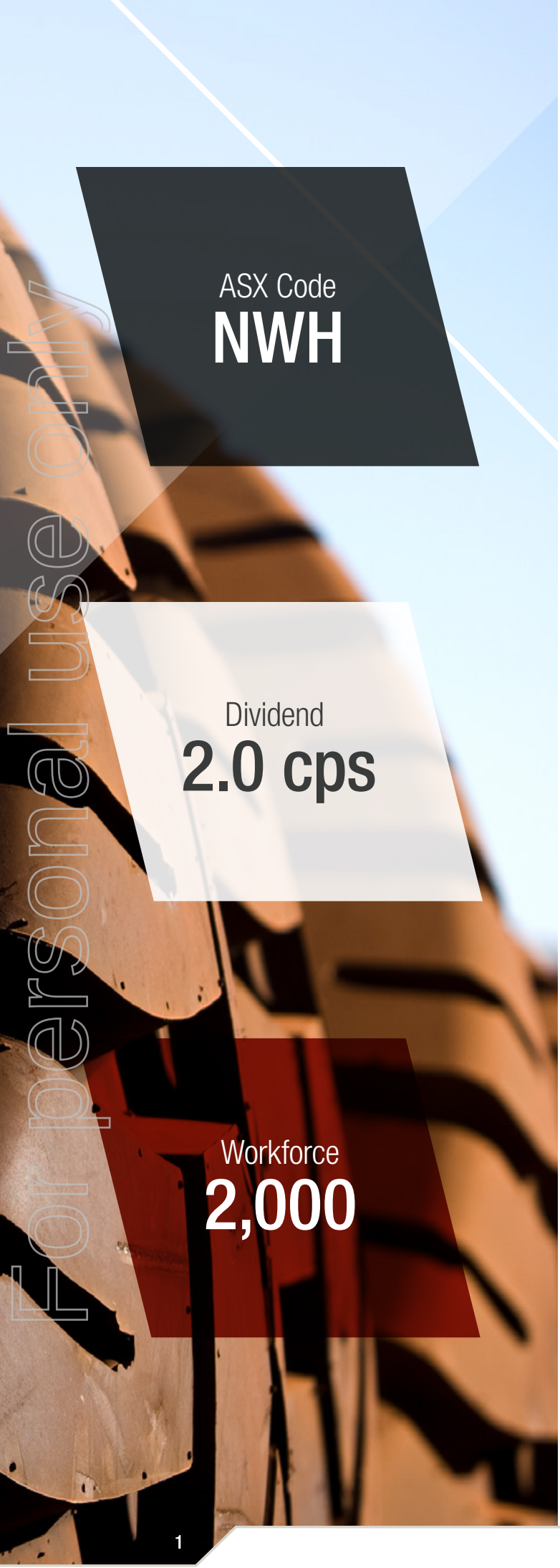
NRW Holdings

2018

ANNUAL REPORT



CORPORATE REGISTRY

DIRECTORS

Michael Arnett
Chairman and Non-Executive Director

Jeff Dowling
Non-Executive Director

Julian Pemberton
Chief Executive Officer and
Managing Director

Peter Johnston
Non-Executive Director

COMPANY SECRETARY

Kim Hyman

REGISTERED OFFICE

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AUDITOR

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Perth WA 6000

SHARE REGISTRY

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ASX CODE

NWH – NRW Holdings Limited
Fully Paid Ordinary Shares

nrw.com.au

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"I would like to thank our **employees** and **leadership team** for the **quality of work** produced and the **high standards** that were achieved this year, together with welcoming **Golding** into the **NRW Group**"

CHAIRMAN'S MESSAGE

It is with great pleasure we present NRW Holdings annual financial results. Building on our focus to capitalise on improving activity levels in the resources and infrastructure sectors, NRW was successful in achieving an outstanding result during the year ending 30 June 2018.

NRW delivered $754.3 million in revenue, which is double that of the previous year, and grew the order book to a record $2.2 billion at July 2018. Net profit after tax increased by 48% from the previous year to $42.2 million.

The acquisition of Golding was successfully completed in September 2017. Since then Golding has secured a number of key new contracts and contract extensions on the east coast of Australia including the $420 million Baralaba North Coal contract with Wonbindi Coal. In Western Australia, NRW was awarded the $324 million Dalgaranga Mining contract for Gascoyne Resources and the $176 million South Flank Civil contract for BHP Iron Ore. Golding's achievements together with the contract awards in Western Australia underpin a platform for significant growth for the years ahead.

Our team's safety has always been and will always remain our number one priority. The Company reported a small change in our Total Recordable Injury Frequency Rate, from 6.22 in June 2017 to 6.54 in June 2018 during a period where man hours grew by 140%. We will continue with our unwavering commitment to improving safety across all divisions in the coming year.

I would like to thank our employees and leadership team for the quality of work produced and the high standards that were achieved this year, together with welcoming Golding into the NRW Group. The commitment to improving outcomes across the Company has been critical to delivering these outstanding results. Thank you to my fellow directors for their wise counsel.

I would also like to thank our shareholders for their ongoing support this year and for the continued confidence placed in NRW. The Board has agreed to reinstate the payment of dividends by approving the payment of a fully franked final dividend for FY18. The Directors have determined the dividend based on the Company's liquidity profile over the next financial year and expect to be in a position to announce further dividends for the new financial year.

NRW is well placed for further growth in the next financial year due to our record order book and a strong tender pipeline of circa $6 billion. We remain confident in increased activity levels in the resources and infrastructure sectors for the next five years.

I look forward to reporting on our team's further success in the 2019 financial year.

Michael Arnett
Chairman, NRW Holdings

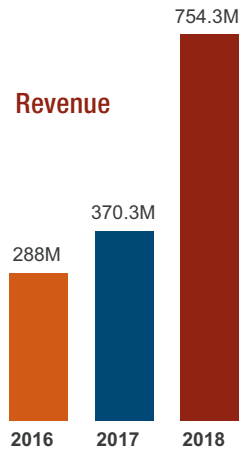
CEO REVIEW OF OPERATIONS

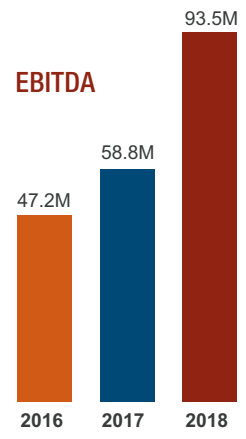
It is with great pleasure that I present the results of our Company for the financial year ending 30 June 2018. I've listed the highlights below which includes the acquisition of Golding which I'll go into more detail about in this commentary.

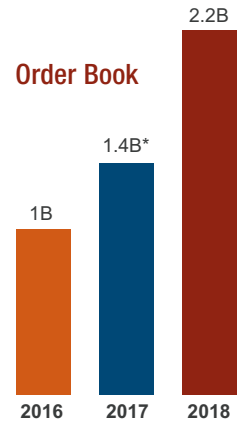
Highlights

- Revenue(1) : $754.3 million double the same period last year
- EBITDA(2) : $93.5 million compared to $58.9 million in the prior comparative period
- Net Profit after Tax: $42.2 million up 48% on last year
- Order book(3): $2.2 billion as at July 2018
  - New work secured across the group circa $1.7 billion;
- Golding acquisition completed September 2017
  - Net Acquisition cost $74.3 million;
- Net Debt at June 2018 $34.4 million
- Strong commitment to debt repayments - $31.3 million repaid in FY18
- Gearing ratio low at 12.6%
- Cash holdings of $58.8 million
- Final dividend declared of 2 cents fully franked

Notes
(1) Statutory Revenue of $685.4 million plus revenue from associates $68.9 million.
(2) EBITDA is earnings before interest, tax, depreciation, amortisation and transaction costs.
(3) Order Book and Order Intake include South Flank.







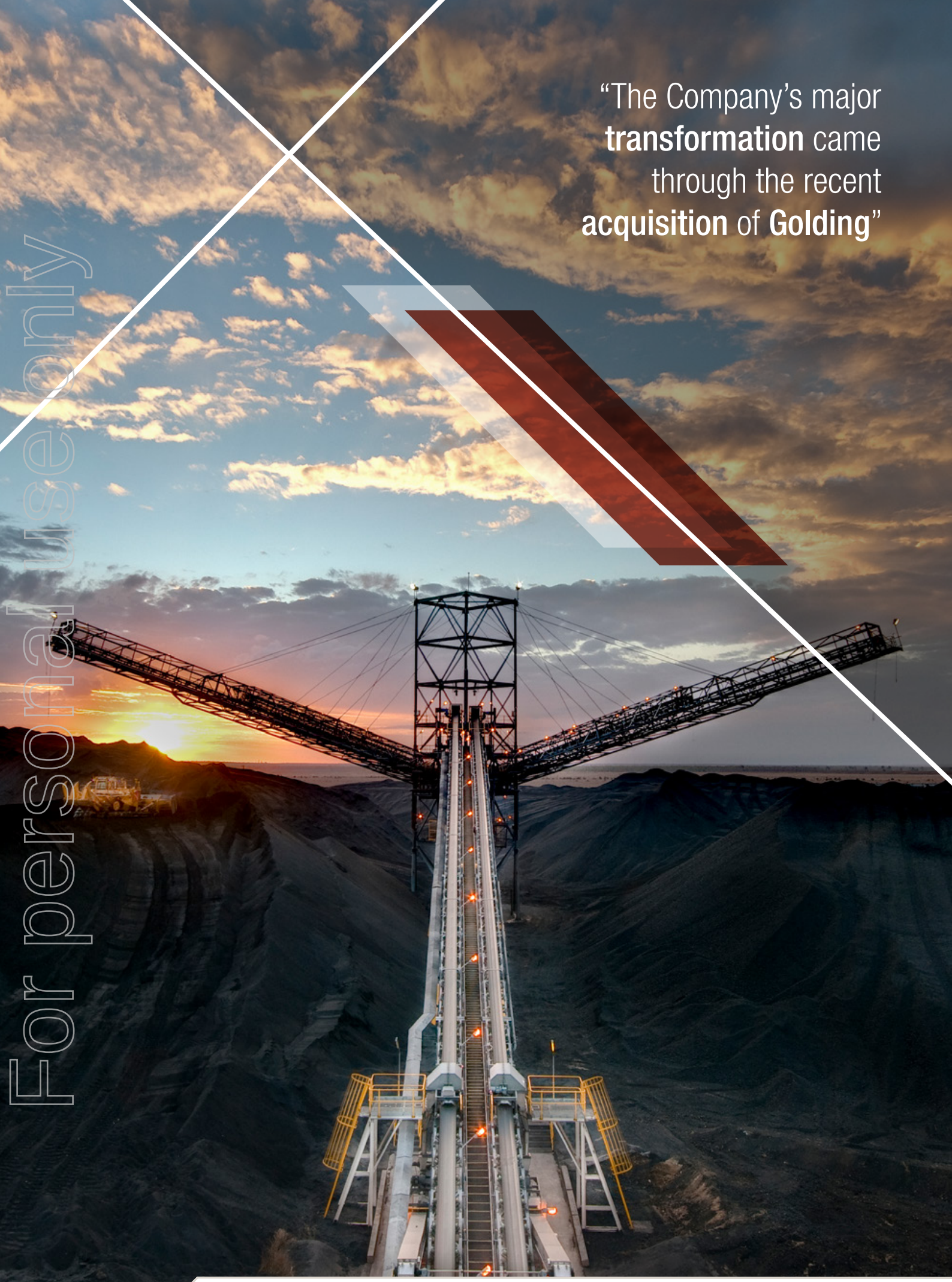
*Includes Golding

Revenue
$754.3M

EBITDA
$93.5M

Record Order Book of
$2.2B

Golding Acquisition
Succesfully completed
Sept 2017



"The Company's major **transformation** came through the recent **acquisition** of **Golding**"

CEO REVIEW OF OPERATIONS CONTINUED

The 2018 financial year has been a year full of outstanding achievements both strategic and contract successes. With our organic growth through the year continuing to build and primarily thanks to the highly successful acquisition of Golding the business has delivered a step change in capability, scale and diversity giving us a strong, national footprint across the infrastructure and resources sectors.

Golding

As mentioned the Golding was a business we knew well, in fact we were the under bidder to Champ 11 years ago when it was first being sold by its 89 year old founder Cyril Golding. Golding has 75 years of proud history of delivery and it was an ideal fit for NRW in terms of culture, delivery model and capability.

The highly successful transaction completed last August, doubled the size of our business and has brought considerable strategic benefit to the group. Golding operates three divisions, Civil, Mining and Urban and delivering projects throughout Queensland and Northern New South Wales.

Golding's Civil business whilst originally focused on resources clients managed through the downturn to develop a highly capable public infrastructure projects business delivering for clients across Queensland Roads, Queensland Rail and various other government departments. Further to this over the last 15 months the business has also been delivering successfully on the Pacific Highway RMS project in New South Wales.

The Golding Civil infrastructure business is a strong platform for us to grow our exposure across the eastern states of Australia over the coming years due to the growing pipeline of projects. Some of the larger opportunities currently being considered or tendered will likely be delivered through joint ventures already formed or currently being developed.

The Golding Mining business operates five projects and has experienced considerable recent successes with around $730 million of new projects or extensions awarded over the last four months of the financial year.

We secured a $430 million contract at Baralaba followed by a three year extension at Curragh and most recently we secured an extension with Stanmore Coal. The Golding mining business is relatively capital light and despite securing a large value in new projects the only major item of new equipment required by the business was a 600 tonne Liebherr excavator to support the Curragh extension.

The projects' individual operating models do vary but the business has generally operated with a mix of owned equipment, client equipment which we then operate and maintain, or hired equipment thus keeping our capital requirement low.

NRW's combined Mining business now operates eight projects with a revenue run rate of around $560 million per annum across Gold, Lithium and Coal.

The third Golding business unit is Urban. Over the past few years the Urban division has largely been active delivering projects across south east Queensland for Tier 1 developers. The goal over the next few years is to broaden our delivery and further grow into other areas such as Ipswich, Logan and the Moreton Bay. The SE Queensland property market has been very strong and second only in activity levels to Victoria.

Business Unit Performance

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

Read about the business units on the following page.

CEO REVIEW OF OPERATIONS CONTINUED

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.

The Civil business reported growth in revenue to $311.3 million compared to $103.9 million last year as a consequence of both an increase in project activity and the acquisition of Golding. Earnings also improved to $17.8 million.

Activity in the Civil business in the year included mine sustaining work for Rio Tinto at Yandicoogina, a tailings dam lift for FMG at Solomon, continuation of the construction of the Forrestfield Airport Link (FAL) for the PTA in joint venture with Salini Impregilo, in excess of 50 sub division stages for a range of clients over 13 different project sites in South East Queensland, a dam upgrade for the Gladstone Area Water Board, upgrades to the Pacific Highway for RMS and the design and construction of eight rail bridges for the Coomera to Helensville rail duplication.

The business secured new work for Rio Tinto at Marandoo, agreed an early contract involvement for OZ Minerals at the Carrapateena project and announced on 18 July 2018 a major contract for BHP at the South Flank precinct. In May, Rio Tinto awarded the business an Early Contract Involvement (ECI) contract for the provision of project development services. The award positions the business through the provision of construction services to the client for their sustaining capital program of works.

As noted above results for the Civil business include activity on the FAL contract where NRW is a 20% shareholder in the Salini Impregilo NRW Joint Venture delivering the project. Revenues on the project included in the segment revenue above but excluded from Statutory revenue were $68.9 million. Earnings recognised in the year which are shown in share of profits from associates total $1.8 million and reflect progress made to date on the project.

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.

The Mining business like the Civil business reported growth in revenue to $347.3 million and earnings of $38.4 million again due to the Golding acquisition and as a result of new work secured for clients across a broad range of commodities.

The business had a number of successes in the year which included contract extensions for Stanmore Coal at Isaac Plains, a three year extension for Coronado Curragh Pty at Curragh, and the award of new contracts at Baralaba North for Wonbindi Coal, and for Gascoyne Resources at their flagship Dalgaranga gold project.

The Baralaba contract is of particular note as the business provides mining services utilising only client supplied or hired plant and equipment. Activity in the year included contract mining at Kogan Creek, Curragh, Isaac Plains, Baralaba, Broadlea, Pilgangoora and Dalgaranga and mining support at Middlemount.

Drill and Blast

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

Revenues increased to $117.0 million compared to $88.1 million in the prior comparative period mostly due to the acquisition of the east coast business of Hughes Drilling in December 2016.

Earnings before interest, tax, depreciation and amortisation (EBITDA) however reduced to $8.3 million compared to $10.0 million in the same period last year mostly due to drill availability.

It became clear during the first half of the financial year that work to improve reliability on drills acquired from Hughes, identified through the due diligence process, had been underestimated. Over the last six months the business has developed a more structured drill reliability programme to progressively fix availability. Drills which have been through this process and delivered back to operations have demonstrated significant improvements in reliability and availability. Both operation costs and capital expenditure have increased as a result of the reliability programme, further impacting earnings.

The Drill & Blast business secured a number of new contracts and contract extensions in the year including work for the Mining business at Dalgaranga, Isaac Plains and Broadlea, and drilling services contracts at Boggabri, Muswellbrook, Byerwen and Collinsville.

The Drill & Blast business is currently the largest production drilling services contractor on the east coast with ten coal projects in Queensland and three projects in New South Wales. We operate 64 drills around the country on 17 projects.

People & Safety / Occupational Health & Safety

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

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

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

We stringently manage risk through a planned and careful approach focused around hazard identification, minimisation, monitoring and control procedures, and by reviewing safety performance.

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

NRW's current workforce levels have increased through the year as a result of the addition of the Golding business and increased activity on new projects. Headcount at June 2018 totalled circa 2000 (June 2017 – 1,000).

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

Safety is paramount across all NRW projects. NRW's Total Recordable Injury Frequency Rate (TRIFR) in the year was 6.39 compared to 6.22 at June 2017.

CEO REVIEW OF OPERATIONS CONTINUED

Outlook

The past twelve months have seen a significant improvement in the overall results of the Company as measured by a range of data including revenue, earnings, cash generation, order book and return on investment. These improvements reflect our increased diversity and an improving confidence in both the Resources and Infrastructure sectors. In the near term we have opportunities to support the new capital investment programmes currently being committed by major Iron Ore clients in Australia whilst also positioning the Company to address infrastructure projects in our home states of Western Australia and Queensland and also further into the Eastern States.

Last year four areas of focus were identified in our outlook commentary. These included supporting the iron ore sector as plans for sustaining current production volumes are developed; growing our presence in Queensland; project delivery and reviewing opportunities to expand our service offering. I am pleased to report that we have made good progress on all four key objectives, (more detail on specific progress actions is provided in the directors' report).

The business has secured a number of new contracts and contract extensions as detailed in the business segment commentary. In addition, the Civil business secured a major earthworks package on the first iron ore sustaining tonnes project for BHP at South Flank. Following this award, the order book totals circa $2.2 billion of which around $1.025 billion is scheduled for delivery in the financial year ending 30 June 2019.

This is the best position the business has been in for a number of years.

The tender pipeline at around $6 billion remains strong. We remain confident of improving activity levels in resources and infrastructure for the next five years.

We have ended the financial year more diversified by client, commodity and service capability than at any time in our history.

In closing, I would like to take this opportunity to thank my senior management team and all of our employees across the businesses for their incredible dedication and hard work this year. I would also like to thank my fellow directors and also our shareholders and stakeholders for your continuing strong support of the business.

Jules Pemberton
CEO and Managing Direction, NRW Holdings

PILBARA CAPABILITY MILESTONES

55
Major Bulk Earthworks Packages (120 million m^3)

5 million m^3
Tailings Dams

900km
Rail Formation

5 Airstrips

100km
Conveyor Line

180,000m^3
Concrete

4 Major Port Developments

500km
Permanent Roads

Net Profit after Tax
$42.2M

Net Assets
$272.6M

Gearing Ratio
12.6%

Cash Holdings of
$58.8M

CFO FINANCIAL REPORT

Financial Performance

NRW reported revenues including revenue generated by associates of $754.3 million, (statutory revenue of $685.4 million). Revenues were close to double that of the prior year mostly due to the acquisition of Golding and increased activity in both the Perth based Civil business and in Drill and Blast.

Net earnings increased to $42.2 million compared to $28.5 million reported in the previous year. The increase in earnings was mostly due to higher business activity. Earnings included an amortisation charge relating to the Golding acquisition of $9.6 million which mostly relates to customer contracts acquired through the Golding transaction. Costs incurred on business acquisitions (Golding in FY18 and Hughes in FY17) and debt refinancing are shown separately in the table below as are transaction costs. The Company reported a tax credit as a result of prior year tax assets not previously included in the balance sheet.

The table below summarises performance for the current financial year with comparisons to the prior comparative period:

	FY18		FY17	
	Revenue	**Earnings**	**Revenue**	**Earnings**
	$M	$M	$M	$M
Total Revenue including Associates	754.3		370.3	
EBITDA [1]		93.5		58.9
Depreciation and Amortisation [2]		(38.6)		(27.3)
Total Revenue /Total EBIT [3]	754.3	54.9	370.3	31.6
Revenue from Associates	(68.9)		(25.7)	
Amortisation [4]		(9.6)		-
Transaction costs [5]		(2.8)		(2.6)
Sub Total		42.5		28.9
Interest		(6.4)		(5.4)
Tax credit		6.1		5.0
Total [6]	685.4	42.2	344.6	28.5
Net earnings before amortisation, transaction costs and at normalised tax rate [7]		34.0		18.3

(1) EBITDA is earnings before interest, tax, depreciation, amortisation and transaction costs. EBITDA includes share of profits from associates of $1.4 million (FY17 $0.6 million loss)
(2) Excludes Golding amortisation of acquisition intangibles.
(3) Revenue including associates. Earnings before interest, tax, amortisation and transaction costs.
(4) Amortisation of Golding acquisition intangibles.
(5) Transaction costs include legal costs associated with the acquisition of Golding (FY18) and costs associated with the Corporate note issue, early termination costs of bank debt and costs related to the acquisition of the Hughes business, (FY17).
(6) Total is Statutory Revenue and Total Comprehensive Income.
(7) The tax rate assumed is 30% applied to EBIT less interest costs.

CFO FINANCIAL REPORT CONTINUED

The Company ended the financial year with cash balances of $58.8 million compared to $42.3 million at the start of the year. Debt increased to $93.2 million mostly to finance the Golding acquisition. Gearing at 13% was only marginally higher than the prior comparative period (10%) as debt reduction has been a critical focus of the business. The Company has strong relationships with its banking partner and is in compliance with all financing covenants.

Balance Sheet, Operating Cash Flow & Capital Expenditure

A summary of the balance sheet at the end of the current financial year and the previous financial year is provided below with the opening balance sheet entries for Golding.

	30 June 18	30 June 17	Golding [1]
	$M	$M	$M
Cash	58.8	42.3	13.1
Debt	(93.2)	(63.1)	(2.4)
Net Debt	(34.4)	(20.8)	10.7
PPE	209.5	174.1	28.2
Working Capital	(5.5)	4.9	(18.3)
Investments in Associates	4.8	3.4	-
Tax Assets	38.3	35.8	(4.9)
Tangible Assets	212.7	197.3	15.8
Intangibles and Goodwill	59.9	1.8	69.2
Net Assets	272.6	199.0	85.0
Gearing [2]	12.6%	10.5%	

(1) Golding acquisition - opening balance sheet
(2) Gearing is Net Debt / Total Equity

Net assets increased to $272.6 million, ($199.0 million FY17) representing net assets of 73 cents per share. The acquisition of Golding in the first quarter of the financial year contributed to a number of changes to the balance sheet. The acquisition was completed at a price of $85.0 million funded through a combination of debt ($48.0 million) and a capital raising of $25.0 million (pre costs) through a placement to qualified institutional and sophisticated investors and a $5.0 million (pre costs) share purchase plan. Acquisition finance of $48.0 million was provided by NRW's banking partner. Internal cash resources were used to meet the balance of funds required.

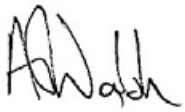
Cash holdings improved in the year due to strong earnings growth and continued attention to minimising working capital growth. Debt increased due to the Golding acquisition and equipment financing (circa $8 million) offset by debt repayments on the four year corporate notes and the three year Golding transaction finance. At the end of the year gearing increased to 12.6% compared to 10.5% at June 2017.

Capital expenditure totalled $46.0 million compared to $15.9 million in the previous financial year. Expenditure included incremental component replacements, spend on upgrading drills in the Drill and Blast business and on equipment to support the Dalgaranga contract announced at the time of award at $8 million. The Dalgaranga equipment included a number of light weight truck bodies which were acquired to improve cost efficiency in our bid submission. Component replacement costs increased due to the inclusion of Golding and equipment maintenance cycles.

The Group was in full compliance with its debt covenants as at 30 June 2018.

The results include a $6.1 million tax credit (FY17 $5.0 million tax credit) due to the recognition of additional tax benefits not currently included in the balance sheet.

Looking ahead, NRW will continue to maintain a strong financial position with a focus on improving earnings as activity levels in the resources and infrastructure sectors increase.



Andrew Walsh
CFO, NRW Holdings

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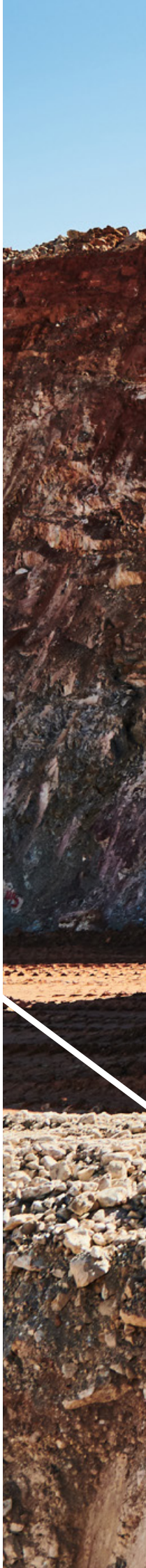

DIRECTORS' REPORT

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 2018.

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 Non-Executive Director

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

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

JEFF DOWLING

Non-Executive Director

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

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

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

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

- Chairman, Sirius Resources NL (Resigned 23 September 2015)
- Chairman, Pura Vida Energy NL (Resigned 16 May 2016)
- Non-Executive Director, Atlas Iron Limited (Resigned 4 May 2016)
- Chairman, S2 Resources Limited (Current)
- Non-Executive Director, Fleetwood (Appointed 1 July 2017)
- Chairman, Battery Minerals (Appointed 25 January 2018)

PETER JOHNSTON

Non-Executive Director

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

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

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

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

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

DIRECTORS' REPORT CONTINUED

JULIAN PEMBERTON

Chief Executive Officer and Managing Director

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

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

KIM HYMAN

Company Secretary

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

DIRECTORS' MEETINGS

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

Director	Directors' Meetings Held	Directors' Meetings Attended
Michael Arnett	11	11
Jeff Dowling	11	11
Peter Johnston	11	10
Julian Pemberton	11	11

NOMINATION & REMUNERATION COMMITTEE

The members of the Nomination & Remuneration Committee ("N&RC") are Michael Arnett (Chairman), Jeff Dowling and Peter Johnston. During the 2018 financial year two meetings of the Committee were held. Certain responsibilities of the Committee were also considered at board meetings as required.

AUDIT & RISK COMMITTEE

The members of the Audit & Risk Committee are Jeff Dowling (Chairman), Michael Arnett and Peter Johnston. During the 2018 financial year three meetings of the Audit & Risk Committee were held and all members attended all meetings. In addition, some audit and risk matters were considered in the course of regular board meetings.

OPERATING AND FINANCIAL REVIEW

ABOUT NRW (PRINCIPAL ACTIVITIES)

NRW Holdings Limited provides diversified services to the resources, energy, civil infrastructure and urban development sectors.

Further detail on the operation of each of these business divisions and the Group is provided below.

SIGNIFICANT CHANGES IN BUSINESS ACTIVITIES

The Company acquired Golding Group Pty Ltd ("Golding") on 31 August 2017, the results of which have been incorporated into this report from 1 September 2017.

DIRECTORS' REPORT CONTINUED

GROUP RESULTS

FINANCIAL PERFORMANCE

NRW reported revenues including revenue generated by associates of $754.3 million, (statutory revenue of $685.4 million). Revenues were close to double that of the prior year mostly due to the acquisition of Golding and increased activity in both the Perth based Civil business and in Drill and Blast.

Net earnings increased to $42.2 million compared to $28.5 million reported in the previous year. The increase in earnings was due to higher revenues partly offset by amortisation charges relating to the Golding acquisition of $9.6 million. The valuation of intangibles mostly relates to customer contracts acquired through the Golding transaction. Costs incurred on business acquisitions (Golding in FY18 and Hughes in FY17) and debt refinancing are shown separately in the table below as transaction costs. The Company reported a tax credit as a result of prior year tax assets not previously included in the balance sheet.

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Transaction Costs [5]		(2.8)		(2.6)
Sub Total		42.5		28.9
Interest		(6.4)		(5.4)
Tax		6.1		5.0
Total [6]	685.4	42.2	344.6	28.5
Net Earnings before Amortisation, Transaction Costs and at Normalised Tax Rate [7]		34.0		18.3

(1) EBITDA is earnings before interest, tax, depreciation, amortisation and transaction costs. EBITDA includes share of profits from associates of $1.4 million (FY17 $0.6 million loss)
(2) Excludes Golding amortisation of acquisition intangibles.
(3) Revenue including associates. Earnings before interest, tax, amortisation and transaction costs.
(4) Amortisation of Golding acquisition intangibles.
(5) Transaction costs include legal costs associated with the acquisition of Golding (FY18) and costs associated with the Corporate note issue, early termination costs of bank debt and costs related to the acquisition of the Hughes business, (FY17).
(6) Total is Statutory Revenue and Total Comprehensive Income.
(7) The tax rate assumed is 30% applied to EBIT less interest costs.

The Company ended the financial year with cash balances of $58.8 million compared to $42.3 million at the start of the year. Debt increased to $93.2 million mostly to finance the Golding acquisition. Gearing at 13% was only marginally higher than the prior comparative period (10%) as debt reduction has been a critical focus of the business. The Company has strong relationships with its banking partner and is in compliance with all financing covenants.

DIRECTORS' REPORT CONTINUED

OPERATING SEGMENTS

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

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

The performance of the three businesses is outlined below:

Civil

The Civil business specialises in the delivery of private and public civil infrastructure projects, mine development, bulk earthworks and commercial and residential subdivisions. Civil construction projects include roads, bridges, tailings storage facilities, rail formation, ports, water infrastructure and concrete installations. The Civil business reported growth in revenue and earnings as a consequence of both an increase in project activity and the acquisition of Golding.

	Revenue $M	EBIT $M	%	EBITDA $M	%
FY18	311.3	17.8	*5.7%*	20.3	*6.5%*
FY17	103.9	1.0	*1.0%*	2.0	*1.9%*

Activity in the Civil business in the year included mine sustaining work for Rio Tinto at Yandicoogina, a tailings dam lift for FMG at Solomon, continuation of the construction of the Forrestfield Airport Link ("FAL") for the PTA in joint venture with Salini Impregilo, in excess of 50 sub division stages for a range of clients over 13 different project sites in South East Queensland, a dam upgrade for the Gladstone Area Water Board, upgrades to the Pacific Highway for RMS and the design and construction of eight rail bridges for the Coomera to Helensville rail duplication.

The business secured new work for Rio Tinto at Marandoo, agreed an early contract involvement for OZ Minerals at the Carrapateena project and announced on 18 July 2018 a major contract for BHP at the South Flank precinct. In May, Rio Tinto awarded the business an Early Contract Involvement (ECI) contract for the provision of project development services. The award positions the business through the provision of construction services to the client for their sustaining capital program of works.

As noted above results for the Civil business include activity on the FAL contract where NRW is a 20% shareholder in the Salini Impregilo NRW Joint Venture delivering the project. Revenues on the project included in the segment revenue above but excluded from Statutory revenue were $68.9 million. Earnings recognised in the year which are shown in share of profits from associates total $1.8 million and reflect progress made to date on the project.

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.

The Mining business like the Civil business reported growth in revenue and earnings again due to the Golding acquisition and as a result of new work secured for clients across a broad range of commodities.

	Revenue $M	EBIT $M	%	EBITDA $M	%
FY18	347.3	38.4	*11.0%*	66.5	*19.1%*
FY17	185.0	25.5	*13.8%*	44.5	*24.1%*

The business had a number of successes in the year which included contract extensions for Stanmore Coal at Isaac Plains, a three year extension for Coronado Curragh Pty at Curragh, and the award of new contracts at Baralaba North for Wonbindi Coal, and for Gascoyne Resources at their flagship Dalgaranga gold project.

The Baralaba contract is of particular note as the business provides broad mining services utilising only client supplied or hired plant and equipment.

Activity in the year included contract mining at Kogan Creek, Curragh, Isaac Plains, Baralaba, Broadlea, Pilgangoora and Dalgaranga and mining support at Middlemount.

DIRECTORS' REPORT CONTINUED

OPERATING SEGMENTS (CONTINUED)

Margin changes reflect a different mix of activity as a result of the Golding acquisition and receipt of contract incentives, (based on improvements in the market price for coal) in the previous financial year recovered from prior periods on the Middlemount contract.

Drill and Blast

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

Revenues increased to $117.0 million compared to $88.1 million in the prior comparative period mostly due to the acquisition of the east coast business of Hughes Drilling in December 2016.

	Revenue $M	EBIT $M	%	EBITDA $M	%
FY18	117.0	1.7	*1.4%*	8.3	*7.1%*
FY17	88.1	4.2	*4.8%*	10.0	*11.3%*

Earnings before interest, tax, depreciation and amortisation (EBITDA) however reduced to $8.3 million compared to $10.0 million in the same period last year mostly due to drill availability.

It became clear during the first half of the financial year that work to improve reliability on drills acquired from Hughes, identified through the due diligence process, had been underestimated. Drill availability was well below expectations requiring additional resources to be deployed to projects in order to maintain production with consequent impact on cost and project margins. Over the last six months the business has developed a more structured drill reliability programme to progressively fix availability. Drills which have been through this process and delivered back to operations have demonstrated significant improvements in reliability and availability. Both operation costs and capital expenditure have increased as a result of the reliability programme, further impacting earnings.

The Drill & Blast business secured a number of new contracts and contract extensions in the year including work for the Mining business at Dalgaranga, Isaac Plains and Broadlea, and drilling services contracts at Boggabri, Muswellbrook, Byerwen and Collinsville.

In Drill and Blast our focus will be to ensure the drill reliability programmes are followed through to recover productivity levels across all sites to expected levels. The business has been successful in extending contracts. It is a market leader given the drilling resources within the business. Progressively improving profitability through the next 12 months is recognised as critical by the management team within that business.

BALANCE SHEET, OPERATING CASH FLOW AND CAPITAL EXPENDITURE

A summary of the balance sheets at the end of the current financial year and the previous financial year is provided below with the opening balance sheet entries for Golding.

	30 June 18	30 June 17	Golding [1]
	$M	$M	$M
Cash	58.8	42.3	13.1
Debt	(93.2)	(63.1)	(2.4)
Net Debt	**(34.4)**	**(20.8)**	**10.7**
PPE	209.5	174.1	28.2
Working Capital	(5.5)	4.9	(18.3)
Investments in Associates	4.8	3.4	-
Tax Assets	38.3	35.8	(4.9)
Tangible Assets	**212.7**	**197.3**	**15.8**
Intangibles and Goodwill	59.9	1.8	69.2
Net Assets	**272.6**	**199.0**	**85.0**
Gearing [2]	*12.6%*	*10.5%*	

(1) Golding acquisition - opening balance sheet
(2) Gearing is Net Debt / Total Equity

DIRECTORS' REPORT CONTINUED

BALANCE SHEET, OPERATING CASH FLOW AND CAPITAL EXPENDITURE (CONTINUED)

Net assets increased to $272.6 million, ($199.0 million FY17) representing net assets of 73 cents per share. The acquisition of Golding in the first quarter of the financial year contributed to a number of changes to the balance sheet. The acquisition was completed at a price of $85.0 million funded through a combination of debt ($48.0 million) and a capital raising of $25.0 million (pre costs) through a placement to qualified institutional and sophisticated investors and a $5.0 million (pre costs) share purchase plan. Acquisition finance of $48.0 million was provided by NRW's banking partner. Internal cash resources were used to meet the balance of funds required.

Cash holdings improved in the year due to strong earnings growth and continued attention to minimising working capital growth. Debt increased due to the Golding acquisition and equipment financing (circa $8 million) offset by debt repayments on the four year corporate notes and the three year Golding transaction finance. At the end of the year gearing increased to 12.6% compared to 10.5% at June 2017.

Capital expenditure totalled $46.0 million compared to $15.9 million in the previous financial year. Expenditure included incremental component replacements, spend on upgrading drills in the Drill and Blast business and on equipment to support the Dalgaranga contract announced at the time of award at $8 million. The Dalgaranga equipment included a number of light weight truck bodies which were acquired to improve cost efficiency in our bid submission. Component replacement costs increased due to the inclusion of Golding and equipment maintenance cycles.

The Group was in full compliance with its debt covenants as at 30 June 2018.

The results include a $6.1 million tax credit (FY17 $5.0 million tax credit) due to the recognition of additional tax benefits not currently included in the balance sheet.

PEOPLE AND SAFETY / OCCUPATIONAL HEALTH AND SAFETY

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

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

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

We stringently manage risk through a planned and careful approach focused around hazard identification, minimisation, monitoring and control procedures, and by reviewing safety performance.

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

NRW's current workforce levels have increased through the year as a result of the addition of the Golding business and increased activity on new projects. Headcount at June 2018 totalled circa 2,000 (June 2017 – 1,000).

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

Safety is paramount across all NRW projects. NRW's Total Recordable Injury Frequency Rate (TRIFR) in the year was 6.39 compared to 6.22 at June 2017.

DIRECTORS' REPORT CONTINUED

ENVIRONMENTAL REGULATIONS

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

RISK MANAGEMENT

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

OUTLOOK

The past twelve months have seen a significant improvement in the overall results of the Company as measured by a range of data including revenue, earnings, cash generation, order book and return on investment. These improvements reflect our increased diversity and an improving confidence in both the Resources and Infrastructure sectors. In the near term we have opportunities to support the new capital investment programmes currently being committed by major Iron Ore clients in Australia whilst also positioning the Company to address infrastructure projects in our home states of Western Australia and Queensland and also further into the Eastern States.

Last year four areas of focus were identified in our outlook commentary. The table below summarises how the business has progressed against these key areas of focus.

Key Focus Areas	Progress
Supporting the iron ore sector as plans for sustaining current production volumes are developed.	• Secured and delivering a number of Rio Tinto sustaining capital projects including Marandoo and Yandicoogina. • Secured South Flank contract for BHP ($176 million). • ECI by Rio Tinto for the provision of construction support for sustaining capital program of works.
Growing our presence in Queensland and New South Wales on the back of the recent Golding acquisition.	• Won the Baralaba North mining project for Wonbindi coal. • Extended contracts at both Curragh and Isaac Plains. • Won work for new clients for sub divisions in Urban.
Project delivery across all contracts including the Forrestfield-Airport Link (FAL) contract where we are working through a joint venture with Salini Impregilo.	• Quality of project completions at locations like Yandicoogina have been recognised by the client. • FAL project progressing well, both tunnel boring machines have completed tunnelling to airport central station and have now transitioned through. • Delivery of Carrapateena project progressing well for a new client in a new geography – South Australia.
Reviewing opportunities to expand our service offering in our core markets and to diversify where we have relevant expertise.	• The Dalgaranga project was the first Gold mining project secured by NRW since listing. • Rio Tinto recently awarded the mining business a remediation contract for the Argyle diamond mine.

The business has secured a number of new contracts and contract extensions detailed in the business segment commentary. In addition, the Civil business secured a major earthworks package on the first iron ore sustaining tonnes project for BHP at South Flank. Following this award, the order book totals circa $2.2 billion of which around $950 million is scheduled for delivery in the financial year ending 30 June 2019. This is the best position the business has been in for a number of years.

The tender pipeline at around $6 billion remains strong. We remain confident of improving activity levels in resources and infrastructure for the next five years.

As these buoyant conditions continue across our key delivery sectors, access to resources, both equipment and people, will become more challenging. Our strategy to minimise any impact is already in place partially through our ability to recruit and mobilise through our national footprint and also through senior appointments across our business in operations and equipment technology who will focus on retention and training of our workforce.

DIRECTORS' REPORT CONTINUED

SIGNIFICANT EVENTS AFTER PERIOD END

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

DIVIDEND

The Directors have declared a dividend for the current financial year of two cents per share. This will be the first dividend paid since October 2014. The Directors have determined the dividend payable based on the Company's liquidity profile over the next financial year and expect to be in a position to announce further dividends for the new financial year. The dividend which will be fully franked will be paid on the 6 November 2018.

DIRECTORS' INTERESTS

The relevant interest of each Director in the ordinary share capital are set out in note 4.8 of Executive KMP Remuneration Outcomes. Transactions between entities within the Group and Director-related entities are set out in note 7.3 to the financial statements.

PERFORMANCE RIGHTS OVER UNISSUED SHARES OR INTERESTS

As at the date of this report, there are 13,291,881 Performance Rights outstanding (2017: 6,208,486 Performance Rights outstanding).

Details of Performance Rights granted to executives as part of their remuneration are set out in the Remuneration Report on pages 10 to 18.

DIRECTORS' REPORT CONTINUED

1. REMUNERATION GOVERNANCE

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

- The remuneration of Non-Executive Directors, including the Chair of the Board;
- The remuneration policies which are designed to attract and retain Executives with the expertise to enhance the competitive advantage, performance and growth of NRW;
- Ensuring that the level and composition of Executive remuneration packages are fair, reasonable and adequate and that the remuneration received by Executive KMP displays a clear relationship between the performance of the individual and performance of NRW;
- Termination and redundancy policies and the 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. During the reporting period, the N&RC did not engage any such advisors.

2. FIVE YEAR SNAPSHOT

Measure	2018	2017	2016	2015	2014
Market Capitalisation (30 June)	$ 630.1 million	$ 205.9 million	$ 58.6 million	$ 50.2 million	$ 256.6 million
Share Price at End of Year	$1.70	$0.64	$0.21	$0.18	$0.92
Total Revenue	$685.4	$344.6 million	$288.0 million	$775.9 million	$1,134.5 million
EPS	11.6 cents	9.1 cents	7.7 cents	(82.4) cents	15.9 cents
EPS Growth	27.5%	18.2%	n/a	n/a	n/a
Net Profit / (Loss) After Tax	$42.2 million	$28.5 million	$21.5 million	$(229.8) million	$44.2 million
Interim Dividend Paid	$0.00	$0.00	$0.00	$0.00	$0.04
Final Dividend Declared in Respect of the Year	$0.02	$0.00	$0.00	$0.00	$0.05
Annual Total Shareholder Return (%)	194%	216%	17%	(80%)	11%

3. EXECUTIVE KMP REMUNERATION FRAMEWORK

3.1 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: the structure of the remuneration package is intended to align the interests of Executives and the Company's shareholders;
- Attract and retain: remuneration packages are established and reviewed to ensure NRW can attract the right people and to retain those people;
- Motivate: remuneration plans are structured to provide strong motivation to achieve both short and long term business objectives. Consequently, remuneration packages include a high proportion of variable remuneration; and
- Appropriate: remuneration packages are established and reviewed recognising current market trends in sectors relevant to the operations of NRW and those sectors which would be recognised as providing a benchmark to NRW employees.

3.2 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

- 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 3.3).
- Specific objectives are set for each executive based on their management responsibilities.
- Awards up to the maximum amount payable can be achieved based on tiered objectives at the discretion of the N&RC.
- Normally an earnings metric (e.g. EBIT or EBITDA) is used as the performance measure to ensure alignment with group and shareholder objectives.
- Awards can be moderated downwards if safety performance does not meet expectations.
- Awards are reviewed and agreed by the N&RC which also consider the executives overall performance in the year against specific business objectives.
- Up to 25% of an award can be deferred for up to 12 months at the discretion of the N&RC if the committee determines that additional time is required to provide more certainty on specific business related outcomes.

Long Term Incentive Plan

- Executives can earn an equity based incentive through the award of Performance Rights (Rights).
- The maximum amount of these awards is based on a percentage of the executives TFR which are set out in table 3.3. The value of the award is converted to rights at the prevailing 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 convert to shares which vest with the executive on specific dates or within a vesting period provided targets generally aligned to absolute growth in total shareholder return are achieved within the performance period and the executive is a current employee on the vesting date.
- The normal performance period is three years, however, a number of performance rights have been granted with periods of less than three years which recognises the following:
    1. Specific short term company recovery objectives set in the financial year 2015/16 (FY16) and 2016/17 (FY17) for the CEO and CFO.
    2. The progressive implementation of a three year long term incentive plan for key executives.
    3. That it was appropriate to implement a retention scheme for key executives who joined NRW through the Golding acquisition.
    4. The implementation of a broader equity participation scheme across NRW to deliver business results over a two year time frame aligned with the Golding retention scheme.

3.2 STRUCTURE OF EXECUTIVE KMP REMUNERATION (CONTINUED)

- Awards granted to the CEO which align to the structure as described above in notes 1 & 2 above were specifically approved by shareholders at the 2016 and 2017 AGM's.
- The award of rights is governed by the 'NRW Holdings Limited Performance Rights Plan' approved by shareholders in 2015.

3.3 AWARD LEVELS RELATIVE TO FIXED REMUNERATION

The table below provides information on the remuneration packages of KMP's as at 30 June 2018.

KMP	TFR (1)	STIP	LTIP	Notice Period
Mr J Pemberton	$950,000	50%	180%	6 months
Mr A Walsh	$700,000	40%	80%	6 months
Mr G Caton	$650,000	30%	30%	6 months
Mr E Buratto	$600,000	30%	30%	6 months
Mr J Whiteman (2)	$400,000	Nil	Nil	See note 2
Mr K Hyman	$358,600	Nil	Nil	6 months

(1) Annual Total Fixed Remuneration (TFR) as at 30 June 2018
(2) Mr J Whiteman works under a service contract

Comparable TFR for the previous period, (as at 30 June 2017) are provided for Messer's Pemberton and Walsh below as the other KMP's were either not employed by NRW (Messer's Caton, Buratto and Whiteman) or their remuneration has not changed (Mr Hyman).

- Mr J Pemberton: TFR $800,000; STIP 50%; LTIP 100%
- Mr A Walsh: TFR $675,000; STIP 44%; LTIP 66%

3.4 OTHER CONSIDERATIONS APPLICABLE TO LTI AWARDS

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

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

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

3.5 EXECUTIVE SERVICE AGREEMENTS

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

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

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

4. EXECUTIVE KMP REMUNERATION OUTCOMES

4.1 EXECUTIVE PERFORMANCE: STIP

The following table provides information on the outcome of the STIP for each of the KMP for the year ending 30 June 2018. The value of the award is outlined in the remuneration table in section 4.6 with comparable information for the previous year.

	2018		2017	
KMP	STIP Earned	STIP Forfeited	STIP Earned	STIP Forfeited
Mr J Pemberton	0%	100%	100%	0%
Mr A Walsh	0%	100%	100%	0%
Mr G Caton	100%	0%	N/A	N/A
Mr E Buratto	0%	100%	N/A	N/A

Commentary on the 2018 performance

- Challenging earnings targets were set by the N&RC following the acquisition of Golding in 2017. Despite achieving growth in earnings before interest, tax, depreciation and amortisation (EBITDA) of 53% this was below the agreed target and consequently, no short term incentive was awarded to the CEO or CFO.
- The Golding business acquired in September 2017 made a significant contribution to the overall performance of the business meeting it's agreed business plan objectives. Consequently, the Executive General Manager of that business Mr G Caton achieved 100% of the STIP target.
- The Perth based Civil and Mining businesses missed earnings targets set for the businesses. The earnings target assumed award of new mining contracts which were expected to contribute to planned earnings early in the financial year. The shortfall in earnings was to some extent mitigated following the award of the Dalgaranga contract but this contract was not awarded early enough in the year to recover to the earnings target. As a consequence, the Executive General Manager of the Civil and Mining businesses did not earn an incentive payment.

4.2 EXECUTIVE PERFORMANCE: LTIP

The structure of the long term incentive plan is set out in section 3.2 above. Commentary is provided below on the achievement against objectives set for each of the current long term incentive plans and the status of awards made from 2016 to 2018. Valuation data is provided in note 4.5. The quantum of rights applicable to each award is detailed in the table under note 4.7 in the notes to the financial statements.

2016 Incentive Plan

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

- Rights were awarded in two equal tranches with a performance hurdle set for June 2016 of 30 cents and October 2017 of 40 cents.
- Whilst these hurdles appear low in the context of the share price at 30 June 2018 ($1.69) it is worth noting that the share price, on award of these rights, was below 20 cents.

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

- The scheme provided for a retest of the first tranche of rights up to October 2017 which was met along with achievement of the second tranche at the same performance hurdle.
- Rights subject to a retest required 25% of the Rights to be forfeited.

The value of rights awarded in 2016 was assessed at nil cost (as disclosed in the 2016 accounts) given the low value of the shares when granted.

4.2 EXECUTIVE PERFORMANCE: LTIP (CONTINUED)

2017 Incentive Plan

Key points to note with respect to the 2017 plan are outlined below:

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

The value of rights awarded in 2017 have been measured in accordance with the valuation data provided in table 4.5. Tranche 1 rights have been valued in aggregate at $176,446, Tranche 2 rights at $252,138. Share based payment costs have been allocated over the 24 month performance period ending 30 June 2018.

2018 Incentive Plan

The 2018 scheme is structured in three distinct plans which reflect the LTIP structure as disclosed in section 3.2 above; Senior Executive plan, Golding integration plan, and Executive plan. Key aspects of each of these plans is outlined below:

Senior Executive plan & Golding integration plan

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

Senior Executive plan

- Rights were awarded in three equal tranches with increasing performance hurdles set for each year.
- The performance hurdles for the three years are: increase in TSR of 79% by June 18 ($1.33); increase in TSR by June 2019 of 111% ($1.52) and increase in TSR by June 2020 of 140% ($1.71).
- The performance hurdle for Tranche 1 has been met and the rights will vest in November 2018.
- The performance hurdle for Tranche 2 has been met and the rights will vest in November 2019.
- Performance against Tranche 3 will be reviewed in the remaining performance period. The tranche is subject to a retest if the hurdle is met within an additional 12 month period with a forfeit of 25% of the quantum of rights in that tranche.

Golding integration plan

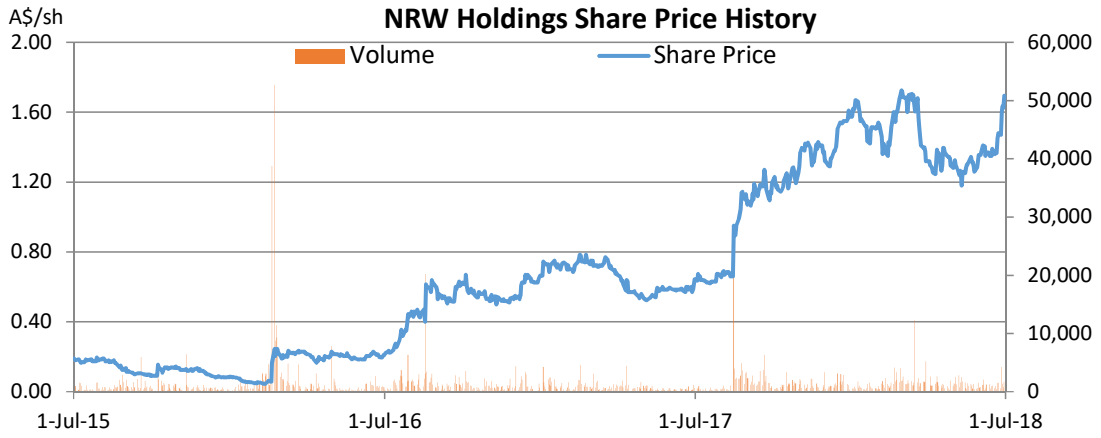
- Rights were awarded in two equal tranches with assessment dates of June 2018 and June 2019.
- Rights vest subject to the delivery of key integration objectives and the Golding business meeting agreed financial performance targets, as assessed by the NRW Board.
- The performance hurdle for Tranche 1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

Executive plan

- The plan participants are the key executives within the business.
- Rights were awarded in a single tranche.
- The performance objective is aligned with the senior executive plan (as above) being an increase in TSR by June 2019 of 111% ($1.52).
- Performance against the objective will be formally assessed in FY19 but is expected to be achieved.

The quantum and value of rights awarded under the 2018 LTI plans are detailed below. In summary 10.9 million rights were awarded (of which 7.6 million were specifically approved by shareholders at the 2017 AGM) with an assessed average cost of 46 cents per share (using Monte Carlo simulation methodology).

4.3 QUESTIONS ARISING FROM THE LONG TERM INCENTIVE PLAN STRUCTURE



Why are there so many different schemes and different participants in each scheme?

Over the last three years, NRW has seen significant changes in its structure, business activity and outlook. The acquisition of Golding completed in September 2017 and other initiatives can be seen to have had a major positive effect on the value of the Company, (supported by the movement in the share price over the last three financial years, as shown in the chart above). Revenue has grown in the three years from $288 million to $754 million. The management team which was restructured through the resource's downturn has been strengthened to ensure the Company has the right skills to meet the demands of a growing business which is expected to further increase revenues in FY19 to circa $1.1 billion.

The CEO and CFO have been consistent members of the KMP throughout this period. Their incentive plans developed as both cash and equity based have been structured to address both relatively short term business imperatives and to deliver long term growth in shareholder value. Their long term incentive plans now extend to a three year horizon, (where none existed previously) and in future any further LTIP awards would have a minimum three year performance horizon.

NRW shareholders have approved the structure of each of these plans.

The other KMP have either recently joined the Company or joined as part of the Golding acquisition. A key objective recognised as part of the Golding acquisition plan was to ensure the Company retained the talent within the business. Consequently, the Executive plan (which was implemented at the same time to the existing NRW businesses) was developed. This plan has a 29 month performance period which was determined to be appropriate particularly to engage senior managers within the newly acquired Golding business.

Why can participants receive rights within less than three years?

The N&RC have been progressively implementing an equity based incentive plan to meet both short and long term objectives. When the initial FY16 plan was implemented the Company faced liquidity challenges consequently share based rather than cash based incentive payments were considered to be more appropriate. In recognition that a proportion of the equity based awards related to short term objectives the plan was based on 17 month and 29 month performance periods.

At the last AGM and following the Golding acquisition it was agreed to extend the senior executive plan to add a 41 month performance period (three years plus a five month assessment period).

The Executive plan was initially implemented with a 29 month performance period as explained above. Further awards of rights expected to be made in FY19 will extend participation to a rolling three year time frame.

4.3 QUESTIONS ARISING FROM THE LONG TERM INCENTIVE PLAN STRUCTURE (CONTINUED)

How were the performance hurdles determined and why is TSR used as the only key metric for measuring success?

The N&RC has at all times sought to structure the incentive plans to encourage a 'step change' to the overall value of the business. Targets have generally been set with regard to both the share price at the beginning of the financial year and the prevailing share price. Given the relatively low starting point where the business was valued at circa $55 million (beginning of FY16 financial year), growth in total shareholder returns was determined to be a key objective and consequently targets were set at extremely challenging increments generally requiring at least 100% growth on the base position.

The N&RC was clear that growth needed to reflect the capability and value within the business and did not want to complicate the scheme through the introduction of tiered performance hurdles.

Total shareholder return from the beginning of 1 July 2016 to 30 June 2018 is in excess of $500 million.

Does the Company have plans to change the structure for future years?

The goal of the N&RC is to implement a common scheme for all KMP and senior managers within the business which provides a rolling three year equity based performance scheme. Performance hurdles will be reviewed as part of any future plan. Over recent years, since the downturn experienced by the sector in the period 2015 to 2017, TSR has been a single and clear objective for the executive managers and has delivered significant increases in shareholder returns. The N&RC will consider other structures and implement those structures if they are determined to provide appropriate incentives and alignment with shareholder objectives.

4.4 LTI AWARDS AND VESTING STATUS

Name	Allocation Date	Vesting Date	Balance of Unvested Equity Awards as at 1 July 2017	Granted	Vested in FY 18	Balance of Unvested Equity Awards as at 30 June	Fair Value Per Security	Fair Value at Grant Date	Share Based Payments Expense FY 18
			Number	Number	Number	Number	Cents	$	$
Mr J Pemberton	1/02/2016 to 4/12/17	30/11/2017	3,808,943	7,663,500	(2,833,333)	8,639,110	Nil to 37.9 cents	2,877,500	1,396,063
Mr A Walsh	1/02/2016 to 4/12/27	30/11/2017	2,399,543	2,662,500	(1,856,250)	3,205,793	Nil to 37.9 cents	1,047,893	503,311
Mr E Buratto	4/12/2017	30/11/2019	-	288,000	-	288,000	37.9	109,152	59,328
Mr G Caton	4/12/2017	30/11/2019	-	357,798	-	357,798	37.9	135,606	68,037
Mr D Donjerkovich	4/12/2017	30/11/2019	-	144,272	-	144,272	37.9	54,679	27,434
Mr M Gloyne	4/12/2017	30/11/2019	-	146,789	-	146,789	37.9	55,633	27,912

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

4.5 VALUATION ASSUMPTIONS

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

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

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

4.6 EXECUTIVE DIRECTORS' AND EXECUTIVE KMP REMUNERATION

The table below sets out the remuneration outcomes for each of NRW's Executive KMP for the financial year ended 30 June 2018 and 30 June 2017.

IN AUD $		Remuneration			Post Employment Benefits	Other Long Term Benefits	Share Based Payments	Total
Key Management Personnel	**Year**	**Salary & fees**	**Cash based incentive**	**Annual Leave (1)**	**Super**	**Other (2)**	**Equity**	
EXECUTIVE DIRECTORS								
Mr J Pemberton	2018	929,951	-	86,730	20,049	19,080	1,396,063	2,451,873
	2017	810,399	300,000	52,613	19,616	13,357	182,741	1,378,726
EXECUTIVES								
Mr A Walsh	2018	679,951	-	6,425	20,049	-	503,311	1,209,736
	2017	680,912	222,750	17,056	33,987	-	101,764	1,056,469
Mr G Caton (3)	2018	520,833	195,000	(3,948)	20,833	10,194	68,037	810,949
	2017	-	-	-	-	-	-	-
Mr E Buratto(4)	2018	363,923	-	27,675	15,037	-	59,328	465,962
	2017	-	-	-	-	-	-	-
Mr D Donjerkovich (5)	2018	123,408	-	(12,035)	8,557	2,057	27,434	149,421
	2017	387,443	60,000	9,705	19,616	6,459	-	483,223
Mr M Gloyne (5)	2018	158,998	-	(2,329)	9,425	-	27,912	194,007
	2017	498,211	-	(513)	29,136	-	-	526,834
Mr J Whiteman (6)	2018	121,500	-	-	-	-	-	121,500
	2017	-	-	-	-	-	-	-
Mr W Fair (7)	2018	360,133	-	62,804	20,049	(49,915)	-	393,072
	2017	432,160	-	28,772	19,616	-	-	480,548
Mr K Hyman	2018	353,999	-	14,347	20,049	5,634	-	394,028
	2017	386,272	-	(13,360)	19,616	6,439	-	398,967
Total Compensated (Consolidated) – 2018	**2018**	**3,612,697**	**195,000**	**179,669**	**134,048**	**(12,950)**	**2,082,085**	**6,190,549**
Total Compensated (Consolidated) – 2017	**2017**	**3,195,397**	**582,750**	**94,273**	**141,587**	**26,255**	**284,505**	**4,324,767**

(1) Represents the movement in accrued annual leave.

(2) Represents the movement in accrued long service leave.

(3) Mr G Caton joined the business as part of the Golding acquisition. Mr Caton is Chief executive of Golding. His remuneration details are for the period 1 September 2017 to 30 June.

(4) Mr E Buratto joined on the 30 October 2017 as Executive General Manger for the Perth based Civil and Mining businesses.

(5) Following the appointment of Mr Buratto as EGM Civil and Mining both Mr D Donjerkovich and Mr M Gloyne are no longer considered KMP's for the purpose of this report. Both Mr Donjerkovich and Mr Gloyne retained their roles as General Managers for the Civil and Mining businesses respectively reporting to Mr Buratto.

(6) Mr J Whiteman was appointed General Manager of the Drill and Blast business on the 16 April 2018 following the resignation of Mr W Fair. Remuneration paid to Mr Whiteman from the date of his appointment through his service contract is shown in the table above.

(7) Mr W Fair resigned on the 11 May 2018.

DIRECTORS' REPORT CONTINUED

4.7 NON-EXECUTIVE DIRECTORS' REMUNERATION

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

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

		Remuneration		Post-Employment Benefits	Total
NON-EXECUTIVE DIRECTORS		**Salary & fees**	**Non cash benefit**	**Superannuation**	
Mr M Arnett	FY18	150,000	-	14,250	164,250
	FY17	132,500	-	13,300	145,800
Mr J Dowling	FY18	125,000	-	11,875	136,875
	FY17	103,846	-	9,865	113,711
Mr P Johnston	FY18	100,000	-	9,500	109,500
	FY17	100,000	-	9,500	109,500
Dr I Burston (1)	FY18	-	-	-	-
	FY17	3,462	-	-	3,462
NON-EXECUTIVE	**FY18**	**375,000**	**-**	**35,625**	**410,625**
DIRECTORS' TOTAL	**FY17**	**339,808**	**-**	**32,665**	**372,473**

(1) Dr I Burston – final payment made in FY17 following Dr I Burston's resignation on 30 June 2016

Non-Executive Director fees (excluding superannuation and non-cash benefits) to be paid by the Company to the Chairman is $150,000 (2017; $150,000) and to Non-Executive Directors is $100,000 (2017; $100,000). In addition, the chair of the Audit and Risk committee receives an additional fee of $25,000 (2017; $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.

4.8 SHARE OWNERSHIP

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

Director / KMP	Held at 1 July 16	Purchases	Shares in lieu of cash STI	Held at 30 June 17	Purchases	Rights vested to Shares	Held at 30 June 18
Mr M Arnett	994,474	-	-	994,474	14,705	-	1,009,179
Mr J Dowling	250,000	100,000	-	350,000	14,705	-	364,705
Mr P Johnston	-	100,000	-	100,000	9,416	-	109,416
Mr J Pemberton	3,014,404	-	612,245	3,626,649	10,405	2,833,333	6,470,387
Mr A Walsh	-	-	454,592	454,592	14,705	1,856,250	2,325,547
TOTAL	**4,258,878**	**200,000**	**1,066,837**	**5,525,715**	**63,936**	**4,689,583**	**10,279,234**

End of Remuneration Report (Audited)

DIRECTORS' REPORT CONTINUED

ROUNDING OF AMOUNTS

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

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

Julian Pemberton

Chief Executive Officer and Managing Director

Michael Arnett

Chairman and Non-Executive Director

CORPORATE GOVERNANCE & RISK MANAGEMENT

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

CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

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

Unless otherwise indicated the best practice recommendations of the ASX Corporate Governance Council, including corporate governance practices and suggested disclosures, have been adopted by the Company for the year ended 30 June 2018.

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

RISK MANAGEMENT

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

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

Market Risk

- NRW's financial performance is influenced by the level of activity in the resources and mining industry, which is impacted by a number of factors outside the control of NRW. These factors include, demand for mining production, which may be influenced by factors including (but not limited to) prices of commodities, exchange rates, the competitiveness of Australian mining operations and government policy on infrastructure spend. The policies of mine owners including their decisions to undertake their own mining operations or to outsource these functions; and the availability and cost of key resources including people, earth moving equipment, and critical consumables. Further NRW operates in a competitive markets and it is difficult to predict whether new contracts will be awarded due to multiple factors influencing how clients evaluate potential service providers.
- Mitigation actions include: The development of a diversified service offering with contractual counterparties in infrastructure and across a range of commodities in the resources sector.

Loss of Contracts / Reduction in Contract Scope

- NRW's revenues are subject to underlying contracts with varying terms. There is a risk that NRW's contracts may be cancelled or may not be renewed if NRW's clients decide to reduce their levels of spending, potentially reducing their revenue. Contract operations are vulnerable to the risk of interruption as a result of a variety of factors, which may be beyond NRW's control, including prolonged heavy rainfall or cyclones, geological instability, accidents or unsafe conditions, equipment breakdowns, industrial relations issues, and scarcity of materials and equipment. Interruptions to existing operations or delays in commencing operations experienced by NRW's clients may result in lost revenue and, in some circumstances, result in NRW incurring additional costs, which may have a material adverse effect on NRW's business, results of operations and financial condition.
- Mitigation actions include: NRW continues to work closely with its clients to ensure we understand issues faced by our clients and to identify options where we can assist in ensuring the impact of the types of issues identified above are minimised.

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.

RISK MANAGEMENT (CONTINUED)

Access to Resources

- NRW's growth and profitability may be limited by loss of key management or operational personnel or due to being unable to recruit and retain skilled and experienced staff. Further NRW is reliant on third party equipment to perform contract obligations which may not be available or may be subject to pricing premiums in order to secure appropriate equipment.
- Mitigation actions include: NRW maintains a database of staff who have worked for the Company on all of its projects and pricing of contracts includes estimates of the likely costs required to attract the right people to perform the contract. NRW has developed strong working relationships with a number of equipment suppliers in order to ensure equipment requirements are understood ahead of time in order to minimise any potential risk around availability.

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Brookfield Place, Tower 2
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22 August 2018

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

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 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

AT Richards
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, 22 August 2018

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2018

		Consolidated	
	Notes	2018	2017
		$'000	$'000
REVENUE	2.2	**685,431**	**344,560**
Finance income	2.3	493	303
Finance costs	2.3	(6,869)	(5,733)
Share of profit / (loss) from associates	3.3	1,382	(644)
Materials and consumables used		(116,374)	(48,112)
Employee benefits expense	2.4	(196,826)	(116,094)
Subcontractor costs		(176,235)	(60,809)
Depreciation and amortisation expenses	2.4	(48,205)	(27,287)
Plant and equipment costs	2.4	(99,870)	(59,686)
Other expenses		(6,852)	(2,971)
Profit before income tax		**36,075**	**23,527**
Income tax benefit	6.1	6,091	5,000
Profit for the year		**42,166**	**28,527**
OTHER COMPREHENSIVE INCOME			
Exchange differences arising on translation of foreign operations		-	-
Other comprehensive income / (expense) for the year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME		**42,166**	**28,527**
Profit Attributable to:			
Equity holders of the Company		42,166	28,527
Total Comprehensive Income Attributable to:			
Equity holders of the Company		42,166	28,527
		Cents	**Cents**
EARNINGS PER SHARE	4.6		
Basic earnings per share		11.6	9.1
Diluted earnings per share		11.4	9.0

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 2018

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents		58,846	42,264
Receivables	3.1	120,699	53,034
Inventories	3.2	22,477	16,288
Other current assets		4,591	4,511
Total current assets		**206,613**	**116,098**
Non-current assets			
Investments in associates	3.3	4,736	3,354
Property, plant and equipment	3.4	209,503	174,081
Intangibles	3.5	19,785	1,763
Goodwill	3.6	40,103	-
Deferred tax assets	6.3	39,447	36,270
Total non-current assets		**313,574**	**215,468**
Total assets		**520,187**	**331,566**
LIABILITIES			
Current liabilities			
Payables	3.7	127,730	52,026
Borrowings	5.3	36,921	16,705
Current tax liabilities	6.3	1,218	511
Provisions	3.8	20,166	13,964
Total current liabilities		**186,035**	**83,206**
Non-current liabilities			
Borrowings	5.3	56,291	46,395
Provisions	3.8	5,218	2,892
Total non-current liabilities		**61,509**	**49,287**
Total liabilities		**247,544**	**132,493**
Net assets		**272,643**	**199,073**
EQUITY			
Contributed equity	4.2	206,126	176,901
Reserves	4.3	5,341	3,162
Retained profits	4.4	61,176	19,010
Total equity		**272,643**	**199,073**

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 2018

	Note	Contributed equity	Foreign currency translation reserve	Share based payment reserve	Total Reserves	Retained earnings/ (Accumulated losses)	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000
BALANCE AT 1 JULY 2016		**156,432**	**(208)**	**3,085**	**2,878**	**(9,519)**	**149,791**
Profit for the year	4.4	-	-	-	-	28,527	28,527
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**28,527**	**28,527**
Issue of ord. shares under share placement	4.2	20,497	-	-	-	-	20,497
Share issue costs	4.2	(784)	-	-	-	-	**(784)**
Income tax related to share issue costs	4.2	235	-	-	-	-	**235**
Issue of shares to Executives	4.2	523	-	-	-	-	**522**
Share-based payments	4.3	-	-	285	285	-	**285**
Issue of treasury shares to employees	4.2	21	-	-	-	-	**21**
Acquisition of treasury shares - on market	4.2	(23)	-	-	-	-	**(23)**
BALANCE AT 30 JUNE 2017		**176,901**	**(208)**	**3,370**	**3,162**	**19,010**	**199,073**
BALANCE AT 1 JULY 2017		**176,901**	**(208)**	**3,370**	**3,162**	**19,010**	**199,073**
Profit for the year	4.4	-	-	-	-	42,166	42,166
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**42,166**	**42,166**
Issue of ord. shares under institutional share placement	4.2	25,024	-	-	-	-	25,024
Issue of ord. shares under share purchase plan	4.2	5,000	-	-	-	-	5,000
Share issue costs	4.2	(1,142)	-	-	-	-	(1,142)
Income tax related to share issue costs	4.2	343	-	-	-	-	343
Share-based payments	4.3	-	-	2,179	2,179	-	2,179
BALANCE AT 30 JUNE 2018		**206,126**	**(208)**	**5,549**	**5,341**	**61,176**	**272,643**

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 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		742,732	368,498
Payments to suppliers and employees		(660,690)	(316,008)
Interest paid	2.3	(6,869)	(5,733)
Interest received	2.3	493	303
Income tax paid		(907)	-
Net cash flow from operating activities	5.1	**74,759**	**47,060**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment		3,566	895
Advances paid to associate		(504)	(169)
Acquisition of property, plant and equipment	3.4	(45,971)	(15,909)
Payment for subsidiary	7.5	(71,904)	(11,000)
Net cash used in investing activities		**(114,813)**	**(26,182)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of equity instruments of the Company	4.2	30,024	20,497
Payment for share issue costs	4.2	(1,142)	(784)
Proceeds from issue of debt securities	5.3	-	70,000
Payment for debt issue costs		-	(2,100)
Proceeds from borrowings	5.3	62,631	3,634
Repayment of borrowings and finance/hire purchase liabilities	5.3	(34,877)	(107,020)
Payment for shares acquired by NRW Employee Share Trust	4.2	-	(23)
Net cash from / (used in) financing activities		**56,636**	**(15,796)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**16,582**	**5,082**
Cash and cash equivalents at beginning of the year		42,264	37,182
Cash and cash equivalents at the end of the year		**58,846**	**42,264**

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL NOTES

1.1 GENERAL INFORMATION

NRW Holdings Limited is a public company listed on the Australian Securities Exchange which is incorporated and domiciled in Australia. The address of the Company's registered office is 181 Great Eastern Highway, Belmont, Western Australia. The consolidated financial statements of the Company for the year ended 30 June 2018 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 and the provision of drilling and blasting services.

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 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;
- presents reclassified comparative information where appropriate to enhance comparability with the current period presentation. This includes a restatement of note 2.1 relating to the Segment reporting of the Consolidated Group where comparatives have been restated to reflect the determination of Reporting Segments following the acquisition of Golding Group;
- 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 2017;
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note 7.8 for further details; and
- has applied the Group accounting policies consistently to all periods presented.

The financial statements were authorised for issue by the Directors on 22 August 2018.

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.

1.3 BASIS OF CONSOLIDATION (CONTINUED)

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

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

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

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

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

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

1.4 ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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

Critical Judgements in Applying Accounting Policies

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

Key accounting judgements and estimates	Note	Page
Carrying amount of non-current assets (Action Drill & Blast)	3.6	42
Deferred tax	6.3	60
Acquisition accounting	7.5	69

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. BUSINESS PERFORMANCE

2.1 SEGMENT REPORTING

NRW is comprised of three businesses, constituting three reportable segments, Civil, Mining and Drill & Blast.

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

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

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

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

	2018			2017		
	Revenue	Earnings	EBITDA[1]	Revenue	Earnings	EBITDA[1]
	$'000	$'000	$'000	$'000	$'000	$'000
Civil	311,275	17,806	20,345	103,943	1,000	2,000
Mining	347,287	38,372	66,455	185,014	25,526	44,518
Drill & Blast	117,022	1,682	8,325	88,120	4,242	9,999
Inter-segment eliminations	(21,251)	-	-	(6,780)	-	-
Unallocated costs	-	(6,832)	(5,508)	-	(4,602)	(3,064)
Interest costs in segment results above	-	3,830	3,830	-	5,430	5,430
Total Revenue / EBIT / EBITDA [2]	**754,333**	**54,858**	**93,447**	**370,297**	**31,596**	**58,883**
Share of revenue from equity accounted associates	(68,902)	-		(25,737)	-	
Amortisation [3]		(9,615)			-	
Transaction costs [4]		(2,790)			(2,639)	
Earnings before interest and tax		**42,453**			**28,957**	
Net finance costs		(6,378)			(5,430)	
Income tax benefit		6,091			5,000	
Total [5]	**685,431**	**42,166**		**344,560**	**28,527**	

(1) EBITDA is earnings before interest, tax, depreciation, amortisation and transaction costs. EBITDA includes share of profits from associates of $1.4 million (FY17 $0.6 million loss)
(2) Revenue including associates. Earnings before interest, tax, amortisation of acquisition intangibles and transaction costs.
(3) Amortisation of Golding acquisition intangibles.
(4) Transaction costs include legal costs associated with the acquisition of Golding (FY18) and costs associated with the Corporate note issue, early termination costs of bank debt and costs related to the acquisition of the Hughes business, (FY17).
(5) Total is Statutory Revenue and Total Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.1 SEGMENT REPORTING (CONTINUED)

Segment Assets and Liabilities

	Segment Assets		Segment Liabilities	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Civil	93,224	54,813	88,031	37,006
Mining	302,435	161,352	125,223	70,580
Drill & Blast	75,427	67,491	29,692	22,493
Unallocated assets	49,101	47,910	4,598	2,414
Consolidated	**520,187**	**331,566**	**247,544**	**132,493**

Information About Major Customers

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

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

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

These are summarised by segment below for the comparative year end 30 June 2017:

	Civil	Mining	Drill & Blast	Total
	$'000	$'000	$'000	$'000
Major customer 1	-	116,189	8,387	124,576
Major customer 2	31,742	55,858	-	87,600
Total for continuing operations	**31,742**	**172,047**	**8,387**	**212,176**

Other Segment Information

	Depreciation and Amortisation		Additions to non-current assets	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Civil	2,539	1,000	1,684	412
Mining	28,083	18,992	88,448	11,988
Action Drill & Blast	6,643	5,757	12,340	15,786
Other	10,940	1,538	805	-
Total for continuing operations	**48,205**	**27,287**	**103,277**	**28,186**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.2 REVENUE

	Consolidated	
	2018	**2017**
	$'000	$'000
Revenue - group and equity accounted joint ventures	754,333	370,297
Equity accounted joint ventures	(68,902)	(25,737)
Revenue	**685,431**	**344,560**

Revenue Recognition

Civil Construction Contracts

Revenue on long term construction contracts is recognised by reference to the stage of completion at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably, and its receipt is considered probable.

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

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

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work or construction work in progress. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work.

Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Mining and Drill & Blast Services

Revenue from the rendering of a service is recognised upon the delivery of the service to customers.

Sale of Goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Refer to note 7.8 for application of AASB 15.

2.3 NET FINANCE EXPENSE

	Consolidated	
	2018	**2017**
	$'000	$'000
Interest income	493	303
Total finance income	**493**	**303**
Interest expense	(6,869)	(5,733)
Total finance expenses	**(6,869)**	**(5,733)**
NET FINANCE EXPENSE	**(6,376)**	**(5,430)**

Interest Income

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

Interest Expense

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

2.4 OTHER EXPENSES

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

	Consolidated	
	2018	**2017**
	$'000	$'000
EMPLOYEE BENEFITS EXPENSE		
Wages and salaries	(181,111)	(107,435)
Superannuation contributions	(13,536)	(8,374)
Share based payments (note 4.7)	(2,179)	(285)
Subtotal	**(196,826)**	**(116,094)**
OTHER GAINS & LOSSES		
Profit on sale of property, plant and equipment	1,938	310
Subtotal	**1,938**	**310**
DEPRECIATION & AMORTISATION		
Depreciation of non-current assets	(37,090)	(26,192)
Amortisation	(11,115)	(1,095)
Subtotal	**(48,205)**	**(27,287)**
PLANT & EQUIPMENT COSTS		
Operating lease payments	(16,639)	(3,186)
Rental hire payments	(27,117)	(11,077)
Owned plant maintenance and operating costs	(56,114)	(45,423)
Subtotal	**(99,870)**	**(59,686)**

NOTES TO THE
FINANCIAL STATEMENTS CONTINUED

3. BALANCE SHEET

3.1 TRADE AND OTHER RECEIVABLES

	Consolidated	
	2018	**2017**
	$'000	$'000
CURRENT RECEIVABLES		
Trade receivables	34,782	28,323
Other receivables	2,614	530
Retentions	439	77
Loans to associates	743	239
Subtotal	**38,578**	**29,169**
Accrued revenue from services contracts	64,579	20,377
Amounts accrued under long term construction contracts	17,542	3,488
Total trade and other receivables	**120,699**	**53,034**

Trade receivables represent value of work completed and invoiced to the client but not yet paid at the balance sheet date. Activity that has been assessed to have been completed but has not yet been invoiced at balance sheet date is recognised as accrued revenue.

The average credit period on trade receivables ranges from 30 to 75 days in most cases. Allowances for doubtful debts are recognised against trade receivables where review of carrying values determines amounts are non-collectable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. No further allowance is deemed to be required in excess of the allowance for doubtful debts.

As at 30 June 2018, the Company has not impaired any trade receivables and expects to collect amounts past due in full.

Age of Receivables That Are Past Due but Not Impaired

	Consolidated	
	2018	**2017**
	$'000	$'000
60-90 days	323	52
90-120 days	175	9
Total	**498**	**61**

These relate to a number of trade receivable balances where for various reasons the payment terms have not been met. These receivables have been assessed to be fully recoverable.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.1 TRADE AND OTHER RECEIVABLES (CONTINUED)

Amounts Due From (to) Customers Under Construction Contracts

	Consolidated	
	2018	2017
	$'000	$'000
CONTRACTS IN PROGRESS		
Construction costs incurred plus recognised profits less recognised losses to date	271,217	311,070
Less: progress billings	(253,675)	(307,582)
Subtotal	**17,542**	**3,488**
Recognised and included in the consolidated financial statements as amounts due:		
from customers under construction contracts	17,542	3,488
Subtotal	**17,542**	**3,488**

The Group accounts for construction contracts in accordance with AASB 111 Construction Contracts. Accounting for construction contracts involves the continuous use of assessed estimates based on a number of detailed assumptions consistent with the project scope and schedule, contract and risk management processes. These contracts may span several accounting periods requiring estimates and assumptions to be updated on a regular basis. Refer to note 7.8 for application of AASB 15.

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

(i) Forecast costs to completion: management regularly update forecast costs at completion in accordance with agreed upon work scope and variations. Forecast costs are based on rates expected to be applied to the related activity to be undertaken.

(ii) Revenues: revenues reflect the contract price agreed in the contract and variations where it is probable that the client will approve those variations or where negotiations are at final stages with the client.

3.2 INVENTORIES

	Consolidated	
	2018	2017
	$'000	$'000
Raw materials and consumables	21,351	13,965
Work in progress	1,126	2,323
Total inventories	**22,477**	**16,288**

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

3.3 INVESTMENT IN ASSOCIATES

	Consolidated	
	2018	2017
	$'000	$'000
Salini Impregilo NRW Joint Venture (SI-NRW JV)	1,773	-
NewGen Drilling Pty Ltd	2,963	3,354
Total investment in associates	**4,736**	**3,354**

3.3 INVESTMENT IN ASSOCIATES (CONTINUED)

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

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

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

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

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

Salini Impregilo NRW Joint Venture (SI-NRW JV)

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

As at 30 June 2018, NRW's share of revenue is $68.9 million (2017: $25.7 million) and share of profit is $1.8 million (2017: $ nil).

NewGen Drilling Pty Ltd

The Group invested in a 20% share purchase in NewGen Drilling Pty Ltd "NewGen". CalEnergy Resources Limited, a subsidiary of Berkshire Hathaway Energy, holds the balance of the shares. The acquisition took place 24 November 2014. NewGen owns a drill rig to service the oil and gas market. Prior to the current financial year, continued weakness in that market has proved challenging for the business. In the financial year ending 30 June 2018 NewGen secured work for the drill in PNG. Costs associated with updates to the rig in order to perform that work were expensed in the year.

NewGen Drilling Pty Ltd

	2018 $'000	2017 $'000
Revenue	3,839	94
Loss for the period after tax	(1,955)	(3,222)
Current assets	1,892	446
Non-current assets	16,878	18,197
Current liabilities	(3,955)	(1,872)
Non-current liabilities	-	-
Net assets	**14,815**	**16,771**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.3 INVESTMENT IN ASSOCIATES (CONTINUED)

Reconciliation and movement in the Group's carrying value of its investment in NewGen Drilling Pty Ltd:

	2018	2017
	$'000	$'000
Opening Cost of the investment in associate	3,354	3,999
Share of loss for the period	(391)	(644)
CLOSING COST OF INVESTMENT IN ASSOCIATE	**2,963**	**3,354**

3.4 PROPERTY, PLANT AND EQUIPMENT

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

	Land	Buildings	Leasehold improvements	Plant and equipment	Total
	$'000	$'000	$'000	$'000	$'000
COST					
Balance as at 30 June 2016	**3,218**	**6,514**	**1,431**	**498,982**	**510,144**
Acquisitions through business combinations (note 7.5)	-	-	-	12,276	12,276
Additions	-	-	-	15,909	15,909
Disposals	-	-	-	(24,192)	(24,192)
Balance as at 30 June 2017	**3,218**	**6,514**	**1,431**	**502,974**	**514,137**
Acquisitions through business combinations (note 7.5)	-	-	325	27,844	28,169
Additions	-	218	-	45,753	45,971
Disposals	-	-	(76)	(21,475)	(21,551)
Balance as at 30 June 2018	**3,218**	**6,732**	**1,680**	**555,096**	**566,726**
DEPRECIATION & IMPAIRMENT					
Balance as at 30 June 2016	**1,000**	**4,645**	**1,269**	**330,554**	**337,470**
Depreciation and amortisation expense	-	323	162	25,707	26,192
Disposals	-	-	-	(23,607)	(23,607)
Balance as at 30 June 2017	**1,000**	**4,969**	**1,431**	**332,656**	**340,055**
Depreciation and amortisation expense	-	284	122	36,684	37,090
Disposals	-	-	(66)	(19,857)	(19,923)
Balance as at 30 June 2018	**1,000**	**5,253**	**1,487**	**349,483**	**357,223**
CARRYING VALUES					
At 30 June 2017	**2,218**	**1,545**	**-**	**170,318**	**174,081**
At 30 June 2018	**2,218**	**1,479**	**193**	**205,613**	**209,503**

3.4 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 as follows:

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

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

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

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

3.5 INTANGIBLE ASSETS

Intangibles held by the Group include:

	Software and System Development	Licences	Brand Name	Customer Relationships	Total
	$'000	$'000	$'000	$'000	$'000
COST					
Balance as at 30 June 2016	**19,813**	**1,453**	**-**	**-**	**21,267**
Additions	-	-	-	-	-
Balance as at 30 June 2017	**19,813**	**1,453**	**-**	**-**	**21,267**
Assets recognised on business combinations (note 7.5)	1,329	-	8,916	18,892	29,137
Balance as at 30 June 2018	**21,142**	**1,453**	**8,916**	**18,892**	**50,404**
AMORTISATION & IMPAIRMENT					
Balance as at 30 June 2016	**16,969**	**1,440**	**-**	**-**	**18,409**
Amortisation expense (note 2.4)	1,090	5	-	-	1,095
Balance as at 30 June 2017	**18,059**	**1,445**	**-**	**-**	**19,504**
Amortisation expense (note 2.4)	1,495	5	-	9,615	11,115
Balance as at 30 June 2018	**19,554**	**1,450**	**-**	**9,615**	**30,619**
CARRYING VALUES					
At 30 June 2017	1,755	8	-	-	1,763
At 30 June 2018	1,589	3	8,916	9,277	19,785

Brand Names

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

Customer Relationships

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

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.

3.6 GOODWILL

Goodwill held by the Group include:

	2018	2017
	$'000	$'000
Gross carrying amount		
Balance at beginning of the period	-	-
Amounts recognised from business combinations occurring during the period (note 7.5)	40,103	-
Balance at end of the period	**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. For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (CGU) that are expected to benefit from the synergies of the combination that could not otherwise be separately identified.

Goodwill is allocated to the CGUs representing the Company's operating segments and accordingly has been allocated to Golding civil, mining and urban. Goodwill is not amortised but is mandatorily tested annually or more frequently whenever there is the presence of other indicators of impairment.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the Consolidated Statement of Profit or Loss and Comprehensive Income. An impairment loss recognised for goodwill is not 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

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

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

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

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

Cash Generating Units (CGU's)

As at 30 June 2018, the Company performed the relevant impairment testing of its cash-generating units. The Company was satisfied that the recoverable values were sufficiently in excess of their carrying values at reporting date. This conclusion was supported having applied a sensitivity analysis on the assumptions used in determining the recoverable values.

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

The assumptions used in this assessment and sensitivity analysis thereafter are provided on the following page.

3.6 GOODWILL (CONTINUED)

Value in Use Assumptions

EBIT and growth

The value in use assessments for all CGU's were based on Board approved budgets for the year ended 30 June 2019. Growth assumptions thereafter are 3% (2017: 5-10%) per annum for each future year. The terminal value assumes perpetual growth of 3% (2017: 3%).

Discount rate

A pre-tax discount rate of 13.6% (2017: 16.4%) which includes a risk margin was applied to the cash flows within each of the CGU's.

Working capital and capital expenditure

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

Capital expenditure forecasts were based on levels considered appropriate to maintain current operating activities also considering the opportunity to improve output on currently under-utilised equipment. In the medium term, capital expenditure assumes replacement of equipment in the later years of the plan and has been assessed in line with the level of forecast depreciation.

Key Accounting Judgments and Estimates

Sensitivity Analysis

The Company undertook sensitivity analysis with regard to the future years' growth rates, adjusting to a range of 1-2% (year-on-year) growth per annum. Terminal value growth rates have been sensitised to 2.0% and the discount rate increased to 15.0%. Individually, these sensitivities did not result in recoverable values lower than the carrying value of the CGUs as at 30 June 2018 with the exception of the ADB CGU.

Assuming no changes to the key assumptions used in the underlying cashflow forecasts that underpin the recoverable value assessment of the ADB CGU, the discount rate would need to increase to 14.5% for the recoverable value to be lower than the carrying value. Similarly the terminal growth rate could be reduced to 2% perpetual growth per annum before the recoverable amount is lower than the carrying value.

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

3.7 TRADE AND OTHER PAYABLES

	Consolidated	
	2018	**2017**
	$'000	$'000
CURRENT PAYABLES		
Trade payables	78,894	28,505
Goods and service tax	3,505	1,702
Other payables	4,796	1,377
Accruals	40,535	20,442
Total trade and other payables	**127,730**	**52,026**

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

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

3.8 PROVISIONS

	Consolidated			
	Onerous lease & contracts	Warranty & other	Employee benefits	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2017	**1,428**	**3,440**	**11,988**	**16,856**
Add: Provisions in Golding opening balance sheet	9,552	-	6,846	16,398
Provisions made during the year	125	135	19,691	19,951
Provisions applied	(7,164)	(3,352)	(17,305)	(27,821)
Balance at 30 June 2018	**3,941**	**223**	**21,220**	**25,384**
Short-term provisions	3,130	185	16,851	20,166
Long-term provisions	811	38	4,369	5,218
Total balance at 30 June 2018	**3,941**	**223**	**21,220**	**25,384**

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

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

The provision for employee benefits represents annual leave and long service leave entitlements accrued and compensation claims made by employees.

Employee Benefits

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

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

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

Employee Entitlements

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

4. CAPITAL STRUCTURE

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

Gearing Ratio

The Board meets regularly to determine the level of borrowings and shareholder funding required to appropriately support business operations. The gearing ratio is a function of the capital structure, dividends and movements in debt. The gearing ratio was calculated at 30 June 2018 as:

	Consolidated	
	2018	**2017**
	$'000	$'000
Borrowings (note 5.3)	93,212	63,099
Cash	(58,846)	(42,264)
Net Debt	**34,366**	**20,835**
Total equity	272,643	199,073
Net Debt to Equity Ratio	**12.6%**	**10.5%**

4.1 FINANCIAL INSTRUMENTS

Financial Risk Management

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

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

Capital Risk Management

The capital structure of the Group comprises of debt (borrowings), cash and cash equivalents, and equity. A significant portion of the debt funding was established through NRW Corporate Notes issued on 19 December 2016 to acquire assets utilised in the operations of Civil, Mining and Action Drill & Blast. A $48 million Golding Debt Facility was established in August 2017 to partially fund the acquisition of the Golding Group (note 7.5).

The cash position is reviewed regularly and the Group had access to an interchangeable working capital facility (overdraft) as at 30 June 2018, as disclosed at note 5.3.

Interest Rate Risk Management

Principal and interest payments under the NRW Corporate Notes and Golding Debt Facility are made quarterly. The term of the NRW Corporate Notes is to expire December 2020 and the Golding Debt Facility in August 2020. The Board continues to review its risk associated with any covenants and borrowing conditions on a regular basis.

The largest portion of the borrowings is the NRW Corporate Notes, at a fixed interest rate of 7.5% per annum. Consequently, the exposure to market rate volatility is 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.

4.1 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk Management

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

Consolidated interest and liquidity analysis 2018

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

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

Consolidated interest and liquidity analysis 2017

	Effective interest rate	Total	0 to 30 days	31 days to < 1 year	1 to 5 yrs	> 5yrs
		$'000	$'000	$'000	$'000	$'000
FINANCIAL ASSETS						
Cash and cash equivalents	1.5%	42,264	42,264	-	-	-
Trade and other receivables	-	53,034	25,892	27,142	-	-
Subtotal		**95,298**	**68,156**	**27,142**	**-**	**-**
FINANCIAL LIABILITIES						
Corporate notes	7.5%	66,358	-	20,418	45,940	-
Asset financing	5.7%	615	28	346	241	-
Trade and other payables	-	52,026	18,139	33,184	704	-
Subtotal		**118,999**	**18,167**	**53,948**	**46,885**	**-**

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

4.1 FINANCIAL INSTRUMENTS (CONTINUED)

Foreign Exchange and Currency Exposure

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

The cash balances held in Guinea at 30 June 2018 (at spot) was $4,752 AUD (2017: $13,767 AUD).

Credit Risk

The primary credit risk faced by the Group is the failure of customers to pay their obligations as and when they fall due. Trade and other receivables payment terms are primarily 30 to 60 days. Cash retentions are low as clients require bonds and bank guarantees.

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

Bank guarantees at 30 June 2018 total $4.9 million (2017: $8.4 million) and contract guarantees provided by the insurance market total $29.8 million (2017: $3.0 million).

Fair Value of Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

4.1 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.1 FINANCIAL INSTRUMENTS (CONTINUED)

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.2 ISSUED CAPITAL

Fully Paid Ordinary Shares

	Consolidated	
	2018	**2017**
	$'000	$'000
ORDINARY SHARES		
370,618,080 fully paid ordinary shares (2017: 321,775,556)	206,126	176,901

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		
	2018	**2018**	**2017**	**2017**
	# No. '000	$'000	# No. '000	$'000
FULLY PAID ORDINARY SHARES				
Balance at the beginning of the financial year	**321,776**	**176,901**	278,877	156,432
Capital raising at $0.49 share	-	-	41,833	20,497
Capital raising at $0.69 share	36,800	25,024	-	-
Share issue under share purchase plan at $0.68 share	7,352	5,000	-	-
Share issue costs net of tax	-	(1,142)	-	(784)
Income tax related to share issue costs	-	343	-	235
Issue of shares to executives	4,689	-	1,066	523
Issue of shares to employees	-	-	-	21
Acquisition of treasury shares	-	-	-	(23)
Balance at the end of the period	**370,618**	**206,126**	**321,776**	**176,901**

The Company has on issue a total of 370,628,872 (2017: 321,786,348) ordinary shares, of which 10,792 (2017: 10,792) shares are held by subsidiaries of the Company and eliminated on consolidation.

4.3 RESERVES

	Consolidated	
	2018	2017
	$'000	$'000
Share based payment reserve	5,549	3,370
Foreign currency reserve	(208)	(208)
Total reserves	**5,341**	**3,162**

Share Based Payment Reserve

	Consolidated	
	2018	2017
	$'000	$'000
Balance at the beginning of the financial year	3,370	3,085
Share based payments	2,179	285
Balance at the end of the financial year	**5,549**	**3,370**

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

4.4 RETAINED EARNINGS / (ACCUMULATED LOSSES)

	Consolidated	
	2018	2017
	$'000	$'000
Balance at the beginning of the financial year	19,010	(9,519)
Net profit attributable to members of the parent entity	42,166	28,527
Balance at the end of the financial year	**61,176**	**19,010**

4.5 DIVIDENDS

The Directors have declared a dividend for the current financial year of 2 cents per share. The dividend which will be fully franked will be paid on 6 November 2018.

Franking Account

	Consolidated	
	2018	**2017**
	$'000	$'000
Franking account balance at 1 July	**39,007**	**39,007**
Australian income tax paid	907	-
Franking account balance at 30 June	**39,914**	**39,007**
Franking credits that will attach to the payment of fully franked dividends declared but not paid as at reporting date	(3,177)	-
Franking credits that will arise from the payment of income tax payable as at reporting date	1,217	511
Net franking credits available	**37,954**	**39,518**

4.6 EARNINGS PER SHARE

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

	Consolidated	
	2018	**2017**
	$'000	$'000
Profit for the year	42,166	28,527
Weighted average number of shares for the purposes of basic earnings per share (000's)	**362,271**	**311,771**
Basic earnings per share	11.6 cents per share	9.1 cents per share
Shares deemed to be issued for no consideration in respect of:		
– Performance rights (000's)	8,228	5,910
Weighted average number of shares used for the purposes of diluted earnings per share (000's)	**370,499**	**317,681**
Diluted earnings per share	11.4 cents per share	9.0 cents per share

Basic Earnings Per Share

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

Diluted Earnings Per Share

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

4.7 SHARE BASED PAYMENTS

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

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

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

Upon the exercise of performance rights, the balance of the share−based payments reserve relating to those performance rights is transferred to issued capital and the proceeds received, net of any directly attributable transaction costs, are credited to issued capital. The Group measures the cost of equity settled transactions with key management personnel at the fair value of the equity instruments at the date at which they are granted. Fair value is determined using valuation methods detailed in the remuneration report.

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

Scheme ID	Risk Free Interest Rate	Share Price Volatility	Dividend Yield	Value (cents per share)
A	1.75%	60.0%	0.0%	Nil
B	1.75%	60.0%	0.0%	Nil
C	1.78%	120.0%	0.0%	8.50
D	1.78%	120.0%	0.0%	16.60
E	1.71%	78.8%	10.2%	33.00
F	1.80%	114.9%	10.2%	38.50
G	1.96%	103.2%	10.2%	34.00
H	1.71%	68.0%	10.2%	17.60
I	1.80%	110.6%	10.2%	37.90
J	1.80%	112.8%	10.2%	41.20

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. The expected volatility of each company in the peer group is determined based on the historic volatility of the companies' share prices. In making this assumption, two years of historic volatility was used.

4.7 SHARE BASED PAYMENTS (CONTINUED)

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

Name / Scheme	Scheme ID	Allocation Date	Vesting Date	Balance of Unvested Equity Awards as at 1 July 2017	Granted	Vested in FY 18	Balance of Unvested Equity Awards as at 30 June 2018	Fair Value Per Security	Fair Value at Grant Date	Share Based Payments Expense FY18
				Number of Rights	Number of Rights	Number of Rights	Number of Rights	Cents	$	$
J Pemberton										
2016 Tranche 1	A	1/02/2016	30/11/2017	750,000	-	(750,000)	-	Nil	Nil	Nil
2016 Tranche 2	B	1/02/2016	30/11/2017	750,000	-	(750,000)	-	Nil	Nil	Nil
2017 Tranche 1	C	1/07/2016	30/11/2017	1,333,333	-	(1,333,333)	-	8.50	113,333	Nil
2017 Tranche 2	D	1/07/2016	30/11/2018	975,610	-	-	975,610	16.60	161,951	92,544
2018 Tranche 1	E	4/12/2017	30/11/2018	-	2,137,500	-	2,137,500	33.00	705,375	529,031
2018 Tranche 2	F	4/12/2017	30/11/2019	-	2,137,500	-	2,137,500	38.50	822,938	352,688
2018 Tranche 3	G	4/12/2017	30/11/2020	-	2,137,500	-	2,137,500	34.00	726,750	218,025
2018 Golding Tranche 1 Y1	H	4/12/2017	30/08/2018	-	625,500	-	625,500	17.60	110,088	94,361
2018 Scheme Golding Tranche 1 Y2	I	4/12/2017	30/08/2019	-	625,500	-	625,500	37.90	237,065	109,414
Total				**3,808,943**	**7,663,500**	**(2,833,333)**	**8,639,110**		**2,877,500**	**1,396,063**
A Walsh										
2016 Tranche 1	A	1/02/2016	30/11/2017	556,875	-	(556,875)	-	Nil	Nil	Nil
2016 Tranche 2	B	1/02/2016	30/11/2017	556,875	-	(556,875)	-	Nil	Nil	Nil
2017 Tranche 1	C	1/07/2016	30/11/2017	742,500	-	(742,500)	-	8.50	63,113	Nil
2017 Tranche 2	D	1/07/2016	30/11/2018	543,293	-	-	543,293	16.60	90,187	51,535
2018 Tranche 1	E	4/12/2017	30/11/2018	-	700,000	-	700,000	33.00	231,000	173,250
2018 Tranche 2	F	4/12/2017	30/11/2019	-	700,000	-	700,000	38.50	269,500	115,500
2018 Tranche 3	G	4/12/2017	30/11/2020	-	700,000	-	700,000	34.00	238,000	71,400
2018 Golding Tranche 1 Y1	H	4/12/2017	30/08/2018	-	281,250	-	281,250	17.60	49,500	42,429
2018 Golding Tranche 1 Y2	I	4/12/2017	30/08/2019	-	281,250	-	281,250	37.90	106,594	49,197
Total				**2,399,543**	**2,662,500**	**(1,856,250)**	**3,205,793**		**1,047,894**	**503,311**
E Buratto										
2018 Scheme	J	4/12/2017	30/11/2019	-	288,000	-	288,000	41.20	118,656	59,328
G Caton										
2018 Scheme	J	4/12/2017	30/11/2019	-	357,798	-	357,798	41.20	147,413	68,037
D Donjerkovich										
2018 Scheme	J	4/12/2017	30/11/2019	-	144,272	-	144,272	41.20	59,440	27,434
M Gloyne										
2018 Scheme	J	4/12/2017	30/11/2019	-	146,789	-	146,789	41.20	60,477	27,912
Non KMP										
2018 Scheme	J	4/12/2017	30/11/2019	-	510,119	-	510,119	41.20	210,169	97,001
TOTAL				**6,208,486**	**11,772,978**	**(4,689,583)**	**13,291,881**		**4,521,549**	**2,179,086**

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	
	2018	**2017**
	$'000	$'000
PROFIT FOR THE PERIOD	**42,166**	**28,527**
Adjustments for:		
Gain on sale of property, plant and equipment	(1,938)	(310)
Depreciation and amortisation	48,204	27,287
Debt issue cost paid in advance	-	2,100
Share of gain/(loss) from associates	(1,382)	644
Share based payment expense	2,179	285
Issue of shares to executive management	-	543
Tax effect of share issue costs recognised in equity	343	235
Net cash generated before movement in working capital	**89,572**	**59,311**
Change in trade and other receivables	(32,423)	(17,634)
Change in inventories	(3,981)	250
Change in other assets	2,078	(1,574)
Change in trade and other payables	34,725	7,622
Change in provisions and employee benefits	(7,869)	7,117
Change in provision for income tax	(905)	512
Change in deferred tax balances	(6,438)	(8,544)
Net cash from operating activities	**74,759**	**47,060**

Note: EBITDA ($93.5 million) is profit for the period ($42.2 million) add back depreciation and amortisation ($48.2 million), net interest ($6.4 million) and transaction costs ($2.8 million) less the tax credit ($6.1 million).

5.2 GUARANTEES

	Consolidated	
	2018	**2017**
	$'000	$'000
Bank guarantees	4,919	8,432
Insurance bonds	29,831	2,971
Balance at the end of the financial year	**34,750**	**11,403**

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

Claims

Certain claims arising out of construction contracts have been made by or against certain controlled entities in the ordinary course of business, some of which involve litigation or arbitration. It is considered that the outcome of these claims will not have a materially adverse impact on the financial position of the consolidated entity.

5.3 BORROWINGS

On 30 August 2017, the Company agreed a $48 million debt facility with its lead banker to be used to finance the acquisition of Golding. The debt is fully repayable over 3 years on a quarterly basis with interest payable at a variable rate linked to the prevailing 90-day BBSY rate at the commencement of each quarter. This facility is secured over the assets of Golding Group.

In the previous financial year, the Group issued 70,000 Corporate Notes with a coupon rate of 7.5% per annum, at $70.0 million principal value. Fixed repayments of $5.1 million are payable quarterly over 4 years, with the final payment due December 2020. The notes are secured over specific fixed assets of the Group.

Borrowing costs in relation to the issue of secured corporate notes have been capitalised to other current assets on the statement of financial position. These costs are amortised equally over the 4 year term of the bonds.

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 2019.

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

The group borrowings are comprised of:

	Consolidated	
	2018	**2017**
	$'000	$'000
SECURED AT AMORTISED COST		
Current		
Corporate notes	17,543	16,331
Golding acquisition loan	16,164	-
Finance lease liability	2,554	374
Other	660	-
Total current borrowings	**36,921**	**16,705**
Non-current		
Corporate notes	28,713	46,153
Golding acquisition loan	20,000	-
Finance lease liability	7,578	241
Total non-current borrowings	**56,291**	**46,394**
GROUP TOTAL BORROWINGS	**93,212**	**63,099**

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

5.3 BORROWINGS (CONTINUED)

Borrowings Movement Reconciliation

Finance Description	Opening Balance 1 Jul 17	Proceeds from borrowings	Repayments of borrowings	Acquired Golding Debt	Interest Accrued	Closing balance 30 Jun 18
	$'000	$'000	$'000	$'000	$'000	$'000
Corporate notes	62,484	-	(16,191)	-	(37)	46,256
Golding acquisition	-	48,000	(12,000)	-	164	36,164
Asset financing	615	10,188	(452)	-	(219)	10,132
Other	-	4,443	(6,233)	2,358	92	660
Total	**63,099**	**62,631**	**(34,877)**	**2,358**	**-**	**93,212**

Finance Facilities

Consolidated finance facilities as at 30 June 2018

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

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

Consolidated finance facilities as at 30 June 2017

Finance Description	Face Vale (limit)	Carrying Amount (utilised)	Unutilised Amount
	$'000	$'000	$'000
Corporate notes	62,484	62,484	-
Asset financing(1)	615	615	-
Guarantees and insurance bonds(2)	62,500	11,403	51,097

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

5.3 BORROWINGS (CONTINUED)

Finance Leases as Lessee

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

	Minimum future lease payments		Present value of minimum future lease payments	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Not later than one year	3,180	398	2,555	374
Later than one year and not later than five years	8,440	247	7,577	241
Later than five years	-	-	-	-
Minimum future lease payments	**11,620**	**645**	**10,132**	**615**
Less future finance charges	(1,488)	(30)	-	-
Present value of minimum lease payments	**10,132**	**615**	**10,132**	**615**

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.91% to 9.5% (2017: 3.94% to 6.25%).

Finance Leases

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

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

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

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

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

5.4 CAPITAL AND OTHER COMMITMENTS

As at 30 June 2018 the Group has capital and other commitments totalling $13.7 million (2017: $1.3 million).

5.5 OPERATING LEASES

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

	Consolidated	
	2018	**2017**
	$'000	$'000
Less than one year	15,386	4,150
Between one and five years	36,813	4,002
More than five years	4,266	-
Total operating and property leases	**56,465**	**8,152**

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

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

Operating Leases

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

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

6. TAXATION

6.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

	Consolidated	
	2018	2017
	$'000	$'000
CURRENT TAX EXPENSE		
Current year income tax	-	-
Adjustments for prior years income tax	-	511
Subtotal	-	**511**
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences	13,072	4,245
Deferred tax assets brought to account	(19,163)	(9,756)
Total income tax benefit	**(6,091)**	**(5,000)**

6.2 RECONCILIATION OF EFFECTIVE TAX RATE

	Consolidated	
	2018	2017
	$'000	$'000
Profit before tax for the period	36,075	23,527
INCOME TAX USING THE COMPANY'S DOMESTIC TAX RATE OF 30%	**10,823**	**7,058**
Changes in income tax expense due to:		
Effect of expenses that are not deductible in determining taxable profit	512	525
Adjustments recognised in the current year in relation to the effect of tax consolidation in prior years	1,838	(2,777)
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)	(100)	(50)
Deferred tax assets brought to account	(19,163)	(9,756)
Total income tax benefit	**(6,091)**	**(5,000)**

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

Relevance of Tax Consolidation to the Group

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

6.2 RECONCILIATION OF EFFECTIVE TAX RATE (CONTINUED)

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

Nature of Tax Funding Arrangements and Tax Sharing Agreements

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

Goods and Services

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

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

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

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

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

6.3 CURRENT AND DEFERRED TAX BALANCES

Current Tax Liabilities

	Consolidated	
	2018	**2017**
	$'000	$'000
Income tax payable (1)	1,218	511
Total	**1,218**	**511**

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

6.3 CURRENT AND DEFERRED TAX BALANCES (CONTINUED)

Deferred Tax Balances

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Share based payments	341	341	-	-	341	341
Costs of equity raising FY17/18	415	301	-	-	415	301
Provisions	6,845	5,452	(8)	(152)	6,837	5,300
Work in progress (construction)	606	606	(12,427)	-	(11,821)	606
Inventories	1,125	-	(2,730)	(3,030)	(1,605)	(3,030)
Intangible Assets	-	-	(5,459)	-	(5,459)	-
PP&E	1,906	409	(19,086)	(8,823)	(17,180)	(8,414)
Other creditors and accruals	191	849	-	-	191	849
Other assets	286	464	(237)	(367)	49	97
Losses	67,679	40,219	-	-	67,679	40,219
Deferred tax assets / (liabilities)	**79,394**	**48,641**	**(39,947)**	**(12,372)**	**39,447**	**36,270**

Movement of Deferred Tax Balances

	Consolidated	
	2018	2017
	$'000	$'000
DEFERRED TAX EXPENSE		
Recognised in profit or loss	6,095	5,512
Recognised directly in equity	343	235
Balance acquired through business combinations	(3,261)	2,797
Total	**3,177**	**8,544**

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

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

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

6.3 CURRENT AND DEFERRED TAX BALANCES (CONTINUED)

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

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

Unrecognised Deferred Tax Balances

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

	Consolidated	
	2018	2017
	$'000	$'000
Tax losses (revenue in nature)	2,750	21,913

Key Accounting Judgments and Estimates

Recoverability of deferred tax asset

The recoverability of the Group's deferred tax balances is recognised only when the Group considers it is probable that future taxable amounts will be derived to utilise those losses and associated deferred tax benefits. The deferred tax asset recognised in these accounts is based on the same underlying forecasts and same assumptions used in the CGU value in use assessments.

7. OTHER NOTES

7.1 SUBSIDIARIES

Parent entity	Principal Activities	Country of incorporation	Ownership interest 2018	Ownership interest 2017
NRW Holdings Limited	Holding company	Australia	-	-
WHOLLY OWNED SUBSIDIARIES				
NRW Pty Ltd as trustee for NRW Unit Trust	NRW Civil & Mining	Australia	100%	100%
Actionblast Pty Ltd	AES Equipment Solutions	Australia	100%	100%
NRW Mining Pty Ltd	Investment Shell	Australia	100%	100%
NRW Intermediate Holdings Pty Ltd	Intermediary	Australia	100%	100%
ACN 107724274 Pty Ltd	Plant and Tyre Sales	Australia	100%	100%
NRW Guinea SARL	Contract Services	Guinea	100%	100%
Indigenous Mining & Exploration Company Pty Ltd	Investment Shell	Australia	100%	100%
NRW International Holdings Pty Ltd	Investment Shell	Australia	100%	100%
Action Drill & Blast Pty Ltd (formerly NRW Drill & Blast Pty Ltd)	Action Drill & Blast	Australia	100%	100%
Hughes Drilling 1 Pty Ltd	Action Drill & Blast	Australia	100%	100%
Golding Group Pty Ltd (note 7.5)	Golding Holding Company	Australia	100%	-
Golding Finance Pty Ltd	Dormant	Australia	100%	-
Golding Employee Equity Pty Ltd	Dormant	Australia	100%	-
Golding Contractors Pty Ltd	Golding Civil, Mining & Urban	Australia	100%	-

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

7.1 SUBSIDIARIES (CONTINUED)

Deed of Cross Guarantees

Pursuant to ASIC Class Order 98/1418 (as amended) dated 22 June 2011, the wholly-owned subsidiaries listed in note 7.1 as parties to the Deed of Cross Guarantee are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of Financial Reports and Directors' Reports. It should be noted that by deed of assumption, the following entities joined the existing Deed of Cross Guarantee on 26 June 2018:

- Golding Group Pty Ltd
- Golding Finance Pty Ltd
- Golding Employee Equity Pty Ltd
- Golding Contractors Pty Ltd

NRW Guinea SARL is a wholly owned subsidiary of NRW Holdings Limited and is incorporated in the Republique of Guinea (West Africa) and not part of the above deed of cross guarantee arrangements.

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

	Consolidated	
	2018	**2017**
	$'000	$'000
STATEMENT OF COMPREHENSIVE INCOME		
Revenue	685,431	344,560
Finance income	493	303
Finance costs	(6,869)	(5,733)
Share of loss in associate	1,382	(644)
Materials and consumables used	(116,374)	(48,112)
Employee benefits expense	(196,826)	(116,094)
Subcontractor costs	(176,235)	(60,809)
Depreciation and amortisation expenses	(48,205)	(27,287)
Plant and equipment costs	(99,870)	(59,686)
Other expenses	(6,852)	(2,971)
Profit before income tax	**36,075**	**23,527**
Income tax expense	6,091	5,000
Profit for the year	**42,166**	**28,527**

	Consolidated	
	2018	**2017**
	$'000	$'000
OTHER COMPREHENSIVE INCOME		
Total comprehensive income for the year	**42,166**	**28,527**

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	
	2018	2017
	$'000	$'000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets		
Cash and cash equivalents	58,841	42,250
Trade and other receivables	120,699	53,034
Inventories	22,477	16,288
Other current assets	4,666	4,511
Total current assets	**206,683**	**116,084**
Non-current assets		
Investment in associates	4,736	3,354
Property, plant and equipment	209,429	174,081
Intangibles	19,785	1,763
Goodwill	40,103	-
Deferred tax assets	39,447	36,270
Financial assets	-	3
Total non-current assets	**313,500**	**215,471**
Total assets	**520,183**	**331,555**
LIABILITIES		
Current liabilities		
Trade and other payables	127,764	52,052
Borrowings	36,921	16,705
Current tax liabilities	1,218	511
Provisions	20,166	13,964
Total current liabilities	**186,069**	**83,231**
Non-current liabilities		
Borrowings	56,291	46,395
Provisions	5,218	2,892
Total non-current liabilities	**61,509**	**49,287**
Total liabilities	**247,578**	**132,518**
Net assets	**272,605**	**199,037**
EQUITY		
Issued capital	206,123	176,901
Reserves	5,549	3,370
Retained earnings / (Accumulated losses)	60,933	18,766
Total equity	**272,605**	**199,037**

7.1 SUBSIDIARIES (CONTINUED)

Changes in the Group's Ownership Interests in Existing Subsidiaries

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

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

7.2 UNINCORPORATED JOINT OPERATIONS

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

Name of Operation	Principal Activity	Group Interest	
		2018	2017
NRW-NYFL Joint Venture	Bulk Earthworks construction - Nammuldi Waste Fines Tails Dam wall - completed	85%	85%
NRW-Eastern Guruma Joint Venture	Construction of the HME Overpass and the Silvergrass Access Roads - completed	50%	50%
City East Alliance	Upgrade of Great Eastern Highway – completed	15%	15%
NRW Njamal ICRG Joint Venture	Bulk Earthworks and services for the Iron Bridge (North Star Magnetite Project) - completed	50%	50%
ADB Guma ICRG Joint Venture	Production Blast Hole Drilling Services – completed	75%	75%
NRW Eastern Guruma Wirlu-Murra Enterprises Joint Venture	Construction of a tailings dam - completed	50%	50%

There has been no change in the Group's ownership or voting interests for the reported years.

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	
	2018	2017
	$'000	$'000
STATEMENT OF FINANCIAL PERFORMANCE		
Income	15,988	14,575
Expenses	(16,586)	(13,420)
STATEMENT OF FINANCIAL POSITION		
Current assets	1,451	1,440
Current liabilities	1,461	991

7.2 UNINCORPORATED JOINT OPERATIONS (CONTINUED)

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

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

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

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

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

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

7.3 RELATED PARTIES

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

Trading Summary

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

Related Party Outstanding Balances

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

7.4 PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2018 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.

7.4 PARENT ENTITY INFORMATION (CONTINUED)

Financial Position

	Parent	
	2018	2017
	$'000	$'000
ASSETS		
Current assets	182,487	133,888
Non-current assets	94,420	78,521
Total assets	**276,907**	**212,409**
LIABILITIES		
Current liabilities	18,127	17,691
Non-current liabilities	28,713	46,153
Total liabilities	**46,840**	**63,844**
EQUITY		
Contributed equity	206,149	176,925
Retained earnings/(accumulated losses)	18,646	(31,453)
RESERVES		
Share based payment reserve	5,272	3,093
Total equity	**230,067**	**148,565**

Financial Performance

	Parent	
	2018	2017
	$'000	$'000
Profit for the year	50,098	12,946
Total comprehensive income	**50,098**	**12,946**

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

	Parent	
	2018	2017
	$'000	$'000
Finance leases	10,132	615
Total	**10,132**	**615**

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

7.5 BUSINESS COMBINATIONS

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

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

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

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

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.

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

The principal activities of Golding include:

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

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

7.5 BUSINESS COMBINATIONS (CONTINUED)

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

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

b) Goodwill Arising on Acquisition

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

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

7.5 BUSINESS COMBINATIONS (CONTINUED)

c) Net Cash Outflow on Acquisition

	$000's
Consideration paid in cash	85,000
Less cash and cash equivalents acquired	(13,096)
Net cash outflow on acquisition	**71,904**
Add debt assumed	2,358
Net financing on acquisition	**74,262**

d) Impact of Acquisition on the Results of the Group

Had the acquisition of Golding been effected at 1 July 2017, the revenue of NRW from continuing operations for the period ended 30 June 2018 would have been $751.2 million excluding any adjustment for intercompany transactions which were at 'arms length' in the period NRW did not control Golding. Net Earnings for the same period would have been $47.4 million excluding any incremental amortisation of Intangible assets which has not been assessed for the period NRW did not control Golding and based on internal assessments of tax liabilities by Golding management.

The results for Golding in the ten month period since acquisition are Revenues of $319.6 million. Net Earnings for the ten months post acquisition have been assessed at $12.7 million which includes amortisation arising on the transaction, interest costs of the loan relating to the acquisition and an effective tax rate of 30% as Golding had no carry forward losses on acquisition.

7.6 AUDITORS REMUNERATION

	Consolidated	
	2018	**2017**
	$	$
AUDIT SERVICES		
Auditors of the Company		
Deloitte Touche Tohmatsu	396,000	251,000
OTHER SERVICES		
Coal levy audits	18,000	12,000
Accounting services related to Golding acquisition	32,500	60,000
Total	**446,500**	**323,000**

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 dividend for the current financial year of two cents per share. This will be the first dividend paid since October 2014. In assessing the quantum of the dividend to be paid, the Directors have reviewed the liquidity profile of the Company over the financial year ending 30 June 2019. The dividend which will be fully franked will be paid on the 4 November 2018.

7.8 CHANGES TO ACCOUNTING POLICIES

Adoption of New and Revised Accounting Standards and Interpretations

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

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

Standard/Interpretation	
IAS 7	Amendments to IAS 7 - Disclose Initiative
IAS 12	Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Group's liabilities arising from financing activities consist of borrowings (note 5.3). A reconciliation between the opening and closing balances of these items is provided in note 5.3. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 5.3, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Standards and Interpretations in Issue Not Yet Adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'	1 January 2018	30 June 2019
Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	Date to be determined	Date to be determined

AASB 9 'Financial Instruments'

AASB 9 Financial Instruments (revised December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139. The Group does not intend to early adopt the standard.

Retrospective application is required with some exceptions. Restatement of comparatives is not required, however, the comparative period can be restated if it can be done so without the use of hindsight.

7.8 CHANGES TO ACCOUNTING POLICIES (CONTINUED)

The Group has undertaken an assessment of the classification, measurement and disclosure impacts and has determined that the new standard will have no significant or material impacts on the information otherwise presented in this Annual Report upon application of AASB 9.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related Interpretations when it becomes mandatory for periods beginning on or after 1 January 2018. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer. Under AASB 15, revenue is required to be allocated to each performance obligation and recognised as the performance obligations have been achieved which can be at a point in time or over time.

The Group has commenced a coordinated review with the different business segments and their project teams to assess the potential impacts of the new standard on the Group's results and disclosures. It should be noted that the majority of Group revenue is comprised of:

- construction contracts for delivering private and public sector civil infrastructure projects
- contracts for mining services, including mine development, contract mining, waste stripping and ore haulage
- contracts for providing drill and blast services to the mining and civil infrastructure sectors

Current contract accounting for the above requires significant judgments and estimates in determining the impact of certain events on the recognition and timing of revenue, such as the assessment of the probability of customer approval of variations and acceptance of claims, estimation of project completion date and assumed levels of project execution, project risk and productivity.

Construction contracts

Upon detailed review of the current portfolio of construction contracts, NRW management have determined that the contractual terms and the way in which the Group manages these contracts, indicate that contract price is predominantly derived from one substantial performance obligation for each contract.

Contracted revenue will continue to be recognised over time as it is now, giving weight to the fact that the customer controls the output during the course of construction by the Group. Furthermore, NRW considers that the input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under AASB 15.

The new standard also provides new requirements for variable consideration such as incentives, as well as accounting for claims and variations as contract modifications which all require a higher threshold of probability for recognition. Revenue is currently recognised when it is probable that work performed will result in revenue whereas under the new standard, revenue is only recognised when it is highly probable that a significant reversal of revenue will not occur for these modifications. Current assessments of such variable consideration, claims and contract modifications would not result in a material change to revenue of the Group due to the higher degree of probability already assessed.

Mining services and drill and blast services contracts

Revenue from mining services contracts and drill and blast services contracts is predominantly recognised on the basis of the value of work completed. There are several stages in mine development and production that are dependent on the contract terms which could represent separate performance obligations. Under AASB 15, revenue is required to be allocated to each performance obligation and recognised as the performance obligations have been achieved which can be at a point in time or over time. The services that have been determined to be one performance obligation are highly inter-related and fulfilled over time therefore revenue continues to be recognised over time. The Company has assessed that the method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under AASB 15.

Tendering costs

Costs incurred during the tender process are currently expensed through profit and loss. No change to this treatment will be made with the adoption of AASB 15.

Equity-accounted joint ventures

Salini Impregilo NRW Joint Venture (SI-NRW JV) is accounted for as an equity method joint venture. The book carrying value of the Group's investment in SI-NRW JV reflects the Group's share of SI-NRW JV's net profit, including SI-NRW JV's recognition of revenue. SI-NRW JV adopted AASB 15 for the reporting period beginning 1 January 2018. NRW has performed an analysis of the impact due to the adoption of AASB 15. NRW's share of profits from SI-NRW JV disclosed at note 3.3 represents NRW management's best measurement of profit recognised post adoption of AASB15.

7.8 CHANGES TO ACCOUNTING POLICIES (CONTINUED)

NRW is only a 20% equity partner in SI-NRW JV, and therefore does not exert the same level of influence over SI-NRW JV's implementation project as it does over its own. Therefore, this estimate of the profit recognised is subject to a higher degree of estimation uncertainty.

Implementation of AASB 15

The Group plans to implement AASB 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). As a result under AASB 15 there will be an adjustment to the opening balance of the Group's equity. Based on the work completed to date, the Company does not anticipate that the application of AASB 15 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

AASB 16 Leases

AASB 16 applies to annual reporting periods beginning on or after 1 January 2019 and replaces AASB 117 Leases and the related interpretations. AASB 16 Leases specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for almost all leases.

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

As at the reporting date, the Group has non-cancellable operating lease commitments of $56.3 million, refer to note 5.5: Operating Leases. In addition, the Group has certain equipment which will need to be assessed against the criteria of AASB 16.

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

Some of the operating leases currently held expire prior to the implementation of the standard and decisions on future leases will be made on a project-by-project basis.

Consequently, the Group continues to monitor and quantify the effect of the new standard with each change to the leasing portfolio and any subsequent lease modifications.

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

- total assets and liabilities on the balance sheet will be grossed-up, due to the recognition of the right-to-use assets (non-current assets) and the corresponding fair value of lease liabilities. Current liabilities will also show an increase due to a portion of the lease liability being classified as a current liability;
- straight-line operating lease rental expense will be replaced with a depreciation charge for the right-of-use assets and interest expense charged at the implicit rates on the lease liabilities;
- compared to the current net earnings profile, interest expense will be greater earlier in a lease's life due to the higher principal value, causing profit variability over the course of a lease's life. This effect may be partially mitigated due to a mix of different leases held in the Group at different stages of their term; and
- Cash flows from financing activities will increase for repayment of principal portion of all lease liabilities.

Other new accounting standards

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

- AASB 2014-10 Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture;
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments;
- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration; and
- AASB Interpretation 23 Uncertainty Over Income Tax Treatments, AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 24 July 2018.

NRW's contributed equity comprises 370,628,872 fully paid ordinary shares.

Distribution of Shareholdings

Range	Fully paid ordinary	%	No of Holders	%
100,001 and Over	317,580,074	85.69	224	4.17
10,001 to 100,000	41,347,987	11.16	1,441	26.83
5,001 to 10,000	6,654,112	1.80	878	16.35
1,001 to 5,000	4,473,704	1.21	1,541	28.70
1 to 1,000	572,995	0.15	1,286	23.95
Total	**370,628,872**	**100.00**	**5,370**	**100.00**
Unmarketable parcels	26,172	0.01	411	7.65

NRW's 20 Largest Shareholders

Rank	Name	Shares	% Interest
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	62,243,356	16.79%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	58,169,134	15.69%
3	CITICORP NOMINEES PTY LIMITED	48,537,770	13.10%
4	NATIONAL NOMINEES LIMITED	25,239,102	6.81%
5	BNP PARIBAS NOMINEES PTY LTD	11,663,168	3.15%
6	BNP PARIBAS NOMS PTY LTD	8,572,269	2.31%
7	MR KENNETH RUDY KAMON	7,280,447	1.96%
8	MR DAVID RONALDSON	7,006,227	1.89%
9	JULIAN ALEXANDER PEMBERTON	5,985,592	1.61%
10	ZERO NOMINEES PTY LTD	3,000,000	0.81%
11	MR STEVEN SCHALIT & MS CANDICE SCHALIT	2,573,288	0.69%
12	ANDREW JOHN WALSH	2,325,547	0.63%
13	MR PETER HOWELLS	2,139,705	0.58%
14	MR MARTIN DUGGAN	2,097,000	0.57%
15	MR STEVEN SCHALIT	2,012,427	0.54%
16	NATIONAL EXCHANGE PROPRIETARY LTD	2,000,000	0.54%
17	BOND STREET CUSTODIANS LIMITED	1,796,243	0.48%
18	GABRIELLA NOMINEES PTY LTD	1,671,031	0.45%
19	INTECH SOLUTIONS PTY LTD	1,654,698	0.45%
20	SCHALIT SUPER PTY LTD	1,462,068	0.39%

SHAREHOLDER
INFORMATION CONTINUED

Substantial Shareholders

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

Name	No. of shares	Ownership %
Commonwealth Bank of Australia	26,965,866	7.28%
Wellington Management	22,488,366	6.07%

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.

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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 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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.

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Key audit matter	How the scope of our audit responded to the Key Audit Matter
Acquisition of Golding Group Pty Ltd (Golding) As disclosed in Note 7.5 to the financial statements, the Group completed the acquisition of Golding on 31st August 2017 for consideration of $85 million. Management has completed the process to allocate the purchase price to identifiable assets, liabilities and separately identifiable intangible assets as relevant. This process involved estimation and judgement in determining the plant and equipment values, provisions, customer contract values, brand value and discount rate applied to future cash flow forecasts.	Our procedures included, but were not limited to: • Reading the relevant agreements to understand the key terms and conditions, and confirming our understanding of the transaction with management; • Evaluating management's process for the identification of the assets and liabilities acquired; • Evaluating management's process for the determination of the fair value of the assets and liabilities acquired; • In conjunction with our valuation specialists assessing the competence and objectivity of management's expert who valued the intangible assets; and • Challenging the values attributable to plant and equipment, provisions, customer contracts and brand value recognised in respect of the acquisition. We also assessed the appropriateness of the disclosures in Note 7.5 to the financial statements.

Carrying amount of non-current assets - Action Drill and Blast
 	
As at 30 June 2018 the carrying value of goodwill, other intangible assets and property, plant and equipment was $269.3 million as disclosed in Notes 3.4, 3.5 and 3.6.
 	
Accordingly, property, plant and equipment in relation to the Action Drill and Blast CGU is $47.3 million.
 	
The Group prepared a value in use model to assess the recoverable value of the CGU. This requires management to exercise significant judgement, with key assumptions including discount rate, growth and operating margins.
	Our procedures included, but were not limited to:
	• Understanding the process that management undertakes to develop the model;
	• Comparing the forecasts to Board approved business plans;
	• Assessing historical forecasting accuracy by comparing actual performance to budgets;
	• In conjunction with our valuation specialists, challenging the assumptions as follows:
	  ○ Assessing the discount rate against that of comparable companies;
	  ○ Evaluating operating margins with reference to past performance and knowledge of the business;
	  ○ Challenging the forecast growth with consideration of secured work, tenders, prospects and external industry data where available.

Deloitte.

	• Sample testing management's models for mathematical accuracy; and • Performing sensitivity analysis on the discount rate and terminal growth assumptions. We also assessed the appropriateness of the disclosures in Note 3.6 to the financial statements.
Assessment of deferred tax assets As disclosed in Note 6.3 the carrying value of the Group's net deferred tax asset as at 30 June 2018 was $79.3 million, inclusive of $67.7 million of carry forward tax losses. At 30 June 2018 unused tax losses for which no deferred tax assets have been recognised equated to $2.7 million. Assessing the recoverability of carry forward tax losses requires management to forecast future taxable income and estimate the extent to which these tax losses will be utilised.	Our audit procedures included, but were not limited to: • Evaluating the process management has in place to estimate the recoverable amount of carry forward tax losses and confirming the availability of tax losses; • Evaluating management's forecast of future taxable income through assessing the key underlying assumptions such as future taxable income against historic performance and where appropriate external industry data; • Reviewing management's forecast of taxable income for consistency with the forecasts prepared for the purposes of assessing the recoverable value of the Company's Cash Generating Units (CGUs); • Reconciling the latest Board approved budget with management's forecast of future assessable profits; and • Applying sensitivities to the forecasted future taxable income. We also assessed the appropriateness of the disclosures in Note 6.3 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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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.

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

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

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

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

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

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

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

Deloitte.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 18 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of NRW Holdings Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu

A T Richards
Partner
Chartered Accountants
Perth, 22 August 2018

APPENDIX
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RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the Year Ended 30 June 2018

	% Change up / (down)	Year ended 30 June 2018	Year ended 30 June 2017
			$'000
Revenues from ordinary activities	98.93%	685,431	344,560
Profit from ordinary activities after tax attributable to members	47.81%	42,166	28,527
Total Comprehensive Income	47.81%	42,166	28,527
INTERIM DIVIDEND			
Date dividend is payable		N/A	N/A
Record date to determine entitlements to dividend		N/A	N/A
Interim dividend payable per security (cents)		-	-
Franked amount of dividend per security (cents)		-	-
FINAL DIVIDEND			
Date dividend is payable		6 November 2018	N/A
Record date to determine entitlements to dividend		18 October 2018	N/A
Final dividend payable per security (cents)		2.0	-
Franked amount of dividend per security (cents)		2.0	-
RATIOS AND OTHER MEASURES			
Net tangible asset backing per ordinary security		$0.57	$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 23 August 2018.

Status of Accounts

This statutory financial report is based on audited accounts.

NRW Holdings Limited - ACN 118 300 217

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