated revenue as revenue and income calculated in accordance with relevant accounting standards plus our share of revenue earned by our associates and Joint Ventures.

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.

(i) Construction Contracts

Revenues from construction contracts are recognised by reference to the stage of completion of the contract activity. Measurement is based on the proportion of contract costs incurred for work performed to date relative to the estimate total contract costs, except where this would not be representative of the stage of completion. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of performance obligations under AASB 15.

The Group becomes entitled to invoice customers for construction contracts based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work signed by a third party assessor and an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Group recognises a contract liability for the difference.

(ii) Service Contracts

Revenue from service 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.

Revenue for preventative maintenance contracts is recognised progressively over the contract term.

(iii) Lease income

Includes income from sub-leasing plant and machinery. Under AASB 16, the Group classifies particular sub-leases as a finance lease because the sub-lease contracts are for the whole of the remaining term of the underlying life of the plant. The Group has recognised a lease receivable, showing the undiscounted lease payments to be received after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.2 REVENUE CONTINUED

Further information about the Group's revenue recognition policies for both construction contracts and services under the current accounting standards is provided below.

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 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 variable consideration shall be provided to the extent the agreement with the customer creates enforceable rights and obligations. 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 this revenue in the future.

Costs to Obtain and Fulfil a Contract

Costs incurred during the tender / bid process are expensed, unless they are incremental to obtaining the contract and the Group expects to recover those costs or where they are explicitly chargeable to the customer regardless of whether the contract is obtained. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.2 REVENUE CONTINUED

Key judgements and estimates

Stage of completion

Determining the stage of completion requires an estimate of expenses incurred to date as a percentage of total estimated costs. Key assumptions regarding costs to complete include estimations of labour, technical costs, impact of delays and productivity. These estimates are performed by qualified professionals within the project teams.

Variable consideration

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.

The estimate of variable consideration can only be recognised to the extent it is highly probable that a significant revenue reversal will not occur in future. As at 30 June 2020, the Group has recognised revenue of \$39.5 million (2019: \$21.4 million) from unapproved claims based on the relative stage of completion.

Remaining Performance Obligations (Work in Hand)

The transaction price allocated to remaining performance obligations (unsatisfied or partially satisfied) at 30 June 2020 are set out below.

	Consolidated	
	2020	2019
	\$'000	\$'000
Civil	476,706	506,485
Mining	2,193,527	1,371,713
Drill and Blast	289,496	281,407
Mining Technologies	79,880	49,164
Total	3,039,609	2,208,769

	Consolidated	
	2020	2019
	\$'000	\$'000
Within one year	1,752,699	1,173,099
More than one year	1,286,910	1,035,670
Total	3,039,609	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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.3 NET FINANCE EXPENSE

	Consolidated	
	2020	2019
	\$'000	\$'000
Interest income	506	739
Total finance income	506	739
Interest expense on financial debt	(9,889)	(7,236)
Interest expense on lease debt	(3,421)	-
Total finance expenses	(13,310)	(7,236)
NET FINANCE EXPENSE	(12,804)	(6,497)

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 using the effective interest method. 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

	Consolidated	
	2020	2019
	\$'000	\$'000
EMPLOYEE BENEFITS EXPENSE		
Wages and salaries	(527,207)	(273,951)
Superannuation contributions	(41,323)	(19,919)
Share based payments (note 4.7)	(1,653)	(1,483)
Total	(570,183)	(295,353)
DEPRECIATION & AMORTISATION		
Depreciation of non-current assets	(108,802)	(49,963)
Amortisation	(13,279)	(12,090)
Total	(122,081)	(62,053)
PLANT & EQUIPMENT COSTS		
Rental expense for plant and equipment	(152,292)	(80,707)
Plant maintenance and operating costs	(191,669)	(64,944)
Total	(343,961)	(145,651)
OTHER EXPENSES		
Insurance	(9,862)	(3,128)
Professional services	(2,826)	(707)
Profit / (loss) on sale of property, plant and equipment	(1,477)	(472)
All other expenses	(8,691)	(4,637)
Total	(22,856)	(8,944)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. BALANCE SHEET

3.1 TRADE AND OTHER RECEIVABLES

	Consolidated	
	2020	2019
	\$'000	\$'000
Trade receivables	153,571	76,172
Contract assets	210,060	76,674
Total contract debtors	363,631	152,846
Other receivables	5,863	4,254
Retentions	-	196
Loans to associates	412	743
Total trade and other receivables	369,906	158,039

Trade receivables

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 and other receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, less an allowance for impairment.

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.

Contract assets

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 liabilities arise where payment is received prior to work being performed.

Age of trade receivables that are past due

	Consolidated	
	2020	2019
	\$'000	\$'000
60-90 days	361	157
90-120 days	870	250
Total	1,231	407

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.

Key judgements and estimates

Estimation of contract revenue (contract assets)

Where performance obligations are satisfied over time, revenue is recognised in the consolidated income statement by reference to the progress towards complete satisfaction of each performance obligation. Fundamental to this calculation is a reliable estimate of the transaction price, refer to note 2.2 for judgements applied in determining the amount of unbilled revenue to recognise.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.2 INVENTORIES

	Consolidated	
	2020	2019
	\$'000	\$'000
Raw materials and consumables	44,629	27,675
Work in progress	6,729	2,906
Total inventories	51,358	30,581

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 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Plant and equipment	PPE Total	RoU buildings	RoU plant and equipment	Lease assets (RoU) Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
COST								
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	-	-	-
Adoption of AASB16	-	-	-	-	-	36,301	9,601	45,902
Acquisitions through business combinations (note 7.5)	-	-	912	213,633	214,545	4,154	1,348	5,502
Additions	-	63	-	82,559	82,622	8,067	11,672	19,739
Disposals	-	-	-	(31,816)	(31,816)	-	(18)	(18)
Impairment	-	-	-	-	-	(482)	-	(482)
Balance as at 30 June 2020	3,218	6,795	2,592	869,306	881,911	48,040	22,603	70,643
DEPRECIATION								
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	-	-	-
Depreciation and amortisation expense	-	190	27	96,202	96,419	6,469	5,914	12,383
Disposals	-	-	-	(28,966)	(28,966)	-	(16)	(16)
Balance as at 30 June 2020	1,000	5,685	1,535	435,866	444,086	6,469	5,898	12,367
CARRYING VALUES								
At 30 June 2019	2,218	1,237	172	236,300	239,927	-	-	-
At 30 June 2020	2,218	1,110	1,057	433,440	437,825	41,571	16,705	58,276

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.3 PROPERTY, PLANT AND EQUIPMENT CONTINUED

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

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.

Lease Assets (Right of Use Assets)

The lease assets comprise the initial measurement of the corresponding lease debt, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Lease assets are depreciated over the shorter period of lease term and useful life of the underlying asset (refer to normal expected useful lives bands for details). If a lease transfers ownership of the underlying asset or the cost of the lease asset reflects that the Group expects to exercise a purchase option, the related lease asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Key judgements and estimates

Estimates of useful economic lives

A technical assessment of the operating life of an asset requires significant judgement. Useful lives are amended prospectively when a change in the operating life is determined.

Lease vs 'in substance' sale or purchase

When assessing the nature of a lease contract under AASB 16 *Leases*, the Group considers whether the contract transfers control of the underlying asset as opposed to conveying the right to control the use of the underlying asset for a period of time.

If the lease contract is assessed to transfer control of the asset, the asset is treated as PPE and is not considered a lease asset under AASB 16.

If the lease contract is assessed not to transfer control of the asset, the contract is assessed against relevant criteria set out in AASB 16 and if it meets those criteria the asset is recognised as a lease asset.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.4 INVESTMENT IN ASSOCIATES

	Consolidated	
	2020	2019
	\$'000	\$'000
Salini Impregilo NRW Joint Venture (SI-NRW JV)	-	-
NewGen Drilling Pty Ltd	2,610	2,652
Total investment in associates	2,610	2,652

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

	2020	2019
	\$'000	\$'000
Opening balance of investment in associates	2,652	4,736
(Loss)/gain recognised in Salini Impregilo NRW Joint Venture	-	(1,773)
Share of loss for the period – NewGen Drilling Pty Ltd	(42)	(311)
Total Share of profit / (loss) from associates	(42)	(2,084)
Closing balance of investment in associates	2,610	2,652

Investments in entities over which the Group has the ability to exercise significant influence, but not control, are accounted for using the equity method of accounting. The investment in associates is carried at cost plus post-acquisition changes in the Group's share of the associates' net assets, less any impairment in value.

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.

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 ("FAL") contract for the Public Transport Authority of Western Australia. The contract is worth \$1.3 billion to be delivered over four years. The Group's share of the joint venture is 20%.

As at 30 June 2020, NRW's share of revenue is \$58.1 million (2019: \$48.2 million). No margin has been recognised on the project (2019: nil).

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.5 INTANGIBLE ASSETS

	Software and System Development	Patent Technology	Brand Names	Customer Relationships	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
COST					
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
Assets recognised on business combinations (note 7.5)	-	-	2,291	21,208	23,499
Balance as at 30 June 2020	21,142	9,460	13,929	45,418	89,949
AMORTISATION					
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
Amortisation expense (note 2.4)	279	3,601	-	9,399	13,279
Balance as at 30 June 2020	21,142	5,954	-	28,892	55,988
CARRYING VALUES					
At 30 June 2019	279	7,107	11,638	4,717	23,741
At 30 June 2020	-	3,506	13,929	16,526	33,961

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their deemed cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

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 deemed 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.

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 deemed 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.6 GOODWILL

	2020	2019
	\$'000	\$'000
Balance at beginning of the period	40,103	40,103
Amounts recognised from business combinations occurring during the period (note 7.5)	41,810	-
Balance at end of the period	81,913	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 is attributable to cash generating units (CGU) aggregated in the following reporting segments whose results are regularly reviewed by the Groups chief operating decision maker:

	2020	2019
	\$'000	\$'000
Civil	17,798	10,716
Mining	57,450	29,387
Drill & Blast	-	-
Mining Technologies	6,665	-
Balance at end of the period	81,913	40,103

If the recoverable amount of the cash-generating unit to which goodwill is allocated 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. 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 may have suffered an impairment loss.

The determination of the existence of impairment indicators requires a degree of management judgement. 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 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.

As at 30 June 2020, the Company performed the assessment of any prevailing indicators of impairment across each CGU.

The Company undertook formal impairment testing for those obligatory CGU's to which Goodwill and indefinite-life Intangibles are allocated, and those where the Company determined the existence of impairment indicators.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.6 GOODWILL CONTINUED

The Group has prepared five year discounted cash flow forecasts, and extrapolated the cash flows beyond the terminal year using a terminal growth-rate.

The Group has paid particular attention to those indicators impacted by the global COVID-19 pandemic. We have considered the effect of the pandemic on our clients activities which may include long-term commodity prices, awards of new contracts, deferrals of existing contracts, disruptions to supply chain and disruptions to existing operations. To date, most of the Groups operations were classified as essential services and have continued materially unaffected. The management team continue to monitor and manage the impacts and risks arising from the global pandemic, and at the time of compiling future cash flows there were no known detrimental changes.

Key areas of management judgement required in this assessment include:

Value in use assumptions and key estimates

Sales and earnings growth

The five year cash flow estimates used in assessments for all CGU's were based on Board approved budgets for the year ending 30 June 2021. Growth assumptions thereafter are 3% (2019: 3%) per annum for each future year. The terminal value assumes perpetual growth of 0% (2019: 3%). Growth rates do not exceed historical averages.

Discount rate

A pre-tax discount rate of 13.6% (2019: 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 the various strategic business plans and those levels considered appropriate to sustain current growth projections above current level of operating activities.

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 key assumptions used in determining the recoverable values.

Sensitivity analysis

Short-term assumptions

The Company simulated several scenarios to sensitise future cash flows for different outcomes associated with the short-term COVID-19 risks identified in assessing indicators of potential impairment, highlighted above. These included the net future cash flow impacts of:

- an absolute, or timing delay, for disruptions at a current clients operations; or
- a non-award, or delay to an award, of future contracts

Long-term assumptions

In addition, the Company undertook sensitivity analysis with regard to the longer term drivers of future cash flow relating to:

- Future years' growth rate assumption adjusted from 3% (CAGR) growth per annum to a range of 1-2% (CAGR) growth per annum.
- Pre-tax discount rate assumption increased from 13.6% to 16.7%, representing the higher degree of risk and returns required by equity holders through an extended period of higher global uncertainty surrounding COVID-19, (or the higher risk inherent in the underlying forecasts).

Each of these sensitivities were performed in isolation of each other and did not result in recoverable values to be lower than the carrying values of the CGUs as at 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.7 TRADE AND OTHER PAYABLES

	Consolidated	
	2020	2019
	\$'000	\$'000
CURRENT PAYABLES		
Trade payables	142,944	99,037
Goods and service tax	6,360	2,325
Other payables	23,495	6,184
Accruals	158,843	50,210
Total trade and other payables	331,642	157,756

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 pre-agreed credit terms. All payables are expected to be settled within the next 12 months.

3.8 PROVISIONS

	Consolidated			
	Onerous contracts	Warranty & other	Employee benefits	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	1,205	462	37,246	38,913
Provisions in BGC opening balance sheet (note 7.5)	24,394	3,998	24,100	52,492
Provisions made during the year	4,006	3,344	71,729	79,079
Provisions applied	(18,230)	(4,533)	(51,408)	(74,171)
Balance at 30 June 2020	11,375	3,271	81,667	96,313
Short-term provisions	10,564	3,049	64,829	78,442
Long-term provisions	811	222	16,838	17,871
Total balance at 30 June 2020	11,375	3,271	81,667	96,313

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).

(i) Onerous contracts

Provisions primarily include amounts recognised in relation to onerous customer contracts.

(ii) Warranties and other

Provisions for warranties and contract claims are made for the estimated liability on all products still under warranty at balance sheet date and known claims arising under service and construction contracts.

(iii) Employee Benefits

The employee benefits liability represents accrued wages and salaries, leave entitlements and other incentives recognised in respect of employees' services up to the end of the reporting period. These liabilities are measured at the amounts expected to be paid when they are settled and include related on-costs, such as workers compensation insurance, superannuation and payroll tax.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.8 PROVISIONS CONTINUED

Key judgements and estimates

Onerous contracts

These provisions have been calculated based on management's best estimate of discounted net cash outflows required to fulfil the contracts (where the effect of the time value of money is material). The status of these contracts and the adequacy of provisions are assessed at each reporting date.

Warranties

The provision is estimated having regard to previous claims experience.

Long service leave

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. Expected future payments are discounted using the market yield at the reporting date on Australian corporate bonds with terms to maturity and currencies to match, as close as possible, the estimate future cash outflows.

For personal use only

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 2020 as:

	Consolidated	
	2020	2019
	\$'000	\$'000
Cash	170,229	65,031
Financial debt	(244,795)	(100,459)
Lease debt	(65,058)	-
Net Debt	(139,624)	(35,428)
Total equity	472,389	291,448
Net Debt to Equity Ratio	29.6%	12.2%

4.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital Risk Management

The capital structure of the Group comprises of debt and equity. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or increase or decrease debt.

The Group's objectives when managing capital are to safeguard its ability to operate as a going concern so that it can meet all its financial obligations when they fall due, provide adequate returns to shareholders, maintain an appropriate capital structure to optimise its cost of capital and maintain an Investment Grade credit rating to ensure ongoing access to funding. The Consolidated Entity is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

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.

Interest Rate Risk Management

Interest rate risk is the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in the market interest rates. Sources of financial exposure include variable-rate borrowings (cash flow risk) and fixed-rate borrowings (fair value risk). Interest rate exposures are kept within an acceptable range as determined by the Board.

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. Refer to *Consolidated Interest and Liquidity* table on the following page for further details around interest rate profiles.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT 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.

Liquidity Risk Management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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.

The estimated contractual maturity for its financial liabilities and financial assets is 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 2020

	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	0.3%	170,229	170,229	-	-	-
Trade and other receivables (1)		369,906	191,962	177,944		
Lease receivable	9.4%	5,091	203	2,343	2,545	-
Subtotal		545,226	362,394	180,287	2,545	-
FINANCIAL LIABILITIES						
Bankwest	4.9%	24,435	-	24,435	-	-
Bank of China	3.9%	24,282	282	-	24,000	-
Equipment finance	4.6%	196,078	5,524	51,558	138,996	-
Lease debt	6.1%	65,058	1,150	13,607	35,501	14,800
Trade and other payables (2)		331,642	174,043	157,599	-	-
Subtotal		641,495	180,999	247,199	198,497	14,800

(1) Normal trade receivable terms. See note 3.1.

(2) Normal trade payable terms. See note 3.7.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

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 (1)		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	-
Equipment finance	6.3%	44,593	1,298	9,520	33,775	-
Trade and other payables (2)		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.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments. 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.

Trade and other receivables payment terms are primarily 30 to 75 days. Cash retentions are low as clients require bonds and bank guarantees. The Group's exposure and the credit ratings of these counterparties are regularly monitored and transactions are diversified among approved counterparties.

Following the adoption of AASB 9, the Group considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period.

Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

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;
- 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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

- 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.

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

The Group believes that the amounts that are past due are still collectible. In making this determination the management team has taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the markets in which they operate.

In the prior period the Group recognised a loss allowance of \$29.2 million which was comprised entirely of Gascoyne Resources related balances including: trade receivables \$19.2 million and secured loans \$10.0 million. The Group is still entitled to the gross value of the financial assets.

Investments in financial assets

In the prior period 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 in FY19.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.2 ISSUED CAPITAL

Fully Paid Ordinary Shares

	Consolidated	
	2020	2019
	\$'000	\$'000
ORDINARY SHARES		
426,685,384 fully paid ordinary shares (2019: 375,880,733)	332,863	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			
	2020	2020	2019	2019
	# No. '000	\$'000	# No. '000	\$'000
FULLY PAID ORDINARY SHARES				
Balance at the beginning of the financial year	375,880	206,126	370,617	206,126
Capital raising at \$2.85 share	42,106	120,000	-	-
Share purchase plan at \$2.85 share	3,509	10,000	-	-
Share issue costs net of tax		(3,287)	-	-
Issue of shares to executives	5,180	-	5,263	-
Treasury shares transferred to contributed equity	11	24	-	-
Balance at the end of the period	426,686	332,863	375,880	206,126

4.3 RESERVES

	Consolidated	
	2020	2019
	\$'000	\$'000
Share based payment reserve	8,661	7,032
Foreign currency reserve	(208)	(208)
Total reserves	8,453	6,824

Share Based Payment Reserve

	Consolidated	
	2020	2019
	\$'000	\$'000
Balance at the beginning of the financial year	7,032	5,549
Share based payments	1,653	1,483
Treasury shares issued for vested rights	(24)	-
Balance at the end of the financial year	8,661	7,032

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.4 RETAINED EARNINGS

	Consolidated	
	2020	2019
	\$'000	\$'000
Balance at the beginning of the financial year	78,498	61,176
Adjustment on adoption of AASB 16 Leases	(2,885)	-
Net profit attributable to members of the parent entity	73,749	32,270
Dividends paid	(18,289)	(14,948)
Balance at the end of the financial year	131,073	78,498

4.5 DIVIDENDS

During the period, NRW Holdings Limited made the following dividend payments:

Fully paid ordinary shares	Consolidated year ended 30 June 2020		Consolidated year ended 30 June 2019	
	Cents per share	\$'000	Cents per share	\$'000
Final dividend (FY19 / FY18)	2.0	7,621	2.0	7,431
Interim dividend (FY20 / FY19)	2.5	10,668	2.0	7,517
Total dividend payments		18,289		14,948

The Directors have declared a dividend for the current financial year of 4 cents per share. The dividend will be fully franked and paid on 14 October 2020.

Franking Account

	Consolidated	
	2020	2019
	\$'000	\$'000
Franking account balance at 1 July	51,098	56,712
Australian income tax paid	-	793
Franking credits attached to dividends paid:		
As final dividend	(3,266)	(3,185)
As interim dividend	(4,572)	(3,222)
Franking account balance at 30 June	43,260	51,098
Franking credits that will attach to the payment of fully franked dividends declared but not paid as at reporting date	(7,315)	(3,222)
Net franking credits available	35,945	47,876

4.6 EARNINGS PER SHARE

	Consolidated	
	2020	2019
	\$'000	\$'000
Profit for the year	73,749	32,270
Weighted average number of shares for the purposes of basic earnings per share (000's)	405,024	373,918
Basic earnings per share	18.2 cents per share	8.6 cents per share
Shares deemed to be issued for no consideration in respect of:		
– Performance rights (000's)	5,671	9,945
Weighted average number of shares used for the purposes of diluted earnings per share (000's)	410,695	383,863
Diluted earnings per share	18.0 cents per share	8.4 cents per share

For personal use only

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 with 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 choice of valuation methodology is determined by the structure of the awards, particularly the vesting conditions:

- Market based valuations – a Monte-Carlo simulation valuation methodology is used to determine the share based payment cost relative to TSR growth. The valuation methodology used is chosen from those available to incorporate an appropriate amount of flexibility with respect to the particular performance and vesting conditions of the award.
- Non-market based valuations – EBITDA and Gearing targets are based on a 60 day VWAP up to and including the grant date, risk-weighted for the likelihood of achievement of the vesting conditions. The valuation methodology assumes between 90% and 100% achievement of vesting conditions.

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)
F	1.80%	114.9%	10.2%	38.5
G	1.96%	103.2%	10.2%	34.0
I	1.80%	110.6%	10.2%	37.9
J	1.80%	112.8%	10.2%	41.2
K	1.44%	55.14%	1.20%	79.7
L	1.35%	64.05%	1.20%	123.9
M	1.44%	47.26%	1.20%	75.3
N	1.35%	53.62%	1.20%	101.1
O	0.29%	62.74%	1.34%	30.1 to 182.0

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 and non 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 2019	Granted	Vested in FY20	Balance of Unvested Equity Awards as at 30 June 2020	Fair Value Per Security	Fair Value at Grant Date	Fair Value at Vesting Date	Share Based Payments Expense FY20
				Number of Rights	Number of Rights	Number of Rights	Number of Rights	Cents	\$	\$	\$
J Pemberton											
2018 Tranche 2	F	4/12/2017	30/11/2019	2,137,500	-	(2,137,500)	-	38.5	822,938	6,562,125	117,563
2018 Tranche 3	G	4/12/2017	30/11/2020	2,137,500	-	-	2,137,500	34.0	726,750	-	218,025
2018 Golding Tranche 1 Y2	I	4/12/2017	30/08/2019	625,000	-	(625,000)	-	37.9	237,065	1,512,500	18,236
2020 Tranche 1	O	26/11/2019	30/11/2022	-	582,246	-	582,246	30.1 to 182.0	768,785	-	256,262
2020 Tranche 2	O	26/11/2019	30/11/2023	-	582,246	-	582,246	30.1 to 182.0	835,411	-	208,853
Total				4,900,000	1,164,492	(2,762,500)	3,301,992		3,390,949	8,074,625	818,939
A Waish											
2018 Tranche 2	F	4/12/2017	30/11/2019	700,000	-	(700,000)	-	38.5	269,500	2,149,000	38,500
2018 Tranche 3	G	4/12/2017	30/11/2020	700,000	-	-	700,000	34.0	238,000	-	71,400
2018 Golding Tranche 1 Y2	I	4/12/2017	30/08/2019	281,250	-	(281,250)	-	37.9	106,594	680,625	8,200
Total				1,681,250	-	(981,250)	700,000		614,094	2,829,625	118,100
E Buratto											
2018 Scheme	J	4/12/2017	30/11/2019	288,000	-	(288,000)	-	41.2	118,656	884,160	-
Total				288,000	-	(288,000)	-		118,656	884,160	-
G Caton											
2018 Scheme	J	4/12/2017	30/11/2019	357,798	-	(357,798)	-	41.2	147,413	1,098,440	11,339
Total				357,798	-	(357,798)	-		147,413	1,098,440	11,339
I Gibbs											
2019 Scheme 1 Tranche 1	K	15/2/2019	30/11/2020	77,885	-	-	77,885	79.7	62,074	-	36,310
2019 Scheme 1 Tranche 2	L	15/2/2019	30/11/2021	77,885	-	-	77,885	123.9	96,500	-	35,614
Total				155,770	-	-	155,770		158,574	-	71,924
Non KMP											
2018 Scheme	J	4/12/2017	30/11/2019	801,180	-	(801,180)	-	41.2	330,086	2,459,623	25,391
2019 Scheme 2 Tranche 1	M	18/04/2019	30/11/2020	15,000	-	-	15,000	75.3	11,295	-	7,336
2019 Scheme 2 Tranche 2	N	18/04/2019	30/11/2021	15,000	-	-	15,000	101.1	15,165	-	5,971
TOTAL				8,213,998	1,164,492	(5,190,728)	4,187,762		4,786,232	15,346,473	1,059,000

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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	
	2020	2019
	\$'000	\$'000
PROFIT FOR THE PERIOD	73,749	32,270
Adjustments for:		
Loss on sale of property, plant and equipment	1,477	472
Depreciation and amortisation	122,081	62,053
Lease asset (RoU) impairment	482	-
Share of loss from associates	42	2,084
Share based payment expense	1,653	1,483
Gain on acquisition	-	(5,120)
Net cash generated before movement in working capital	199,484	93,242
Change in trade and other receivables	(84,066)	(37,340)
Change in inventories	(1,755)	(6,062)
Change in other assets	169	(1,855)
Change in trade and other payables	66,280	30,025
Change in provisions	9,122	9,128
Change in provision for income tax	-	(1,218)
Change in deferred tax balances ⁽¹⁾	26,468	13,896
Net cash from operating activities	215,702	99,816

(1) Includes tax effect of share issue costs of \$1.4 million and the adoption of AASB 16 of \$1.2 million, both recognised directly in equity.

5.2 GUARANTEES

	Consolidated	
	2020	2019
	\$'000	\$'000
Bank guarantees	16,464	5,988
Insurance bonds	178,563	69,006
Balance at the end of the financial year	195,027	74,994

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5.3 FINANCIAL DEBT

	Consolidated	
	2020	2019
	\$'000	\$'000
SECURED AT AMORTISED COST		
Current		
Bankwest	24,435	34,616
Bank of China	282	-
Equipment finance	57,082	10,818
Total current financial debt	81,799	45,434
Non-current		
Bankwest	-	21,250
Bank of China	24,000	-
Equipment finance	138,996	33,775
Total non-current financial debt	162,996	55,025
GROUP TOTAL FINANCIAL DEBT	244,795	100,459

All loans and financial debt 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.

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 2021.

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

Significant funding transactions

During the period the Company agreed a \$55 million multi option and debt facility with Bank of China. As at 30 June 2020, \$24 million has been drawn down.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5.3 FINANCIAL DEBT CONTINUED

Financial debt movement reconciliation for the year ended 30 June 2020:

	Consolidated	
	2020 \$'000	2019 \$'000
Opening balance	100,459	93,212
Equipment finance assumed (through business acquisition)	158,301	-
New equipment finance	37,679	39,102
Repayment of equipment finance	(41,144)	(4,793)
New financial debt	30,790	49,500
Repayment of financial debt	(41,290)	(76,562)
GROUP TOTAL FINANCIAL DEBT	244,795	100,459

Interest Bearing Finance Facilities

Consolidated finance facilities as at 30 June 2020

Finance Description	Face Value (limit) \$'000	Carrying Amount (utilised) \$'000	Unutilised Amount \$'000
Bankwest	24,435	24,435	-
Bank of China ⁽¹⁾	55,000	24,282	30,718
Equipment finance ⁽²⁾	223,548	196,078	27,470
Guarantees and insurance bonds ⁽³⁾	352,055	195,027	157,028

⁽¹⁾ Includes: reducing loan facility, bank guarantee facility and credit risk facility.

⁽²⁾ Terms range from one to five years.

⁽³⁾ \$10.0 million of the overall limit is interchangeable as an overdraft facility.

Consolidated finance facilities as at 30 June 2019

Finance Description	Face Value (limit) \$'000	Carrying Amount (utilised) \$'000	Unutilised Amount \$'000
Bankwest loan	55,866	55,866	-
Equipment finance ⁽¹⁾	44,593	44,593	-
Guarantees and insurance bonds ⁽²⁾	155,000	74,994	80,006

⁽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

5.4 LEASE DEBT

	Consolidated
	2020
	\$'000
Opening balance	-
Adjustment on adoption of AASB 16 <i>Leases</i>	50,369
Balance at 1 July 2019	50,369
New leases through a business combination (see note 7.5)	5,502
New leases	19,739
Interest expense	3,421
Payments	(13,973)
Balance at 30 June 2020	65,058
Current	14,757
Non-current	50,301
GROUP TOTAL LEASE DEBT	65,058

Group lease debt relates mainly to properties, the balance comprised of plant and equipment, various types of vehicles and IT equipment.

With the adoption of AASB 16 *Leases*, the Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a lease asset and a corresponding lease debt with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease debt is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease debt comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease debt is subsequently measured by increasing the carrying amount to reflect interest on the lease debt (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease debt (and makes a corresponding adjustment to the related lease asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease debt is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease debt is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5.4 LEASE DEBT CONTINUED

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease debt is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease debt and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has elected to use this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group does not allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Key Judgements and Estimates

Determination of the existence of leases

Identifying a lease will sometimes require a significant amount of judgement based on the elements of the definition of a lease, including identification of the leased asset, whether the contract passes the right to obtain substantially all of the economic benefits from the use of an identified assets within the defined scope of the contract and whether the supplier has a substantive right to substitute the identified assets throughout the period of use.

Lease extension periods

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Incremental borrowing rate

In determining the present value of the future lease payments, the Group discounts the lease payments using an incremental borrowing rate (IBR). The IBR reflects the financing characteristics and duration of the underlying lease. Once a discount rate has been set for a leased asset (or portfolio of assets with similar characteristics), this rate will remain unchanged for the term of that lease. When a lease modification occurs, and it is not accounted for as a separate lease, a new IBR will be assigned to reflect the new characteristics of the lease.

5.5 CAPITAL AND OTHER COMMITMENTS

As at 30 June 2020 the Group has capital and other commitments totalling \$6.8 million (2019: \$24.2 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. TAXATION

6.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

	Consolidated	
	2020	2019
	\$'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	26,469	16,639
Deferred tax assets brought to account	-	(2,750)
Total income tax expense / (benefit)	26,469	13,467

6.2 RECONCILIATION OF EFFECTIVE TAX RATE

	Consolidated	
	2020	2019
	\$'000	\$'000
Profit before tax for the period	100,218	45,737
INCOME TAX USING THE COMPANY'S DOMESTIC TAX RATE OF 30%	30,065	13,721
Changes in income tax expense due to:		
Share based payments	(4,235)	(2,287)
Effect of impairment of financial assets relating to the Gascoyne Resources loan and equity instruments (note 4.1)	-	4,295
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)	(670)	1,801
Effect of gain on acquisition related to RCRMT acquisition (note 7.5)	-	(1,536)
Transfer duties on acquisitions of RCRMT and BGC Contracting	891	-
Deferred tax assets brought to account	(33)	(2,750)
Effect of expenses that are not deductible in determining taxable profit	451	223
Total income tax expense / (benefit)	26,469	13,467

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.

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

For personal use only

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6.2 RECONCILIATION OF EFFECTIVE TAX RATE CONTINUED

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

Tax losses have been applied to offset any taxable income. Accordingly, there is no current tax liabilities at 30 June 2020 (2019: Nil).

Deferred Tax Balances

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

Deferred Tax Balances

	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables (contract assets)	-	-	(41,893)	(17,703)	(41,893)	(17,703)
Inventories	290	-	-	(3,684)	290	(3,684)
Other current assets	2,829	960	(5,024)	(323)	(2,195)	637
Property, plant and equipment	1,922	1,071	(38,828)	(23,571)	(36,906)	(22,500)
Investment in associates	4,133	714	-	-	4,133	714
Intangibles	-	-	(9,360)	(7,039)	(9,360)	(7,039)
Lease debt	26,215	-	(24,180)	-	2,035	-
Provisions	28,034	11,136	-	-	28,034	11,136
Payables	7,337	971	-	-	7,337	971
Costs of equity raising	1,305	300	-	-	1,305	300
Share based payments	295	727	-	-	295	727
Losses	37,183	58,498	-	-	37,182	58,498
Deferred tax assets / (liabilities)	109,542	74,377	(119,285)	(52,320)	(9,743)	22,057

Movement of Deferred Tax Balances

	Consolidated	
	2020	2019
	\$'000	\$'000
DEFERRED TAX EXPENSE		
Recognised in profit or loss (note 6.1)	(26,469)	(16,639)
Deferred tax assets brought to account (note 6.1)	-	2,750
Recognised directly in equity	2,637	-
Balance acquired through business combinations (note 7.5)	(7,975)	(3,494)
Total	(31,807)	(17,383)

Unrecognised Deferred Tax Balances

During the year there were no deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. OTHER NOTES

7.1 SUBSIDIARIES

Information about the composition of the Group at the end of the reporting period is as follows:

Parent Entity	Principal Activities	Country of Incorporation	Ownership Interest	
			2020	2019
NRW Holdings Limited (ACN 118 300 217) <	Holding Company	Australia	-	-
Actionblast Pty Ltd (ACN 058 473 331) <	Mining Equipment Solutions	Australia	100%	100%
Action Drill & Blast Pty Ltd (ACN 144 682 413) <	Drill & Blast	Australia	100%	100%
Hughes Drilling 1 Pty Ltd (ACN 011 007 702) <	Drill & Blast	Australia	100%	100%
NRW Pty Ltd (ACN 067 272 119) <	Civil & Mining	Australia	100%	100%
The trustee for NRW Unit Trust (ABN 69 828 799 317)	Civil & Mining	Australia	100%	100%
NRW Contracting Pty Ltd (ACN 008 766 407) <	Civil, Mining & Urban	Australia	100%	-
NRW Contracting (NO.2) Pty Ltd (ACN 621 008 473) <	Mining	Australia	100%	-
DIAB Engineering Pty Ltd (ACN 611 036 689) <	Mining Technologies	Australia	100%	-
NRW Intermediate Holdings Pty Ltd (ACN 120 448 179) <	Intermediary	Australia	100%	100%
Indigenous Mining & Exploration Company Pty Ltd (ACN 114 493 579) <	Investment Shell	Australia	100%	100%
NRW International Holdings Pty Ltd (ACN 138 827 451) <	Investment Shell	Australia	100%	100%
RCR Heat Treatment Pty Ltd (ACN 631 155 032)	Heat Treatment	Australia	100%	100%
RCR Mining Technologies Pty Ltd (ACN 107 724 274) <	Mining Technologies	Australia	100%	100%
NRW Mining Pty Ltd (ACN 117 524 277) <	Investment Shell	Australia	100%	100%
Golding Group Pty Ltd (ACN 129 247 025) <	Holding Company	Australia	100%	100%
Golding Employee Equity Pty Ltd (ACN 134 623 680) <	Dormant	Australia	100%	100%
Golding Finance Pty Ltd (ACN 128 839 056) <	Holding Company	Australia	100%	100%
Golding Contractors Pty Ltd (ACN 009 734 794) <	Civil, Mining & Urban	Australia	100%	100%
Golding Civil Pty Ltd (ACN 628 709 777)	Civil	Australia	100%	100%
Golding Mining Pty Ltd (ACN 628 709 740)	Mining	Australia	100%	100%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.1 SUBSIDIARIES (CONTINUED)

Parent Entity	Principal Activities	Country of Incorporation	Ownership Interest	
			2020	2019
Golding Services Pty Ltd (ACN 628 709 768)	Civil, Mining & Urban	Australia	100%	100%
Golding Urban Pty Ltd (ACN 628 709 759)	Urban	Australia	100%	100%
Golding PNG Limited	Mining	Papua New Guinea	100%	100%
NRW Guinea SARL	Dormant	Guinea	100%	100%
The Trustee for NRW Holdings Employee Share Trust (ABN 85 324 493 658)	Dormant	Australia	100%	100%

< Entered into ASIC Corporations instrument 98/1418 Deed of Cross Guarantee with NRW Holdings Limited.

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

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.

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

	Consolidated	
	2020	2019
	\$'000	\$'000
STATEMENT OF COMPREHENSIVE INCOME		
Revenue	1,997,152	1,075,681
Other income	311	5,120
Finance income	498	738
Finance costs	(13,310)	(7,236)
Share of profit/(loss) in associate	(42)	(2,084)
Materials and consumables used	(389,712)	(236,803)
Employee benefits expense	(566,902)	(294,163)
Subcontractor costs	(441,912)	(279,822)
Depreciation and amortisation expenses	(120,920)	(62,022)
Plant and equipment costs	(343,296)	(145,538)
Other expenses	(22,099)	(8,662)
Profit before income tax	99,768	45,209
Income tax expense	(26,334)	(13,311)
Profit for the year	73,434	31,898
OTHER COMPREHENSIVE INCOME		
Total comprehensive income for the year	73,434	31,898

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.1 SUBSIDIARIES CONTINUED

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

	Consolidated	
	2020	2019
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	168,336	64,445
Receivables	368,687	156,529
Lease receivable	2,546	-
Inventories	51,355	30,570
Other current assets	8,762	6,439
Total current assets	599,686	257,983
Non-current assets		
Investment in associates	2,610	2,653
Financial assets	3,951	3,738
Property, plant and equipment	437,244	239,343
Lease assets (right of use)	58,276	-
Lease receivable	2,545	-
Intangibles	31,710	20,161
Goodwill	81,913	40,103
Deferred tax assets	-	22,938
Total non-current assets	618,249	328,936
Total assets	1,217,935	586,919
LIABILITIES		
Current liabilities		
Trade and other payables	331,146	157,183
Financial debt	81,799	45,434
Lease debt	14,757	-
Current tax liabilities	-	(156)
Provisions	77,942	31,226
Total current liabilities	505,644	233,687
Non-current liabilities		
Financial debt	162,996	55,025
Lease debt	50,301	-
Provisions	17,804	7,162
Deferred tax liabilities	9,301	-
Total non-current liabilities	240,402	62,187
Total liabilities	746,046	295,874
Net assets	471,889	291,045
EQUITY		
Issued capital	332,863	206,126
Reserves	8,453	6,824
Retained earnings / (Accumulated losses)	130,573	78,095
Total equity	471,889	291,045

For personal use only

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 balances in the following jointly controlled operations:

Name of Operation	Principal Activity	Country of Operation	Group Interest	
			2020	2019
BGC Contracting Pty Ltd & Laing O'Rourke Australia Construction Pty Ltd	NorthLink WA roads	Australia	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	
	2020	2019
	\$'000	\$'000
STATEMENT OF FINANCIAL PERFORMANCE		
Revenue	1,046	-
Expenses	(2,869)	-
STATEMENT OF FINANCIAL POSITION		
Cash	777	-
Other Current assets	7,950	-
Current liabilities	(969)	-

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.2 UNINCORPORATED JOINT OPERATIONS CONTINUED

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.

Key management personnel transactions

During the financial year (since 9 December 2019), rental of commercial properties to the value of \$256,141 (2019: \$nil) were provided to the NRW Group on normal commercial terms and conditions from Belle Creed Pty Ltd and Payne Property Unit Trust, both related parties of Mr G Payne (Executive General Manager of DIAB Engineering Pty Ltd).

There are no other transactions and balances with key management personnel and their related parties.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.4 PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2020 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	
	2020	2019
	\$'000	\$'000
ASSETS		
Current assets	210,912	169,609
Non-current assets	200,156	81,481
Total assets	411,068	251,090
LIABILITIES		
Current liabilities	22,002	17,731
Non-current liabilities	37,463	9,250
Total liabilities	59,465	26,981
EQUITY		
Contributed equity	332,863	206,149
Retained earnings	10,132	11,205
Share based payment reserve	8,608	6,755
Total equity	351,603	224,109

Financial Performance

	Parent	
	2020	2019
	\$'000	\$'000
Profit for the year	17,216	7,508
Total comprehensive income	17,216	7,508

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

	Parent	
	2020	2019
	\$'000	\$'000
Asset finance	199,573	54,726
Total	199,573	54,726

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.5 BUSINESS COMBINATIONS CONTINUED

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.

2020 Acquisitions

BGC Contracting Pty Ltd Acquisition

On 9 December 2019, the Company completed the acquisition of BGC Contracting Pty Ltd. BGC Contracting was subsequently renamed to NRW Contracting ("NRWC"). Total consideration for NRWC was \$140.4 million for 100% of the shares.

NRWC provides services to the resources, energy and infrastructure sectors across three core businesses:

- Mining – open cut contract mining business, contract crushing and processing;
- Construction – civil construction business with capability across the public infrastructure, energy and resources sectors; and
- DIAB Engineering – key capabilities include maintenance (shutdown services and onsite maintenance), construction and fabrication in the resources sector across Australia.

Costs of a one-off nature relating to the acquisition amounting to \$14.9 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 2020.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.5 BUSINESS COMBINATIONS CONTINUED

Acquisition cost of funding

	\$'000
Consideration paid in cash to vendor (from equity raising)	116,388
Consideration paid from new banking facility (to repay exiting asset financier)	24,003
Total cash consideration	140,391
Less cash and cash equivalents acquired	(28,632)
Net cash outflow on acquisition (refer to consolidated statement of cash flows)	111,759
Add asset finance debt assumed	158,301
Net purchase consideration (Excl. AASB16)	270,060
Recognition of lease debt	5,502
Net purchase consideration	275,562

Fair value of assets acquired and liabilities assumed at the date of the acquisition

	\$'000
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	28,632
Trade and other receivables	130,286
Inventories	19,021
Lease receivable	2,415
Other current assets	2,498
Total current assets	182,852
NON-CURRENT ASSETS	
Property, plant and equipment	214,545
Lease assets (right of use)	5,502
Lease receivable	4,059
Intangibles	23,499
Total non-current assets	247,605
Total assets	430,457
LIABILITIES	
CURRENT LIABILITIES	
Trade and other payables	107,606
Financial debt	62,528
Lease debt	1,444
Provisions	49,773
Total current liabilities	221,351
NON-CURRENT LIABILITIES	
Financial debt	95,773
Lease debt	4,058
Provisions	2,719
Deferred tax liabilities	7,975
Total non-current liabilities	110,525
Total liabilities	331,876
NET ASSETS ACQUIRED	98,581

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.5 BUSINESS COMBINATIONS CONTINUED

Goodwill arising on acquisition

	2020
	\$'000
Consideration paid in cash to vendor (from equity raising)	116,388
Consideration paid from new banking facility (to repay existing asset financier)	24,003
Total cash consideration	140,391
Less fair value of identifiable net assets acquired	98,581
Goodwill	41,810

NRWC 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 NRWC. These benefits are not recognised separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

An independent assessment has determined the carrying value of the intangibles relating to “customer contracts and relationships” and the DIAB Engineering brand as part of the acquisition. Customer contracts and relationships 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.

Impact of Acquisition on the Results of the Group

The activities of NRWC were progressively integrated into the operations of NRWs group structure over the seven months following completion of the acquisition. Integration impacted where projects were managed and how costs were allocated between NRWC and NRW. Consequently, the estimates of revenue and earnings which follow represent our best assessment of contributions from NRWC in the seven months. It is estimated that NRWC generated a profit before tax of circa \$24 million (excluding the effects of onerous contracts) for the seven months from 9 December 2019 to the reporting Date. Revenue for the seven months to 30 June 2020 was circa \$500 million.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.5 BUSINESS COMBINATIONS CONTINUED

2019 Acquisitions

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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.6 AUDITORS REMUNERATION

	Consolidated	
	2020	2019
	\$	\$
AUDIT SERVICES		
Auditors of the Company		
Deloitte Touche Tohmatsu	581,000	374,000
OTHER SERVICES		
Coal levy audits	18,500	18,000
Accounting services related to BGC Contracting acquisition	30,000	-
Total	629,500	392,000

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 four cents per share, payable on 14 October 2020.

For personal use only

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 28 July 2020. NRW's contributed equity comprises 426,685,384 fully paid ordinary shares.

Distribution of Shareholdings

Range	Fully paid ordinary	%	No of Holders	%
100,001 and Over	369,899,245	86.69%	193	2.67%
10,001 to 100,000	41,035,691	9.62%	1,483	20.52%
5,001 to 10,000	8,409,776	1.97%	1,109	15.35%
1,001 to 5,000	6,331,352	1.48%	2,322	32.13%
1 to 1,000	1,009,320	0.24%	2,119	29.33%
Total	426,685,384	100.00%	7,226	100.00%
Unmarketable parcels	47,136	0.01%	532	7.36%

NRW's 20 Largest Shareholders

Rank	Name	Shares	% Interest
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	117,751,327	27.60%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	69,750,544	16.35%
3	CITICORP NOMINEES PTY LIMITED	48,192,687	11.29%
4	BNP PARIBAS NOMINEES PTY LTD	17,901,267	4.20%
5	NATIONAL NOMINEES LIMITED	17,894,059	4.19%
6	MR DAVID RONALDSON	7,690,855	1.80%
7	ZERO NOMINEES PTY LTD	7,500,000	1.76%
8	JULIAN ALEXANDER PEMBERTON	5,836,202	1.37%
9	BNP PARIBAS NOMS PTY LTD	5,212,857	1.22%
10	MR ANDREW JOHN WALSH	3,310,103	0.78%
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,200,712	0.75%
12	MR JULIAN ALEXANDER PEMBERTON	3,000,000	0.70%
13	JEFFRESS NOMINEES PTY LTD	2,193,920	0.51%
14	MR PETER HOWELLS	2,053,355	0.48%
15	BOND STREET CUSTODIANS LIMITED	2,000,000	0.47%
16	GABRIELLA NOMINEES PTY LTD	1,680,702	0.39%
17	MR STEVEN SCHALIT & MS CANDICE SCHALIT	1,540,500	0.36%
18	SCHALIT SUPER PTY LTD	1,462,068	0.34%
19	CITICORP NOMINEES PTY LIMITED	1,329,053	0.31%
20	MR STEVEN SCHALIT	1,324,927	0.31%

Substantial holders of 5% or more of fully paid ordinary shares

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 %
VANGUARD GROUP	22,704,233	5.32
BLACKROCK GROUP	21,488,733	5.04

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.

Deloitte Touche Tohmatsu
ABN 74 490 121 080

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 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 2020 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.

For personal use only

INDEPENDENT AUDITOR'S REPORT CONTINUED



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Revenue recognition</p> <p>As disclosed in Note 2.2, the Group's Civil revenues are recognised over time as performance obligations are fulfilled over time.</p> <p>Revenue is recognised by management after assessing all factors relevant to each contract, including:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>NRW have submitted Change Order Requests ("CORs") on some projects. NRW remain in negotiations in relation to the validity and valuation of some of the CORs.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Evaluating management's processes and controls in respect of the recognition of construction contract revenue. As part of this process we tested key controls including: <ul style="list-style-type: none"> ○ The review process conducted at the tendering phase; and ○ The preparation, review and authorisation of monthly valuation reports for 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. <p>We also assessed the appropriateness of the disclosures in Note 2.2 to the financial statements.</p>
<p>Acquisition of BGC Contracting (subsequently renamed NRW Contracting ('NRWC'))</p> <p>As disclosed in Note 7.5 the Group completed the acquisition of NRWC on 9 December 2019 for net purchase consideration of \$140.4 million.</p> <p>Management has completed the process to allocate the purchase price to identifiable assets, liabilities and separately identifiable intangible assets as relevant.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Reading the relevant agreements to understand the key terms and conditions, and confirming our understanding of the transaction; • Evaluating management's process for the identification of the assets and liabilities acquired;

For personal use only

INDEPENDENT AUDITOR'S REPORT CONTINUED

Deloitte.

<p>This process involved estimation and judgement in determining the equipment values, inventory, provisions, customer relationships, brand value and discount rate applied to future cash flow forecasts.</p>	<ul style="list-style-type: none">✓ Evaluating management's process for the determination of the fair value of the identifiable 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 and brand value recognised in respect of the acquisition, including the appropriateness of the resulting goodwill. <p>We also assessed the appropriateness of the disclosures in Note 7.5 to the financial statements.</p>
--	--

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we will 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.

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.

For personal use only

INDEPENDENT AUDITOR'S REPORT CONTINUED

Deloitte.

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's 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, actions taken to eliminate threats or safeguards applied.

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 on pages 14 to 27 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of NRW Holdings Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Deloitte.

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



D K Andrews
Partner
Chartered Accountants
Perth, 18 August 2020

For personal use only

APPENDIX 4E

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the Year Ended 30 June 2020

	% Change up / (down)	Year ended 30 June 2020	Year ended 30 June 2019
		\$'000	\$'000
Revenues from ordinary activities	85.9	2,004,362	1,078,124
Profit from ordinary activities after tax attributable to members	128.5	73,749	32,270
Total Comprehensive Income	128.5	73,749	32,270
INTERIM DIVIDEND			
Date dividend is payable		9 June 2020	8 May 2019
Record date to determine entitlements to dividend		30 March 2020	24 April 2019
Interim dividend payable per security (cents)		2.5	2.0
Franked amount of dividend per security (cents)		2.5	2.0
FINAL DIVIDEND			
Date dividend is payable		14 October 2020	16 December 2019
Record date to determine entitlements to dividend		29 September 2020	2 December 2019
Final dividend payable per security (cents)		4.0	2.0
Franked amount of dividend per security (cents)		4.0	2.0
RATIOS AND OTHER MEASURES			
Net tangible asset backing per ordinary security		\$0.84	\$0.61

Commentary on the Results for the Year

A commentary for the results for the year is contained in the statutory financial report dated 18 August 2020.

Status of Accounts

This statutory financial report is based on audited accounts.

NRW Holdings Limited - ACN 118 300 217

APPENDIX

A

For comparative purposes, the adjustments due to the application of the new standard are analysed by financial statement line items below.

Profit or Loss and other Comprehensive Income

	As reported 30 June 2020		As reported 30 June 2019	
	Incl. AASB16 \$'000	AASB16 \$'000	Excl. AASB16 \$'000	\$'000
Revenue	2,004,362		2,004,362	1,078,124
Other income	311		311	5,120
Finance income	506		506	739
Finance costs	(13,310)	(3,421)	(9,889)	(7,236)
Share of profit / loss in associates	(42)		(42)	(2,084)
Materials and consumables used	(390,599)		(390,599)	(237,099)
Employee benefits expense	(570,183)		(570,183)	(295,353)
Subcontractor costs	(441,928)		(441,928)	(246,304)
Depreciation and amortisation expenses	(122,081)	(12,383)	(109,698)	(62,053)
Plant and equipment costs	(343,961)	5,937	(349,898)	(145,651)
Impairment of financial assets (Gascoyne Resources)	-	-	-	(33,522)
Other expenses	(22,856)	8,036	(30,892)	(8,944)
Profit before income tax	100,218	(1,831)	102,049	45,737
Income tax (expense) / benefit	(26,469)	550	(27,019)	(13,467)
Total comprehensive income	73,749	(1,281)	75,030	32,270
EBITDA reconciliation				
Profit before income tax (pre AASB16)			102,049	45,737
Add back: interest			9,383	6,497
Add back: depreciation			109,698	62,053
Add back: Gascoyne impairment / RCRMT			-	28,402
EBITDA (pre AASB16)			221,130	142,689
Transaction costs			14,921	1,249
EBITDA(1) (pre AASB16)			236,051	143,938
EBITDA(1) (post AASB16)			250,024	143,938
AASB16 EBITDA impact			13,973	-

(1) EBITDA is earnings before interest, tax, depreciation, amortisation of acquisition intangibles and transaction costs.

APPENDIX A CONTINUED

Statement of Financial Position

Only those balances impacted by adoption of AASB 16 are presented below.

	As reported 30 June 2020		As reported 30 June 2019	
	Incl. AASB16 \$'000	AASB16 \$'000	Excl. AASB16 \$'000	\$'000
Lease assets (RoU)	58,275	58,275	-	-
Deferred tax assets	(9,743)	1,848	(11,591)	22,057
Total assets Impact		60,123		
Lease debt - current	(14,757)	(14,757)	-	-
Provisions - non current	(78,442)	828	(79,270)	(31,664)
Lease debt - non current	(50,301)	(50,301)	-	-
Total liabilities Impact		(64,230)		
Net asset Impact		(4,107)		
Current period profit	(73,749)	1,281	(75,033)	32,270
Retained earnings	(57,324)	2,826	(60,150)	46,228
Total equity Impact		4,107		

For personal use only

For personal use only

NRW HOLDINGS
181 Great Eastern Hwy,
Belmont, WA 6104
+61 8 9232 4200

nrw.com.au