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2021

ANNUAL REPORT

CORPORATE REGISTRY

DIRECTORS

Michael Arnett
Chairman and Non-Executive
Director

Julian Pemberton
Chief Executive Officer and
Managing Director

Jeff Dowling
Non-Executive Director

Peter Johnston
Non-Executive Director

Fiona Murdoch
Non-Executive Director

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NWH – NRW Holdings Limited
Fully Paid Ordinary Shares

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ABOUT US

NRW is a leading provider of diversified contract services to the resources and infrastructure sectors.

With operations in all Australian States, except Tasmania, and an office in Canada, NRW's geographical diversification is complemented by its ability to deliver a wide range of services.

NRW's Civil and Mining businesses provide civil construction, including bulk earthworks, road and rail construction and concrete installation, together with contract mining and drill and blast services.

The Minerals, Energy & Technologies (MET) operating unit offers tailored mine-to-market solutions, specialist maintenance (shutdown services and onsite maintenance), non-process infrastructure, innovative materials handling solutions, and complete turnkey design, construction and operation of minerals processing and energy projects.

NRW also offers a comprehensive original equipment manufacturer (OEM) capability, providing refurbishment and rebuild services for earthmoving equipment and machinery.

NRW has a workforce of around 7,000 people supporting more than one hundred projects around Australia for clients across the resources, infrastructure, industrial engineering, maintenance and urban subdivision sectors.



FUTURE GROWTH

The **Primero** business has strengthened the **Minerals, Energy & Technologies** operating unit and significantly enhances **NRW's capability** to pursue new business initiatives across **a large pipeline of opportunities.**

CHAIRMAN'S MESSAGE

As Chairman of NRW Holdings, and on behalf of my fellow Directors, it is with great pleasure I present the 2021 annual financial report.

In FY21, NRW continued to progress its market and growth strategy, delivering financial growth and outstanding results for our clients whilst maintaining the safety of our workforce, despite the interruptions caused by COVID-19.

Since the pandemic began, we have successfully integrated three new businesses into the NRW Group; BGC Contracting, DIAB Engineering and Primero Group. These acquisitions were all highly strategic and significantly enhance our capability to deliver services across the lifecycle of resource projects, from early planning, design, development, construction to operations and maintenance.

OUR PEOPLE

NRW has a workforce of 7,000 working on projects and sites across Australia. The management of our people to ensure their day-to-day safety remains a priority.

In addition to revised operating procedures resulting from the COVID-19 pandemic, staff retention and recruitment have also been affected. These factors have impacted our productivity, with competition for a limited resource pool driven by both high construction activity and strong commodity demand. More information on the operations of the business are contained in the CEO's commentary, which follows.

I would like to express my gratitude to all members of our workforce for the resilience they have demonstrated and their commitment to working with our clients to safely deliver our services.

COMPANY PERFORMANCE

Revenue including associates at \$2,301 million increased by 11.5% compared to \$2,062 million in FY20. The increase in revenue was a result of continued growth following the FY20 acquisition of BGC Contracting (subsequently renamed to NRW Contracting 'NRWC') and five months contribution from Primero Group.

There have been a number of significant contract awards and extensions post the publishing of our full year results. This includes an EPC contract for the Mt Holland Concentrator project for Covalent Lithium, a joint venture between Wesfarmers and SQM, valued at circa \$290 million. This contract is the culmination of an 18-month journey with the Covalent Lithium team and demonstrates the trust and solid working relationship between the Primero, NRW and RCRMT teams.

SUSTAINABILITY

In 2020, we established a Sustainability Committee, responsible for managing and reporting our Environmental, Social and Governance (ESG) matters. Our first Sustainability Report is included within this Annual Report. This report highlights the alignment of NRW's corporate values and operations with the United Nations Sustainable Development Goals (SDGs) and is guided by relevant Global Reporting Initiative (GRI) standards to report on the Group's sustainability performance.

NRW has also focused on a number of initiatives that will make or are making a positive impact on our environmental management and carbon footprint, detailed in our Sustainability Report.

LOOKING FORWARD

The Order book at year end totalled \$3.4 billion, which is expected to grow to at least \$4.4 billion following the recently announced letter of intent for the extension of mining services at Curragh.

The Pipeline of opportunities remains strong at \$14.5 billion across all business segments. It is also pleasing to note that to date around 50% of the work we advised as our submitted tenders at the half year totalling circa \$5 billion, has resulted in contract awards, notice of award or letter of intent. These include Karara, Baralaba, Strandline and Curragh.

The Directors have declared a final dividend for the financial year of five cents per share. This brings the total dividend for the year to nine cents per share following the interim dividend paid in April 2021. The dividend will be fully franked and paid on 13 October 2021.

In closing, and on behalf of the Board, I would like to thank Jules Pemberton and his leadership team, our shareholders, our clients and our employees for their ongoing loyalty and support.

I look forward to reporting on our team's further success in the 2022 financial year.



Michael Arnett
Chairman, NRW Holdings



Since the pandemic began, we have **successfully integrated three** new businesses into the **NRW Group**; BGC Contracting, DIAB Engineering and Primero Group.

CEO REVIEW OF OPERATIONS



It is with great pleasure that I present NRW Holdings' results for the financial year ending June 30 2021.

Before commenting on the operations, I want to acknowledge our employees for their continued hard work and dedication over the last 12 months. Navigating our lives through COVID-19 continues to be difficult, and I commend their loyalty and ongoing commitment to NRW.

As well as navigating the day-to-day COVID-19 restrictions due to the pandemic, we were faced with the additional challenges of a limited labour pool, higher staff turnover, increased labour costs, and lower productivity due to specific labour skills shortages in extended project durations.

Despite these challenges, a number of businesses, particularly Golding Mining, RCR Mining Technologies (RCRMT) and DIAB Engineering, continued to deliver strong performances. This was partly due to having a more stable workforce through either long-term contracts or because their activities were predominantly based at workshops with a mostly long-term and stable workforce.

The financial results this year are a credit to all involved across the Group.

FINANCIAL YEAR HIGHLIGHTS

- Revenue up 11.5% to \$2,301 million in line with guidance.
- Earnings (EBITDA) increased to \$266.7 million up 6.7% compared to FY20; Earnings (Operating EBIT) of \$120.6 million were lower than FY20 due to WA Pilbara project cost increases; earnings in line with consensus.
- Final fully franked dividend declared of 5 cents per share in line with revised Dividend Policy advised at the half year.
- Net cash flow from operations of \$147.4 million reflects increased working capital pending resolution of outstanding claims and variations.

In addition to the financial highlights was the successful completion of the Primero acquisition. Together with the combined expertise of RCRMT and DIAB Engineering, the Primero business has strengthened the Minerals, Energy & Technologies (MET) operating unit and significantly enhances NRW's capability to pursue new business initiatives across a large pipeline of opportunities.

The enlarged MET business enhances the diversification of NRW's strategic platform to offer customers continuity of services across the whole lifecycle of resource projects from early planning, design, development and construction to operations and maintenance.

The major challenge throughout the last financial year and for the foreseeable future remains the ongoing management of our people to ensure their day-to-day safety. COVID-19 restrictions have added to the complexity of delivering projects across almost all of our activities.

I note that NRW has not accessed any COVID-19 related State or Federal support packages for any part of its operations.

BUSINESS UNIT PERFORMANCE

NRW has structured its business reporting into three segments, Civil, Mining, and Minerals, Energy & Technologies. In previous reports, the results of Drill and Blast (Action Drill & Blast) have been reported separately. The relative size of the Action Drill & Blast business compared to the other three segments and the increased dependency on work from the Civil and Mining segments were the main factors considered in making this change.

I have provided the highlights of each of the business units on the following pages. You can read about them in more detail in the Financial Statements.



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Revenue
\$2.3B

The **enlarged MET business** enhances the **diversification** of **NRW's strategic platform** to offer customers continuity of services **across the whole lifecycle of resource projects.**

CEO REVIEW OF OPERATIONS CONTINUED

CIVIL

The Civil business reported revenue of \$726.5 million and earnings of \$28.6 million.

Revenue in the Civil business peaked in the calendar year 2020 due to contracts secured for sustaining iron ore projects, including work won by BGC Contracting (acquired in December 2019). Most of the major projects were completed early in the second half of FY21 resulting in lower full year and lower second half revenues compared to last year.

Earnings were lower than last year and lower than expectations due to the COVID-19 pandemic. Most of the business's revenue was generated on West Australian Pilbara based projects. Measures taken as a result of the pandemic, including border closures imposed at State and Federal levels effectively limited the available labour pool. Our challenge was to deliver projects in an environment where competition for people increased significantly, driven by both high construction activity and strong commodity demand. This led to higher staff turnover (at a level never previously experienced), increased labour costs and lower productivity as a consequence of specific labour skills shortages, which in turn led to extended project durations. Most of those projects however were complete at 30 June 2021, other than resolution of claims and contract variations.

Civil Infrastructure projects for Main Roads in Western Australia are ongoing, including the Bunbury Outer Ring Road and Hodges Drive to Hepburn Avenue projects being delivered through alliance and joint venture contracts. The Golding Urban business continues to remain stable with 23 urban development projects at various stages of completion. Infrastructure spend in Western Australia and Queensland continues to grow, and activity levels are expected to increase in calendar 2022.

MINING

The Mining business reported growth in revenue to \$1,177.2 million, and earnings of \$212.8 million mostly due to the addition of BGC Contracting's mining activities which contributed a full 12 months compared to seven months in FY20.

Earnings were impacted by both COVID-19 measures (as noted for the Civil business) and unseasonal weather events in Western Australia and Queensland, which affected second half revenue and earnings more than we have experienced in previous years. Despite the weather impacts, margins improved in the second half as measures to mitigate resource availability in the Pilbara improved productivity; however, staffing remains a challenge.

Mining projects included work for Stanmore Coal at Isaac Plains, Coronado Coal at Curragh, Wonbindi Coal at Baralaba and Idemitsu at Boggabri. Iron ore mining activities included work for Simec at Iron Baron, Atlas Iron at Mount Webber and Rio Tinto at Gudai Darri.

The business has a key focus on renewing existing contracts. Golding and Curragh have signed a Letter of Intent (LOI) to extend the current six fleet mining services contract to 31 December 2026. The expected contract value is anticipated to be between \$1.0 billion and \$1.4 billion dependant on final scope.

A major order award in the year was a Notice of Award from Karara Mining for a five-year contract commencing in March 2022. The value of this contract is more than \$700 million and will generate revenue in FY22 of circa \$40 million.

MINERALS, ENERGY & TECHNOLOGIES

The Minerals, Energy & Technologies (MET) business delivered increased revenue of \$426.9 million, up from \$187.2 million in FY20. The increased revenue includes Primero activities from February 2021 and growth in RCR Mining Technologies and DIAB Engineering. These businesses were generally less impacted by COVID-19 restrictions as most of the workforce is located in company facilities in Bunbury, Geraldton, and Perth. The fixed nature of these facilities has contributed to a relatively stable workforce, and consequently, these businesses experienced lower staff turnover than the projects based businesses. Nonetheless, both Primero and DIAB Engineering were impacted in a similar manner to the Civil business on their site based activities.

DIAB Engineering provides shutdown services and given the relatively short-term nature of the work, resourcing these projects proved challenging. Primero delivers EPC projects which competed for resources within the same constraints as the Civil business.

In addition, through the MET division, the Group now has the capability to participate meaningfully across the new energy sectors of hydrogen and lithium through Primero's existing capability but also in the renewables sector where our clients are seeking solutions to reduce reliance on hydrocarbons based energy sources. Our MET business also gives the Group a build-own-operate, design and processing capability, so we are now truly able to participate through the entire life cycle of resources projects

Earnings improved in line with higher revenues. Whilst margin in real terms increased, margins as a percentage of revenue reduced as expected due to the combination of the Primero business into segment results from February 2021.



Main Roads WA

CIVIL

NRW Civil
Golding Civil
Golding Urban



Mt Webber - Atlas Iron

MINING

NRW Mining
Golding Mining
Action Drill & Blast
AES Equipment Solutions



MINERALS, ENERGY & TECHNOLOGIES

Primero
RCR Mining Technologies
DIAB Engineering

CEO REVIEW OF OPERATIONS CONTINUED

PEOPLE & SAFETY

The business continues to focus on the welfare and safety of our workforce, which peaked at 7,800 in Q1 FY21. We are incredibly proud of how our people, working across six states and territories, have responded to the COVID-19 restrictions and adhered to revised operating procedures.

NRW's Total Recordable Injury Frequency Rate (TRIFR) at June 2021 was 6.25 compared to 5.61 at June 2020.

We employ a high performing, skilled, experienced and appropriately qualified team of people across all our businesses, who provide a wealth of knowledge at all levels. We have continued to provide development opportunities for our workforce, despite the challenges posed by the pandemic.

A snapshot of some of the development opportunities include:

- Employment of 89 apprentices.
- Development and training of 65 graduates and undergraduates.
- 112 members of staff working through formal training programmes.
- Leadership and development courses completed by 173 members of staff.
- Over 10,000 training events undertaken via eLearning solutions.

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

NRW has successfully delivered all projects with no lost time due to industrial disputes, or any form of work ban or limitation and recognises that our success is the result of our dedicated workforce.

OUTLOOK

The markets in which NRW operates continue to provide growth opportunities. Across the Group, we anticipate growth in Resources, Infrastructure and Renewables. You can read more about these sectors on page 14 of the Financial Statements.

The Group's order book at 30 June 21 was \$3.4 billion compared to \$3.0 billion at the same time last year (pre Bunbury Outer Ring Road award, announced July 2020). The near term tender pipeline capable of being awarded in the next 12 months has strengthened to \$14.5 billion compared to \$12.9 billion this time last year.

NRW is forecasting revenue of between \$2.4 billion to \$2.5 billion in FY22, of which around \$2.0 billion is either in the order book, the subject of a letter of intent or notice of award or is expected as repeatable business by Golding Urban, RCRMT and DIAB Engineering, with the balance of the work to be won and delivered in the year.

In closing, I would like to thank all of our valued employees for their contributions this year. It has been a challenging year in many ways; however, we have continued to deliver outstanding projects for our clients whilst working safely and within a range of restrictions related to the pandemic.

I would also like to acknowledge my fellow directors and the Executive Leadership Team for their commitment and support over the last 12 months.



Jules Pemberton
CEO and Managing Director, NRW Holdings

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\$3.4B
Order Book

NRW continues to **embrace diversity and inclusiveness** across all of its activities.

CFO FINANCIAL REPORT

FINANCIAL PERFORMANCE

NRW reported revenue of \$2,301 million, an increase of 11.5% compared to \$2,062 million in FY20. The increase in revenue was a result of continued growth following the acquisitions of BGC Contracting (subsequently renamed to NRW Contracting 'NRWC') and Primero.

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

	FY21		FY20	
	Revenue	Earnings	Revenue	Earnings
	\$M	\$M	\$M	\$M
Total Revenue ⁽¹⁾ / EBITDA ⁽²⁾	2,300.6	266.7	2,062.4	250.0
Revenue from Associates	(79.1)		(58.1)	
Depreciation		(146.1)		(109.1)
Operating EBIT ⁽³⁾		120.6		140.9
Amortisation of Acquisition Intangibles		(20.2)		(13.0)
Non-recurring transactions ⁽⁴⁾		(11.2)		(14.9)
EBIT		89.2		113.0
Net Interest		(13.3)		(12.8)
Profit before income tax		75.9		100.2
Tax		(21.6)		(26.5)
Statutory Revenue / Net earnings	2,221.5	54.3	2,004.3	73.7
NPATN ⁽⁵⁾		75.1		89.7

(1) Revenue including our share of revenue earned by our associates and joint ventures.

(2) EBITDA is earnings before interest, tax, depreciation, amortisation of acquisition intangibles and non-recurring transactions.

(3) Operating EBIT / EBITA, is earnings before interest, tax, and amortisation of acquisition intangibles and non-recurring transactions.

(4) Non-recurring transactions include Altura impairment, Gascoyne writeback and Primero transaction costs (FY21) and costs associated with the acquisition of BGC Contracting (FY20).

(5) NPATN – earnings before amortisation of acquisition intangibles and non-recurring transactions at 30% tax rate.

Earnings (Operating EBIT) of \$120.6 million were lower than last year due to resource challenges as a consequence of the COVID-19 pandemic, particularly on Pilbara based projects which experienced high staff turnover, labour rate increases and skill shortages.

Non-recurring transactions include recoveries from Gascoyne Resources following their successful recapitalisation, costs associated with Altura's

administration and costs related to the acquisition of Primero.

Net Earnings excluding non-cash amortisation costs for acquisition intangibles at standard tax rates decreased to \$75.1 million compared to \$89.7 million in FY20 due to lower operating earnings which as commented above were impacted by resource constraints.

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Increase in **revenue** was a **result of continued growth following** the FY20 **acquisition of BGC Contracting** (Renamed NRW Contracting) and **Primero**.

\$120.6M

Operating EBIT

CFO FINANCIAL REPORT CONTINUED

BALANCE SHEET, OPERATING CASH FLOW & CAPITAL EXPENDITURE

Net Assets increased in the year by \$72.7 million to \$545.1 million reflecting earnings in the year net of dividend payments and equity raised for the acquisition of Primero (\$50.5 million).

Cash balances ended the year at \$146.5 million. Net debt increased to \$171.3 million which included \$50.0 million of new debt to fund the acquisition of Primero.

The Group announced to the ASX on 12 July 2021 that Boggabri Coal Operations Pty Ltd ('BCO'), part of the

Idemitsu Group agreed to acquire the majority of the major mining equipment of Golding Contractors. This transaction completed shortly after the year end had a significant positive change to the balance sheet. Given this impact we have provided a 'pro forma' balance sheet alongside the statutory balance sheet to show how this transaction would have changed the year end balance sheet. You can read more about this transaction on the ASX release.

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

	Pro forma ⁽¹⁾ 30 Jun 21	Actual 30 Jun 21	Actual 30 Jun 20
	\$M	\$M	\$M
Cash	163.9	146.5	170.2
Financial debt	(196.7)	(261.9)	(244.8)
Lease debt	(55.9)	(55.9)	(65.1)
Net Debt	(88.7)	(171.3)	(139.7)
Property, Plant and equipment	321.4	321.4	451.8
Non-current assets held for sale	-	82.6	-
Lease assets (right of use)	48.2	48.2	58.3
Working capital	56.6	56.6	(18.7)
Investments in associates and listed equities	15.8	15.8	2.6
Tax Liabilities	(15.3)	(15.3)	(0.9)
Net Tangible Assets	338.0	338.0	353.4
Intangibles and Goodwill	207.1	207.1	119.0
Net Assets	545.1	545.1	472.4
Gearing	16.3%	31.4%	29.6%
Gearing Excl. AASB 16	6.0%	21.2%	15.8%

(1) Pro forma balance sheet includes the impact of the sale of the Boggabri mobile equipment. For more information refer note 7.7 of financial statements.

Capital expenditure totalled \$77.9 million compared to \$82.6 million in the previous financial year. Expenditure was mostly focused on maintenance and new equipment purchases to replace fleet which had come to the end of its useful life.

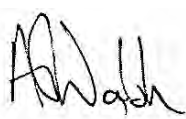
Intangibles and goodwill increased due to the Primero acquisition partly offset by amortisation charges incurred in the year.

The income tax expense recognised in net earnings has reduced the deferred tax asset carrying value as expected. Tax balances are now carried as a net tax liability but include within that balance further tax losses.

Returns to shareholders included both a final dividend for FY20 of 4 cents paid in October 2020 and an interim dividend for the current financial year of 4 cents paid

in April 2021. Overall dividend payments in the year totalled \$35.0 million.

NRW continued to maintain strong relationships with its banking partners Bankwest and Bank of China. Developments in the year included agreement of a new \$50.0 million facility with Bankwest to support the acquisition of Primero Group. All banking covenants were in compliance at all times during the year and at 30 June 2021.



Andrew Walsh
CFO, NRW Holdings

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SUSTAINABILITY REPORT

A MESSAGE FROM THE SUSTAINABILITY COMMITTEE

On behalf of the Board of Directors, I am pleased to provide you with NRW's first Sustainability Report (**Report**). NRW is committed to responsible and sustainable business practices and to the transparent reporting of our sustainability performance.

As we have grown, so have our, and our stakeholders', expectations of how we report on our sustainability initiatives and performance. Following the establishment of the Sustainability Committee (**Committee**) in FY20, we determined that we would prepare this Report which establishes a framework for future sustainability disclosures and will form the foundation for year on year reporting.

OUR JOURNEY

Whilst NRW has reported on material environmental, social and governance (**ESG**) matters since it listed on the Australian Securities Exchange in 2007, we recognise that reporting frameworks have significantly developed over this time. This, combined with NRW becoming a larger and more complex organisation, prompted us to reconsider how we report on our material ESG matters to our stakeholders.

As a result we adopted the reporting framework under the Taskforce for Climate-Related Financial Disclosure (**TCFD**) which established recommendations for voluntary and effective climate related disclosures. A phased implementation plan to align NRW's reporting of climate change risks and climate-related financial disclosures within the TCFD framework is currently being developed. In reporting on NRW's sustainability performance we will also be guided by relevant Global Reporting Initiative (**GRI**) Standards, and have linked our actions to the Sustainable Development Goals (**SDGs**).

This Report is the first time NRW has aligned ESG disclosures to international standards and frameworks widely recognised as best practice. We acknowledge that by adopting these standards and frameworks it enables us to report to our stakeholders on how our ESG initiatives contribute to a more sustainable future. We consider this initial Report an important step on our pathway to further developing our sustainability reporting and disclosures.

In this Report we share what we are doing across a number of ESG focused initiatives within our business. These initiatives include:

- Our major partnership with GIVIT, a not-for-profit organisation focused on community giving to deliver important social benefits;

- Supporting the growth of our people through the development of our training facility which opened this year;
- The introduction of our Company Paid Parental Leave scheme to support women and improve the gender composition of our workforce; and
- Various investments and partnerships to further the objectives of a low carbon economy.

We hope that this Report demonstrates to our stakeholders how our business values ESG matters.

LOOKING FORWARD

We recognise that our long-term commitment to sustainability is integral to our ongoing success.

Our plan for FY22 is to engage more broadly with our stakeholders to refine and validate our material issues and to identify the priority SDGs which will be our focus moving forward. This will allow us to:

- Set priorities with regards to ESG matters for NRW;
- Identify ESG areas that will underpin future strategic development and planning; and
- Assist with communication of the Company's sustainability objectives.

We will be undertaking our materiality assessment in accordance with the GRI Standards to validate our material economic, social, environmental and governance related issues relevant to our business and our stakeholders.

Our near-term goal is to develop a five-year sustainability reporting plan to support sustainable value creation by tracking our performance over time. The plan will be progressive in nature, and will focus on material issues relevant to us and our stakeholders and will include the identification of specific sustainability metrics and targets.

NRW is committed to supporting our clients and stakeholders as we work towards a more sustainable future. We are proud of our achievements to date, noting that this Report is the beginning of what will be a committed journey towards furthering our sustainability disclosure in the future.



Fiona Murdoch
Chair Sustainability Committee

SUSTAINABILITY

SNAPSHOT

Environment

Scope 1 and Scope 2 Greenhouse Gas Emissions (ktCO ₂ -e)	10.27
Environmental Breaches or Fines	Nil
The Development of an Implementation Plan for Improved Climate Disclosure Using TCFD Guidance	✓

Social

Total Recordable Injury Frequency Rate	6.25
Lost Time Injury Frequency Rate	0.61
Safety Prosecutions or Fines	Nil
Fatalities	Nil
COVID-19 Response – Workforce Support and Assistance Provided	✓
Average Total Workforce FY21	6,454
Direct Employees - Female Participation	13.21%
Total Number of Apprentices	89
Employees Who Returned to Work Post Parental Leave	72%
Introduction of a Company Paid Parental Leave Policy	✓
Major Partnership with GIVIT to Support Local and Regional Communities	\$150,000

Governance

Board Members – Female Participation	20%
Announcements Made to the ASX and no Breaches of Continuous Disclosure	37
Board Member Attendance at Board Meetings	100%
Introduction of Modern Slavery Statement	✓



NRW'S BUSINESS

NRW is a leading provider of diversified contract services to the resources and infrastructure sectors in Australia. The way the business performs its work is integral to its vision to deliver services to standards above industry expectations.

NRW recognises that responsible environmental and social management in these sectors plays a significant role in ensuring sustainable outcomes for the business and the planet.

Expectations from all stakeholders concerning ESG matters continues to increase. To fulfil our mission, NRW recognises the need to challenge ourselves to improve our performance on key sustainability metrics, and to invest in the area of sustainability reporting. We believe this is critical to creating long-term sustainable value for our shareholders and other stakeholders.

We are committed to addressing the environmental and social impacts of our businesses and operations through continuous improvement, engagement with our stakeholders and consistency in our processes, while remaining flexible to accommodate our clients' requirements. Within the facilities that we manage, including workshops and offices, we are committed to addressing the environmental and social impacts from these operations in a sustainable manner.

Although NRW does not own the resources or infrastructure projects on which it operates, we are committed to supporting the sustainability objectives of our clients. These objectives include Aboriginal and Torres Strait Islander employment targets, local employment targets, safety benchmarks, adherence to environmental standards and climate-related initiatives to reduce or limit greenhouse gas emissions whilst on site.



ABOUT THIS REPORT

PURPOSE

This Sustainability Report (**Report**) discloses NRW's sustainability performance information for the financial year ended 30 June 2021 (**FY21**). The purpose of this Report is to demonstrate how NRW is managing its environmental, social and governance risks and opportunities to deliver sustainable shareholder returns. Moving forward, NRW is committed to reporting its sustainability performance annually.

FORMAT

NRW's sustainability performance is provided as part of the Annual Report to demonstrate the interconnectivity and interdependency of sustainability, remuneration and financial performance. It also enables the Company the ability to integrate, across the whole report, the concept of creating value for its stakeholders - including shareholders, clients, employees and the communities in which it operates.

IMPORTANT INFORMATION

NRW Holdings Limited (ACN 118 300 217) is the parent entity of the NRW group of companies. In this Report, unless otherwise stated, references to 'NRW', the 'Company' or 'NRW Group' refer to NRW Holdings Limited and its wholly owned subsidiaries.

This Report should be read in conjunction with NRW's Annual Financial Statements and other periodic announcements lodged with the Australian Securities Exchange (**ASX**), including the Annual Financial Statements and Corporate Governance Statement, all of which are available on the NRW website (www.nrw.com.au) and the ASX platform (ASX: NWH).

NRW's operations are primarily based in Australia, with an office in Canada (supporting approximately 30 employees) and operations in Canada and the United States of America. The Report is limited to the ESG impacts of the Australian operations only, due to the limited nature of operations overseas.



SUSTAINABILITY AT NRW

NRW is committed to improving its sustainability performance and reporting.

SUSTAINABILITY OBJECTIVE

NRW is contributing to a sustainable future through responsible business practices that deliver economic returns for its shareholders, creates value for the communities in which it operates and respects the environment to leave a positive legacy. The Company is committed to the sustainable development of its business through effective management of the environmental, social and governance issues it encounters. How NRW achieves this objective will evolve under the influence of innovation, government changes and progressive industry 'best practice'.

SUSTAINABILITY GOVERNANCE

NRW's sustainability objective is central to our operation as a responsible business. During FY20, the Company's Board of Directors (**Board**) formalised responsibility for the management of ESG matters by establishing a Sustainability Committee (**Committee**). The Committee's role is to provide advice, recommendations and assistance to the Board with respect to ESG matters. The Charter of the Sustainability Committee can be found on the NRW website (www.nrw.com.au/about-us/corporate-governance).

Sustainability Reporting Plan

NRW is committed to developing a 5-year Sustainability Reporting Plan to track the Company's progress relative to its sustainability objective. Once finalised, the reporting structures within the plan will be incorporated into the Annual Report and will be shared with stakeholders.

The Board delegates responsibility to the Committee to review and set the objectives and targets of all ESG initiatives within the Company, and to monitor subsequent performance. The Committee has determined the remit of directors and key executives with regards to the ESG matters for which they are accountable.

The Company's sustainability governance structure is shown below.

Board	The Board is responsible for the oversight and strategic direction of NRW. The Board reviews, and as appropriate, approves the sustainability practices within NRW.
Sustainability Committee	The Sustainability Committee is responsible for providing advice, recommendations and assistance to the Board with respect to sustainability primarily in relation to environmental, social and corporate governance matters.
CEO and Executive Management	The CEO makes recommendations to the Sustainability Committee regarding the sustainability objectives and priorities of the NRW Group.
External Advisors	NRW seeks to engage external advisors to provide information and advice on sustainability related issues where appropriate.

In accordance with the Charter of the Sustainability Committee, the Committee must have a minimum of three members, all of which must be Non-Executive Directors and the majority of which must be independent Directors. The Committee comprises the following members.

Fiona Murdoch	Chair and Independent Non-Executive Director
Peter Johnston	Independent Non-Executive Director
Michael Arnett	Independent Non-Executive Director

The Committee met twice during FY21 with all members in attendance and furthered the sustainability initiatives and objectives of the Company by resolving to prepare this Report.

SUSTAINABILITY AT NRW CONTINUED

REPORTING FRAMEWORKS

NRW reviewed internationally recognised sustainability frameworks and standards to support the Company in developing this Report. The Company has chosen to publish its sustainability information in accordance with certain elements of the following standards and frameworks.

Over recent years there have been significant developments aimed at better quality and more consistent sustainability reporting. NRW will continue to monitor these developments and may adapt its reporting approach as needed in the future.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The United Nations Sustainable Development Goals (SDGs) were developed by the United Nations in 2015 and adopted as part of the 2030 Agenda for Sustainable Development. The 17 SDGs and their related targets provide business, government and civil society organisations with an agenda to focus their sustainability efforts. While the SDGs are not a sustainability reporting framework, they are increasingly being used to guide reporting.

Throughout this Report NRW has highlighted where it considers its activities align with, and support, the SDGs.

GLOBAL REPORTING INITIATIVE

The Global Reporting Initiative (GRI) is an independent, international organisation responsible for developing the GRI Standards, the world's most widely used sustainability reporting standards. The GRI Standards create a common language for organisations to report on their sustainability impacts in a consistent and credible way. This enables global comparability and allows organisations to be transparent and accountable. NRW is committed to reporting in accordance with the GRI Standards as part of its Sustainability Reporting Plan.

The GRI Standards have informed NRW's sustainability reporting practices in FY21 and supported the Company's approach to its materiality assessment and disclosure.

TASKFORCE FOR CLIMATE RELATED FINANCIAL DISCLOSURE

The Financial Stability Board established the industry-led Task Force on Climate-Related Financial Disclosures (TCFD) to develop a voluntary, consistent, climate-related financial disclosure framework for use by companies in providing information to investors, lenders, insurers and other stakeholders. The TCFD released its recommendations aligned to the pillars of Governance, Strategy, Risk Management and Metrics and Targets in 2017.

NRW has resolved to adopt the TCFD Reporting Framework. The Company acknowledges its climate-related disclosures are evolving, and through a phased approach will work towards increased disclosure under the TCFD Reporting Framework in the future.

NRW'S APPROACH

This Report reflects an important step in reporting on NRW's material environmental, social and governance impacts. Our initial focus was on understanding the impact of the business with reference to the GRI Standards. Across all of our operations, we have considered the material issues as those that would have the biggest impact on the economy, the environment, and society.

In shaping this Report, we referenced a wide range of internal and external sources to assess what is considered material, including:

Internal Factors

- NRW's vision, mission and values.
- NRW's business operations.
- Geographical spread, including remote and regional communities across Australia.
- Corporate policies, guidelines, standards, and business practices.
- Initiatives identified by its business units and driven by the executive management team.

External Factors

- Shareholder expectations based on the Company's engagement with them over time.
- Client expectations and experiences.
- Global trends with regards to sustainability practices and reporting.
- Mining industry and sector specific trends with regards to sustainability practices and reporting.
- Opportunities and challenges faced by the mining services sector.
- Innovation within industry.
- NRW's understanding of the communities in which it operates.

Senior leaders within the Company have reviewed and validated the outcomes of the assessment, and their input has helped define the material issues outlined in this Report.

NRW is undertaking a materiality assessment in FY22, including external stakeholder engagement, to better understand the context and inform sustainability actions within the Company. The outcomes will guide the Company in refining and prioritising the identified material issues and will inform the future long-term action plan to achieve our sustainability objective.

SUSTAINABILITY AT NRW CONTINUED

STAKEHOLDER ENGAGEMENT

We acknowledge that NRW's business operations directly impact a wide range of internal and external stakeholders. Therefore, what is important to our stakeholders is important to the Company.

This is how NRW engaged with its stakeholders during FY21.



Our Shareholders

NRW is focused on creating sustainable long-term value creation for its shareholders. Shareholders consist of institutional and retail investors.

Areas of Interest

- Financial performance
- Business strategy
- Business ethics
- Governance and risk management
- Climate related disclosure.

Method of Engagement

- Annual General Meeting
- Investor calls and presentations
- Distribution of price-sensitive information to shareholders via the ASX
- Responses to regular investor, analyst and media enquiries.



Clients

NRW is committed to supporting its clients through successful project delivery. Clients range from large listed organisations, government departments to medium sized private entities.

Areas of Interest

- Health and safety practices
- Project delivery, including product/service quality and pricing
- Environmental, social and governance practices
- Innovation
- Supply chain management.

Method of Engagement

- Early Contractor Involvement opportunities
- Tendering opportunities and submissions which include provision of company safety, environmental and social performance
- Business networking events to develop long-lasting relationships.



People

NRW values the health, safety and wellbeing of its workforce above all else, and strives to provide a workplace culture that recognises and values diversity and inclusiveness. NRW's workforce is large and diverse, engaging approximately 6,500 people Australia wide.

Areas of Interest

- Health and safety practices
- Diversity and inclusiveness
- Training and development
- Remuneration practices.

Method of Engagement

- Active communication through the NRW intranet, newsletters and toolbox meetings (for site and workshop employees)
- Important alerts via email and notice-board signage
- Training and development opportunities where these opportunities provide meaningful personal and professional development.



Communities

NRW's long-term success depends on the wellbeing and development of the communities in which it operates. NRW maintains head offices in Perth and Brisbane, as well as other offices in local and regional areas across Australia.

Areas of Interest

- Level of community engagement
- The direct economic impacts of the business on the community
- Environmental impact of business operations.

Method of Engagement

- Targeted recruitment of a local workforce where the required skills and expertise are available
- Prioritisation of spend with local vendors, particularly in remote and regional areas of operation
- Adoption of Aboriginal and Torres Strait Islander participation plans
- In-kind and financial contributions to support community initiatives and objectives.



Other Stakeholder Groups

This includes suppliers, contracting partners, government agencies and other regulatory bodies.

Areas of Interest

- Supplier terms and conditions
- Governance and risk management
- Climate related disclosure
- Regulatory compliance.

Method of Engagement

- Supplier pre-qualification process
- Joint venture board and committee meetings
- Responding to requests from government agencies and other regulatory bodies.

SUSTAINABILITY AT NRW CONTINUED

MATERIAL ISSUES

The issues identified below represent the material issues assessed as relevant to the NRW Group. These material issues have been mapped to the SDGs to highlight how NRW's activities can support sustainable development.

Material Issue	Definition	SDGs	Page
Environment			
Climate Change	Managing NRW's contribution to climate change by reducing greenhouse gas emissions, where possible, from energy use.		27
Resource Use, Rehabilitation and Management	Managing the sustainable use of resources, including water. Ensuring land rehabilitation and revegetation at facilities both pre and post closure. Reducing the amount of waste generated through avoidance, reuse and recycling.	 	29
Innovation	Keeping pace with technological innovation to ensure NRW remains market competitive and meets client expectations.	 	30
Social			
Safety, Health and Wellbeing	Maintaining a high safety standard and culture through the organisation, and being accountable for safety performance.		32
Employee Engagement	Attracting and retaining a skilled workforce by establishing NRW as an employer of choice within the industries and sectors in which it operates, and providing its workforce access to training and education to facilitate personal and professional development opportunities.		35
Workplace Culture and Diversity	Embedding a strong corporate culture that reflects high ethical standards and personal integrity, and creating a diverse and inclusive workplace where employees have a positive attitude and support the Company's values.	  	36
Community Engagement	Supporting the communities in which NRW operates through partnerships, procurement, sponsorships, donations, training and employment opportunities.	  	37
Governance			
Corporate Governance	Adopting good corporate governance practices with respect to environmental and social matters. Remaining in compliance with its obligations to industry, government and other regulators.		42
Business Ethics and Transparency	Expecting all employees to act lawfully, ethically and responsibly at all times. This includes engaging with suppliers and contractors to mitigate the risks of, for example, modern slavery within supply chains.	 	43
Risk Management	Implementing risk management practices across the organisation to identify, assess and manage risks, including non-financial risks, that can materially impact the businesses sustainability outcomes.		43

The Report that follows provides further information about each material issue and how NRW, as a business, manages them in line with its sustainability objective. Throughout the Report we also highlight where we consider our activities align with, and support, the SDGs.

NRW acknowledges that financial and operational performance are material issues for the business and all its stakeholders. NRW assesses and manages financial and operational risk within the businesses broader risk management processes, commentary on which is included within the Annual Report. This sustainability report concentrates on material issues which are more relevant to ESG matters.

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Our **Isaac Plains
environmental team** has
rehabilitated 585 hectares
of land, which is **39% of all
land** that has been disturbed.



ENVIRONMENT

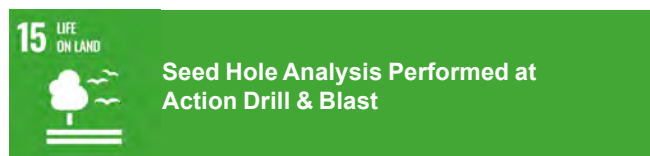
ENVIRONMENT

NRW understands that responsible environmental management in the resources and infrastructure sector plays a significant role in ensuring its sustainability, and underpins the Company's ability to maintain a social license to operate.

Across all of our operations, the Company actively seeks to minimise the environmental impacts associated with its activities by developing and implementing environmental systems, strategies and plans. Every project undertaken involves careful environmental planning from project inception to the operational stages to identify environmental obligations and to set management procedures. Environmental professionals are engaged, where required, to monitor compliance with these obligations and encourage positive behaviour and high-quality outcomes.

Environmental management systems, maintained to the international specification for ISO 14001, provide the foundation for consistent delivery of the highest level of environmental management across projects. External agencies strictly monitor compliance to the specification on a regular basis.

The Company operates in accordance with all relevant environmental legislation and licenses and did not receive any environmental fines or sanctions during FY21.



During FY21, Action Drill & Blast performed a seed hole analysis program at one of its sites. Seed Hole Analysis is a practice used to measure the properties of particular rock types in relation to blasting.

There are two key benefits to utilising seed hole analysis:

- A more accurate understanding of how blast induced ground vibrations react in certain ground types - this allows Action Drill & Blast to more accurately calculate blast vibrations and refine blasting practices adjacent to sacred heritage sites to preserve their structural integrity. This improved accuracy also allows it to utilise larger diameter blast holes which reduces the amount of drilling required, thereby reducing carbon emissions.
- Enhancing Action Drill & Blasts understanding of the velocity of pressure waves - this allows it to modify how a blast is fired to maximise its effectiveness. This results in a lower consumption of explosives for a more effective blast result, reducing overall carbon emissions.



ENVIRONMENT CONTINUED

CLIMATE CHANGE

NRW operates within the capital and carbon-intensive mining services sector. The Company understands that the industry in which it operates, and therefore its work, has an impact on the climate. We are committed to reducing our impact on the climate and providing transparent reporting in regards to our climate related disclosures.

MANAGING CARBON EMISSIONS

The National Greenhouse and Energy Reporting Act 2007 (**NGER Act**) introduced a single national framework for the reporting of Greenhouse Gas (**GHG**) emissions, energy use and energy consumption. NRW has determined GHG Emissions using the concept of 'operational control' as defined by the NGER Act. This concept is consistent with how NRW internally tracks, manages and reports on GHG Emissions.

As a contractor to the civil, resource and infrastructure sectors, NRW's mine site GHG emissions typically increase or decrease proportionally in line with the contracted workload. Generally, NRW's operations are under the direction and control of the mine operator, including a requirement to work in accordance with the site policies, health and safety practices and environmental management plan.

For the purposes of the NGER assessment, NRW is not required to include Scope 1 and Scope 2 GHG emissions on sites where it does not have 'operational control' of 'facilities'. However, it is required to report this data to the entity that does have operational control for inclusion in their NGER assessment, data which NRW provides to clients as required, or in monthly environmental reports.

NRW has areas of its business with Scope 1 and Scope 2 GHG Emissions, including a heat treatment facility, workshops, office buildings, transport-related emissions (pre-entry to site), and company vehicles.

To date, NRW's total Scope 1 and Scope 2 GHG Emissions and energy consumption are under the facility and corporate reporting threshold as determined by the NGER Act, and the Company has therefore not been required to formally report this data. However, in accordance with our Sustainability Reporting Plan, NRW has detailed its GHG Emissions within this Report.

NRW's Scope 1 and Scope 2 GHG emissions and energy consumption are shown below.

	FY21 ⁽¹⁾	FY20 ⁽²⁾
Scope 1 (ktCO ₂ -e) ⁽³⁾	5.89	5.02
Scope 2 (ktCO ₂ -e) ⁽³⁾	4.38	4.92
Scope 1 and Scope 2 (ktCO ₂ -e)	10.27	9.94
Emissions Intensity ⁽⁴⁾ (Scope 1 + Scope 2) (ktCO ₂ -e/\$m AUD)	0.46	0.50
Energy Consumption (GJ)	117,506	106,474
Energy Intensity ⁽⁴⁾ (GJ/\$m AUD)	52.9	53.1
Revenue (\$m)	2,222	2,004

(1) Includes BGC Contracting and DIAB Engineering for the full year and Primero from February 2021.

(2) Includes BGC Contracting and DIAB Engineering from December 2019.

(3) Scope 1 and Scope 2 GHG Emissions calculated in accordance with the NGER Act.

(4) Intensity calculated with reference to total group revenue (\$ m's).

NRW notes an increase in Scope 1 GHG Emissions in FY21 due to the expanded size of our business operations post-acquisition of Primero Group Ltd and with a full year of BGC Contracting Pty Ltd, and increase in work performed (revenue) during the year.

NRW is investing in ways to reduce its GHG emissions through the following initiatives:

- Utilising renewable energy where this is a viable option, including solar.
- A staggered fleet replacement strategy across small drill rigs to newer models with significant fuel saving technology, and reduced fuel consumption.
- Energy audits of high energy consumption offices to identify alternative operating guidelines for office air-conditioning to reduce peak demand and improve operational efficiency.



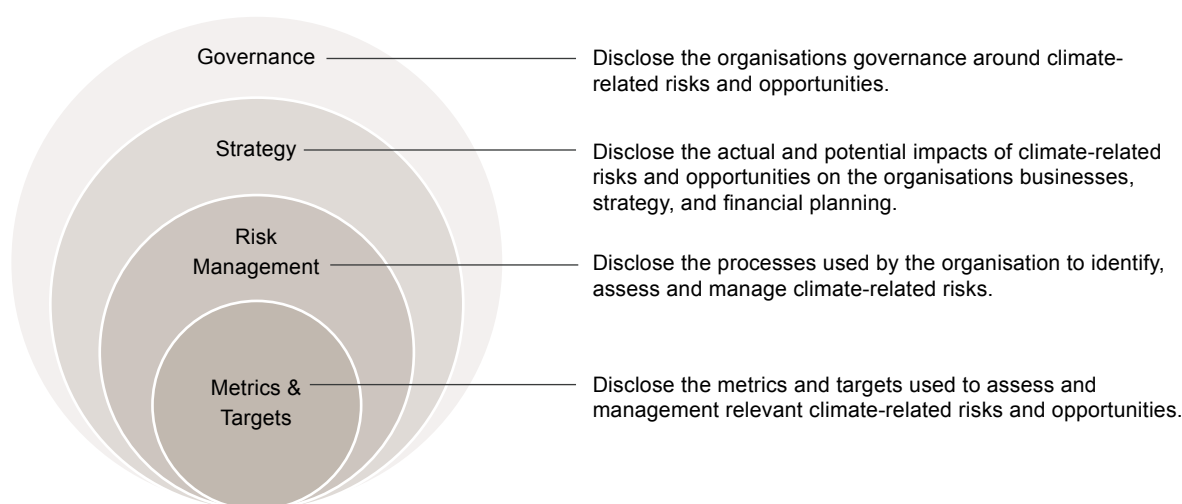
RCR's award-winning In-Pit Crushing & Conveying units are designed to meet the needs of modern mining practices through a combination of feeding, screening, crushing and processing functions mounted on a single self-propelled mobile platform. This innovative product design, when compared to traditional mining/haul solutions, reduce carbon emissions by 75%.

ENVIRONMENT CONTINUED

TASKFORCE FOR CLIMATE RELATED FINANCIAL DISCLOSURE

The Financial Stability Board established the industry-led TCFD to develop a voluntary, consistent, climate-related financial disclosure framework for use by companies in providing information to investors, lenders, insurers and other stakeholders.

The TCFD developed four widely adoptable recommendations on climate-related financial disclosures that are applicable to organisations across all sectors. These disclosures allow for more effective risk assessments, better-informed capital allocation decisions and better strategic planning with regards to climate. The TCFD structured its recommendations around four thematic areas that represent core elements of how organisations operate: Governance, Strategy, Risk Management and Metrics and Targets.



NRW are looking to align our climate-related disclosures with the TCFD Recommendations. By aligning to the TCFD Reporting Framework, NRW will have a clear structure for assessing climate-related risks and opportunities, and integrating these risks and opportunities into its strategic decision making.

NRW's internal expertise in the area of climate related risks is developing. NRW is utilising the

TCFD Recommendations as the key driver not only to improve climate-related disclosure, but for integrating climate risk management into company practices. Consequently NRW is planning to adopt a phased approach to the implementation of the TCFD Recommendations, as shown below. The initial focus will be on Governance and Risk Management, with further alignment to Strategy and Metrics and Targets to follow.

Identity & Plan	Update & Integrate	Adopt & Implement
<i>Define governance and management of climate related risks.</i>	<i>Update corporate policies and integrate climate-related processes.</i>	<i>Set metrics and targets for climate related disclosure and perform scenario analysis.</i>
Activities	Activities	Activities
- Define how climate related risks and opportunities will be governed and managed within the business. - Set corporate strategy and risk appetite with respect to climate related risks. - Identify industry best practice and relevant benchmarks, and perform a gap analysis. - Perform a high level climate-related risk assessment.	- Update corporate policies to reflect governance and management frameworks. - Integrate climate-related risk assessments into enterprise wide risk management frameworks. - Assess climate-related risks and opportunities against business policies and procedures.	- Set metrics and targets for the business to guide and measure climate-related performance. - Perform scenario analysis to test business resilience. - Integrate results into strategic business planning.

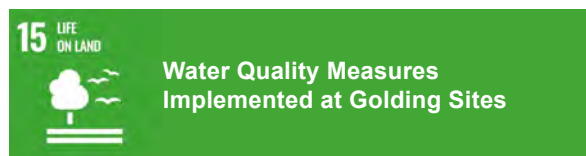
ENVIRONMENT CONTINUED

RESOURCE USE, REHABILITATION AND MANAGEMENT

WATER MANAGEMENT AND USE

Mining and infrastructure projects can require large amounts of water, and often have the ability to impact water quality within the broader environment. NRW is committed to sustainable water management and use by working with clients to prevent contamination and wastage on each of its project sites. This is in recognition of the potential for the offsite impacts to water quality, as well as water being a limited resource.

Site specific water management plans are developed by NRW's clients and are often contained within the broader project environmental management plan. These environmental management plans describe the specific requirements, procedures and measures that will be implemented for each project in the appropriate management of resources, including water. NRW adheres to all project environmental management plans whilst operating on site.



NRW's civil based operations in Queensland often require detailed water management plans due to the proximity of the projects to urban areas where water supply and quality are vital for the community. Projects may also require detailed project erosion and sediment control plans and storm water management plans to manage site runoff in a responsible manner. Some of the actions under the plans to preserve water supply and quality include:

- Staging of works to minimise exposed surfaces and diversion of water around or through sites;
- Use of polymer soil binders and geo-fabric cover to stabilise the site;
- Installation of high-efficiency sediment basins fitted with automatic flocculant dosing units in line with SEPP 2017 and IECA Guidelines;
- Water monitoring to verify release water quality;
- Reuse of sediment basin water for construction (compaction, dust suppression, revegetation); and
- Soil sampling and analysis to guide soil amelioration and water treatment.

LAND REHABILITATION

NRW provides progressive land rehabilitation options to its clients, including site closure remediation. The Company's capability in this regard includes bulk earthworks, topsoil management, soil amendments, revegetation, monitoring and maintenance.

As a business, NRW is committed to pursuing mine site rehabilitation contracts to further its work in this area. Examples to date where NRW have successfully helped with land rehabilitation efforts include Isaac Plains and Argyle Diamond Mine.



Golding Contractors are engaged to perform all mine works at the Isaac Plains mine site. This includes contracted works to design and carry out re-contouring and topsoil stripping/replacement as part of the project's commitment to land rehabilitation.

To date, Golding have rehabilitated 585 hectares of land at Isaac Plains, which is 39% of all land disturbed on the site. This includes laydown areas, unused access roads and ramps.

The seed mix used as part of the land rehabilitation was an endemic based species blend which had been identified as growing well on existing rehabilitated areas. Soil testing was also undertaken to help Golding Contractors gain a better understanding of which species and soil amendments may be best suited to the land. Eventually, this rehabilitated land will be returned to local landholders for cattle grazing.

WASTE MANAGEMENT

Waste generated by NRW consists primarily of general waste, sewerage and wastewater, and tyres, batteries, scrap metal, oils and lubricants from company workshops. All waste is segregated into its respective waste streams on site, or at locations with appropriate recycling facilities. Waste types are generally tracked and recorded at each project site for review and, where possible, reduction.

All NRW operations are required to have waste management plans in place which address waste elimination, minimisation, storage, transportation and disposal. These waste management plans are contained within the project environmental management plan which is specific to each of the sites where NRW operates. These plans are in place to control the risks of waste impacts on the environment and local communities.

ENVIRONMENT CONTINUED

INNOVATION

In recent years the mining industry has seen a significant push towards decarbonisation through, for example, the adoption of renewable energy.

NRW has various initiatives underway to support decarbonisation through the delivery of innovative lower carbon technological solutions, including:

- RCR, in partnership with Kiruna Wagon, have the technology to offer clients a more energy-efficient solution for unloading heavy, fine-grained bulk goods. The Kiruna Wagon Helix Dumper requires less energy than its traditional car dumper alternative due to the innovative unloading station and discharge process.
- Primero is working with various clients in the hydrogen energy sector to reduce reliance on hydrocarbon based energy sources.
- NRW is partnering with a local company to trial hydrogen injection technology on mining haul trucks. The technology gives NRW the potential to utilise a product that supports decarbonisation, produces cleaner burning engines, increases fuel efficiency and ultimately, reduces the carbon footprint of mining activities. NRW intends to trial the technology on a CAT785 dump truck over the next twelve months.



Primero Awarded the EPC Contract for a Hydrogen and Graphite Production Demonstration Plant

Primero was awarded the engineering, procurement and construction (**EPC**) contract for a hydrogen and graphite production demonstration plant. This production demonstration plant is a global and Australian first in adopting a new hydrogen and graphite technology. Primero has been tasked with the design, construction, procurement and commissioning of the fully integrated large scale demonstration plant. Upon completion, the demonstration plant will deliver the following:

- Capacity - 100 tonne per annum fuel cell grade hydrogen capable of being used as a low emission transport fuel, for power generation, or clean industrial applications.
- Feedstock - Biogas - methane produced in the wastewater treatment process is utilised to produce hydrogen. This methane would otherwise be vented as waste into the atmosphere.
- Emissions - significant CO₂ emission reduction to the Woodman Point Water Treatment Plant and demonstrate the potential long-term use for waste biogas produced from water treatment operations.

The innovative process is a low cost, low emission process to create two high value, high demand products - hydrogen and synthetic graphite. Hydrogen and graphite are both key products in a global decarbonising economy.



Across **the Group** we are **focussed on** broadening the messages we deliver and the **initiatives supporting mental health** such as the Blue Tree Project.

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SOCIAL

SOCIAL

NRW's long-term success depends on the wellbeing and development of its people and the communities in which it operates.

SAFETY, HEALTH AND WELLBEING

NRW is committed to supporting the safety, health and wellbeing of its workforce, and takes pride in maintaining an excellent safety record. The Company is firmly focused on completing daily tasks in a safe manner, looking out for its people and ultimately delivering projects that we are proud of for our clients.



NRW Civil and Mining (**NRWCM**) implemented its 'A Safe Day, Every Day.' program to improve safety performance. Comprised of safety initiatives and procedures, the 'A Safe Day, Every Day.' program promotes information sharing and communication between projects to improve safety performance across NRWCM by learning through peers. The program also contains a recognition component where employees who go above and beyond for safety, or create a positive safety initiative, are recognised.

The initiative includes safety performance tracking at each of NRWCM's projects. This includes setting targets to measure safety performance using key performance indicators (**KPI's**). The KPI's used to measure the success of the 'A Safe Day, Every Day' program include compliance activities such as inspections, communications and training along with lead indicators such as behavioural based observations, hazards cards and health and wellbeing programs.

The program is an integral part of NRWCM's projects and has been embraced by the workforce and by clients.

SAFETY

NRW strives to identify and control hazards to provide a safe workplace for all its people by maintaining a set of safety systems, controls and processes. The Occupational Health and Safety (**OHS**) management systems NRW has in place are accredited to both AS/NZS 4801:2001, ISO 45001:2018, and the Government funded Federal Safety Commission. These certifications are regularly audited by external third parties to ensure that NRW continues to deliver a high level of safety for its workforce.

Safety, health and wellbeing at NRW are intrinsically linked to the way we work. NRW is committed to achieving the highest possible performance in occupational health and safety.

OHS management systems are applied across all NRW projects to record and monitor OHS events. It is expected that all OHS incidents occurring on NRW sites are entered into these database systems quickly and accurately. These OHS systems allow a range of issues, incidents and observations to be quickly and accurately communicated across the business. This system also provides transparency of OHS performance across the Group by extracting and sharing data with the executive leadership team. This information is then used, for example, to develop risk mitigation strategies to improve work systems to create a safer workplace.

Across the business, rigid policies and procedures support NRW's OHS management systems, including:

- Project risk assessments - held prior to work commencing on site that looks to identify all project specific risks and mitigation strategies.
- Safety management plans - each project site has OHS issues and risks which are unique to that project. The project management team will develop a safety management plan which addresses how safety issues and risks will be managed and controlled for that particular project.
- Site safety meetings - including site inductions, pre-starts, return to site briefings, and toolbox meetings.
- Site safe activities - including notice boards, alerts, job hazards analysis, hazard cards and safety walkthroughs/inspections.
- Safety training - including incident investigation training, supervisory training and OHS management systems training.
- Leading and lagging indicators - continuous monitoring of both leading and lagging indicators with regards to safety performance.

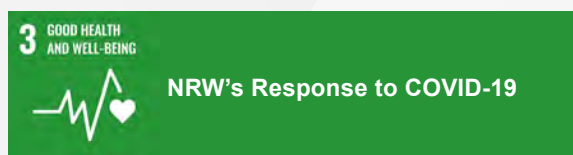
SOCIAL CONTINUED

- NRW's commitment to eliminating incidents and injuries on project sites remains unchanged and is supported by the constant review and improvement of its safety programs. Some continuous improvement measures implemented during FY21 include:
- A revised approach to standard operating procedures for tasks with a history of injuries and for frequently performed tasks; and
- Refreshing safety leadership training to be tailored specifically to projects and systems.

NRW's safety statistics as at 30 June are shown below.

	FY21	FY20
TRIFR	6.25	5.21
LTIFR	0.61	0.37
Average Total Workforce	6,454	5,648
Fatalities	-	2

NRW operated in accordance with all relevant Federal and State based safety legislation and regulations during FY21, and did not receive any safety related fines or prosecutions during the year.



The COVID-19 pandemic required NRW to make changes to how it works, and to put systems in place to protect its people and the communities in which it operates. NRW did this through the implementation of the following measures:

- Providing financial support to those employees directly impacted.
- Securing accommodation for interstate employees to temporarily relocate them to the State in which they work.
- Allowing its workforce to adopt flexible work arrangements, including working from home, where these arrangements were suitable.
- Distribution of preventative measures, including face masks and sanitiser.
- Increased cleaning and sanitation of offices and sites.

Information relating to COVID-19 and the management of its risk was regularly distributed across the business. This information was based on Federal and State mandates with regards to the management of the COVID-19 pandemic.

The impact of the COVID-19 pandemic continues to be a challenge for the business. NRW are closely monitoring the situation, regularly implementing risk management measures and continuing to safeguard business continuity.

SOCIAL CONTINUED

HEALTH AND WELLBEING

NRW understands the benefits to its workforce of being fit and healthy. In addition to several campaigns relating to physical health, NRW has an increasing focus on mental health and wellbeing. Some of the key initiatives include:

- Providing a safe and supportive workplace for all employees by undertaking a review of formal policies, including NRW's Diversity Policy and Whistleblowing Policy.
- Promotion of the Employee Assistance Program (**EAP**). The EAP is an independent service, available 24 hours a day seven days a week, to all employees and their families. The EAP allows employees access to health and wellbeing resources, as well as professional and confidential coaching and support.
- Promoting mental health awareness across the business including R U OK? Day, the Blue Tree Initiative, and Soldier On.
- A recent focus on increasing mental health training both on site and within offices. This includes tailored training in mental health first aid which is expected to be rolled out in FY22.



NRW Supports the Blue Tree Initiative to Raise Awareness for Mental Health

During the year, NRW actively contributed to mental health awareness through support of the Blue Tree Initiative. The Blue Tree Initiative aims to help spark difficult conversations and encourage people to speak up when battling mental health concerns.

Mental health and wellbeing are a focus of the mining sector given the nature of the work roster and often remote areas in which operations are located. To raise awareness and show support for good mental health, NRW endorsed a 'Blue Tree' project initiative at Mt Webber.

If you ever get the pleasure of driving to Mt Webber, you'll pass a blue tree on the access road. One of NRW's talented boilermakers, Mr David Power, was the creator of this masterpiece. Mr Power designed the tree so that each of the birds have a different meaning: Anxiety; Depression; Death. The flowers at the bottom signify hope. And you if you look very carefully you'll see a shamrock, the luck of the Irish, and a reminder of where Mr Power calls home.



SOCIAL CONTINUED

EMPLOYEE ENGAGEMENT

WORKFORCE

NRW employs a high-performing, experienced and appropriately qualified workforce who provide a wealth of knowledge at all levels of the business. The Company is particularly pleased to have a workforce that consistently returns to NRW as more projects are secured and positions become available. Previous NRW employees are considered as first preference wherever possible, and employees are transferred from completed projects to new projects to ensure retention of a skilled workforce.

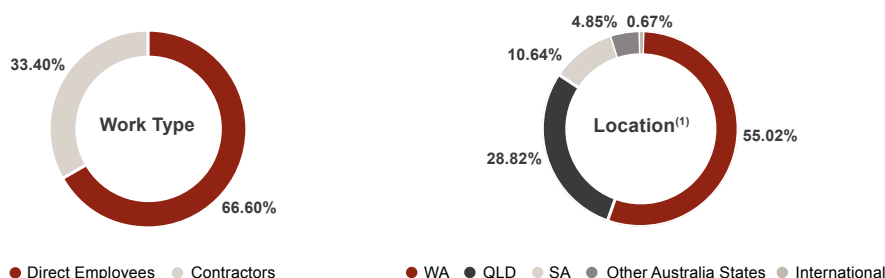
Meeting productivity objectives is critical to successful project delivery. Certain parts of NRW's operations, particularly projects in the WA Pilbara region, have been impacted by competition for a limited resource pool driven by both high construction activity and

strong commodity demand. Covid-related border restrictions have also impacted employee turnover and movement between states. NRW envisages that these issues will continue to have an impact on the business in FY22 - creating an even greater focus on supplementing the existing skilled workforce with more trainees and apprentices.

NRW's workforce levels increased through the year to a peak of 7,800 reducing to 6,376 at 30 June 2021 (FY20: 7,053). NRW's average total workforce, and the relevant work types, are shown below.

	FY21	FY20
Direct Employees	4,299	3,596
Contractors	2,155	2,052
Average Total Workforce	6,454	5,648

Average Total Workforce according to work type is depicted below, along with Total Direct Employees by location.



(1) Breakdown by location relates to Total Direct Employees only (excluding Contractors).

NRW has the following policies and programs in place to support its workforce:

- Code of Conduct - Obligations to Stakeholders
- Company Paid Parental Leave Policy
- Employee Assistance Program
- Diversity Policy.

NRW complied with all relevant Federal and State based workplace laws and regulations throughout FY21, including the Fair Work Act 2009.

In FY22 NRW is planning to undertake an employee survey to better understand the key drivers of attraction, retention, employee wellbeing, and diversity across the business. With this information, NRW will be able to design targeted strategies and actions to support its existing workforce, and attract and retain new talent to the business.

TRAINING AND DEVELOPMENT

To support NRW's continued growth, the Company remains committed to training and developing its people.

Investing in its people not only ensures the Company has the right skills, but also provides its workforce with the opportunity for personal and professional development and aids employee retention. NRW has increased its focus on apprenticeships, graduates, traineeships and leadership programs during the year, and plans to continue this focus into FY22.

89 Apprentices

89 apprentices participated in Apprenticeship Programs, specialising in automotive (heavy mobile equipment), fabrication (heavy welding), and mechanical (mechanical fitter) works.

65 Graduates

65 graduates and undergraduates were onboarded through a structured graduate training program, including engineering (civil and mining), surveying, and commercial contracts students.

112 Formal Training Programs

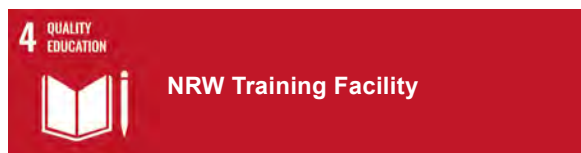
112 staff participated in formal training programs.

173 Leadership and Development Programs

173 staff were selected and completed internal leadership and development programs.

SOCIAL CONTINUED

In addition, NRW has a structured performance, development and review process to further its commitment to the training and development of its people.



NRW has established a training facility to give opportunities for unskilled people to join the mining industry. This facility will allow NRW the ability to address the skills shortage experienced during FY20 and FY21 by providing training and development opportunities to the local unskilled and skilled workforce. NRW expects more than 100 trainees will graduate from the facility each year.

It is anticipated that NRW will source trainees from a variety of difference places, including internal candidates (upskilling), from sectors affected by COVID-19, as well as those with transferable skills and knowledge such as the transport industry.

NRW is also committed to running courses targeted at Aboriginal and Torres Strait Islander Peoples and female trainees to increase participation from these sections of the workforce.

WORKPLACE CULTURE AND DIVERSITY

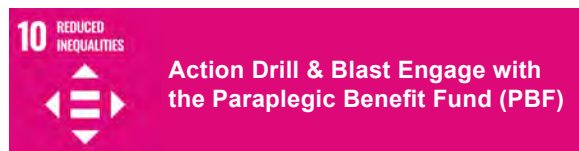
Diversity contributes to business success. NRW strives to provide a working environment that encourages respect and fairness for all participants, at all times, through its Diversity Policy.

NRW's objective is to increase participation across a range of demographics to ensure the Company recruits and retains a skilled workforce and endorse a safe and productive working environment. In addition to supporting greater female and Aboriginal and Torres Strait Islander participation, NRW believes it also has an opportunity to further support people with disabilities to enter or re-enter the workforce with its progress in autonomous/remote-controlled equipment operation. Work in furthering support of this demographic is continuing.

Diversity initiatives progressed within the Group during FY21 include:

- Support of the Western Australian Jobs and Skills initiative promoting Aboriginal and Torres Strait Islander employment;
- Engaging locally owned and operated Aboriginal and Torres Strait Islander businesses to supply goods or services to projects;

- Adopting a Company Paid Parental Leave Policy for primary carers; and
- Engaging the Paraplegic Benefit Fund Australia to raise safety awareness and learn more about their programs and how people with disabilities can be supported and engaged in the workforce.



Action Drill & Blast have engaged the PBF to present to site and leadership teams about the long term physical and psychological impacts of workplace injuries, and highlight the need to focus on workplace safety. These presentations form part of Action Drill & Blasts project leadership development program.

In addition to hearing from people impacted by workplace injury, Action Drill & Blast is committed to understanding its ability to engage with people with disabilities to work within the business. By understanding how people with disabilities can be supported and engaged in the workforce, Action Drill & Blast can assess its ability to further these initiatives internally.

NRW continues to focus on progressing its diversity and inclusion agenda, particularly with regard to female participation, engagement of Aboriginal and Torres Strait Islander Peoples, and employment for people with disabilities. The Company will continue to invest in training initiatives to promote greater participation from these segments of the community and enable increased participation through upskilling including, for example, through targeted courses run within the NRW's training facility.

NRW's workforce diversity breakdown as at 30 June is as follows:

	FY21	FY20
Average Total Direct Employees	4,299	3,596
Female Participation %	13.21%	10.56%
Aboriginal and Torres Strait Islander Participation %	2.79%	1.71%

SOCIAL CONTINUED

COMMUNITY ENGAGEMENT

ABORIGINAL AND TORRES STRAIT ISLANDER PARTICIPATION

NRW respects the importance of the Aboriginal and Torres Strait Islander cultures and the rights of Aboriginal and Torres Strait Islander Peoples. Since inception, the Company has successfully employed and supported Aboriginal and Torres Strait Islander Peoples within its operations through training programs, employment, subcontracting and partnering opportunities. NRW is focused on continuing to develop these relationships by supporting local community initiatives and harnessing community expertise and leadership.



Jukawalyi Resources Pty Ltd is owned and operated by the Njamal traditional owner group who occupy the inland area of the Degrey River in the Pilbara Region of Western Australia.

NRW has partnered with Jukawalyi Resources Pty Ltd for their logistical expertise in ensuring the safe transport of freight to the Mt Webber, and other, NRW projects.

In addition to offering a professional and reliable transport service, Jukawalyi Resources Pty Ltd ensures that opportunities for Aboriginal and Torres Strait Islander Peoples are maximised through employment and empowering successful business operations.

NRW has a proud history of partnering with Aboriginal and Torres Strait Islander businesses across Australia. Current and past joint venture partners include Ngarluma and Yindjibarndi People (represented through the Ngarluma and Yindjibarndi Foundation Limited), Eastern Guruma People (represented by Eastern Guruma Pty Ltd), Njamal and ICRG Joint Venture and Eastern Guruma and Wiru-Murra Enterprises.

As NRW continues to diversify its business and increase its national footprint, the Company embraces the ongoing opportunities to learn from, and work with, Aboriginal and Torres Strait Islander communities. During the year, the Company increased its cultural awareness training for employees to maximise our ability to achieve this.

COMMUNITY SUPPORT

By supporting local communities NRW ensures ongoing community trust in its operations. As a business, NRW acts beyond minimum requirements to establish long-term relationships among stakeholders, including the local communities in which it operates. NRW contributes to the social and economic prosperity of these communities through employment, education, business development and in-kind donations and community contributions.

NRW often seeks to identify community sponsorship opportunities and partnerships that align the interests of the local communities with NRW's values. The types of support provided by NRW to further this objective includes:

- Major partnership with GIVIT, a not-for-profit organisation supporting community giving to local and regional communities Australia-wide.
- Donations to major charities including Ronald McDonald House Charities, The Smith Family Charity and Foodbank Australia.
- Sponsorship of community and local sporting programs that aim to meet specific local community needs including the Gunnedah and Districts Australian Rules Football Club, Boggabri & District Rugby League Football Club and Baralaba Golf Course Junior Open.
- In-kind and financial support for community organisations in locations where NRW operates, such as the donation of scrap metal and timber to local Men's Shed organisations.
- Support for employee efforts in community fundraising activities including the Cancer 200 and MSWA Ocean Ride, the Push-Up Challenge supporting mental health, and World's Greatest Shave initiatives.
- Engagement with local schools and universities to support relevant education programs such as an annual donation to the Greenbushes Primary School Digital Technologies Program, a contribution towards playground upgrades at Pannawonica Primary School, and facilitation of mine site excursions for the GFG Foundation Student Program.
- Active sourcing of goods and services from local communities to support local businesses and employment.
- Participation in industry associations and events to promote the opportunities available in the mining industry and across the NRW Group.

SOCIAL CONTINUED

1 NO POVERTY



Golding Contractors Partners with GIVIT to Support Local and Regional Communities

Golding Contractors maintains a national partnership with GIVIT. This partnership enables GIVIT to continue supporting regional communities and charities Australia wide in a variety of ways.

GIVIT is a national not-for-profit organisation connecting generosity with people in genuine need, in a private and safe way. GIVIT fulfils an unmet need within the Australian community by connecting an online network of givers.

With Golding's support, GIVIT is able to donate more than 10,000 items every week. GIVIT's unique virtual warehouse eliminates the need for organisations to store, sort and dispose of unwanted items, saving valuable time, resources and significantly reducing the volume of materials that would otherwise go into landfill.

Additionally, the Golding partnership enabled GIVIT to launch its Disaster Recovery Service across Australia, supporting Governments, recovery agencies and local charities by managing all offers of goods and services during times of disaster and emergency.

This free of charge service ensures that 100% of donated relief funds go directly to local communities, such that they are provided what they need, when they need it most.

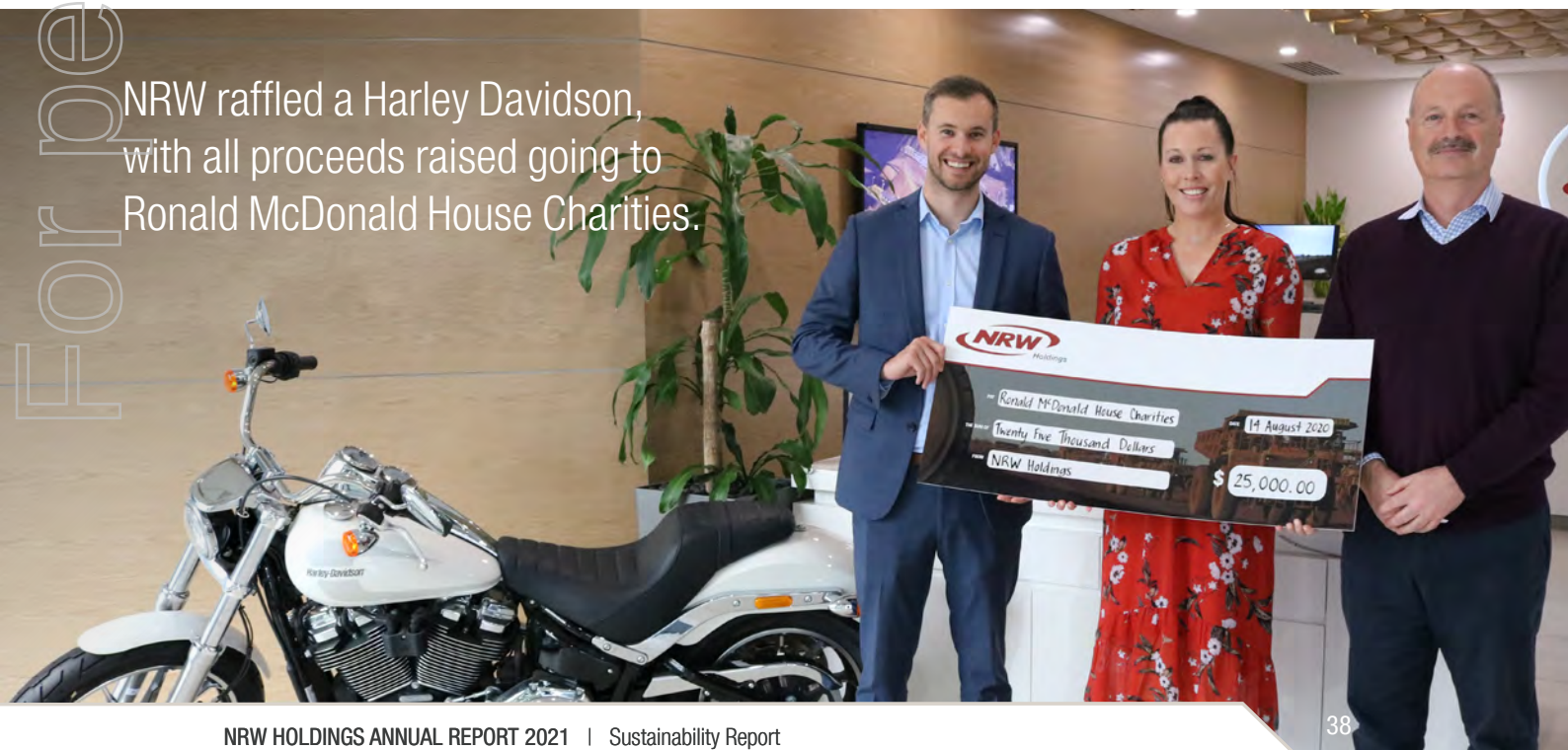
10

REDUCED INEQUALITIES



Main Roads WA

NRW raffled a Harley Davidson, with all proceeds raised going to Ronald McDonald House Charities.



SOCIAL CONTINUED



NRW's Commitment to Sustainability on the Bunbury Outer Ring Road Project

In October 2020 the South West Gateway Alliance, of which NRW is a 40% partner, was awarded the alliance contract for the Bunbury Outer Ring Road Project. The construction of the Bunbury Outer Ring Road delivers vital infrastructure to provide a safer and more efficient road system for the South-West of Western Australia.

Large infrastructure projects, such as the Bunbury Outer Ring Road, can significantly influence the economic, environmental and social outcomes for local communities. Integrated into the project design and construction were a number of sustainability commitments which the alliance partners are managing, including:

- Spending \$300 million with local businesses in Western Australia's South West region.
- Spending \$20 million with Aboriginal and Torres Strait Islander businesses.
- Employing 60+ Aboriginal and Torres Strait Islander full-time equivalent employees for the life of the project.
- Minimising waste generation and maximising reuse and recycling by using products such as recycled concrete, crumbed rubber, and crushed glass to develop road surfacing, pavements and road fill.
- Sourcing materials from local businesses to reduce transport distances and emissions.
- Reducing clearing of native vegetation and fauna habitat, and seeking to improve ecological outcomes.
- Salvaging valuable vegetation from areas to be cleared such as orchids, grass trees and zamia palms.
- Constructing fauna underpasses and overpasses in line with environmental regulators requirements that cannot be used by vehicles and offer shelter to possums from predators and allow for dense vegetation planting.
- Working closely with Aboriginal and Torres Strait Islander heritage monitors to identify significant areas or items and promote heritage values.
- Maximising network efficiency for all road users and encouraging active transport.
- Incorporating gateway entrance statements to promote tourism in Bunbury, and other local areas.
- Giving community members the opportunity to engage throughout the development of Urban Design and Landscaping choices on the project.

NRW's Projects Undergoing Infrastructure Sustainability Rating of ESG Impacts

The Infrastructure Sustainability (IS) Rating Scheme is Australia and New Zealand's only comprehensive rating system for evaluating economic, social and environmental performance of infrastructure projects across the planning, design, construction and operational phase. The Infrastructure Sustainability Council administers the IS Rating Scheme in an effort to advance infrastructure sustainability and provide

a common language for evaluating sustainability on projects. NRW currently has three projects under-going an IS rating with its Joint Venture and Alliance partners, through Main Roads WA projects Bunbury Outer Ring Road and Hodges Drive to Hepburn Avenue and the Public Transport Authority project Forrestfield-Airport Link.



Integrated into the **BORR project** design and construction **were a number of sustainability commitments** which are being managed by the alliance partners.

NRW believes that adopting and **applying high standards** of corporate governance **enhances the Company's sustainable long-term performance** and creates long-term shareholder value.



GOVERNANCE

GOVERNANCE

Good corporate governance and risk management practices form the basis on which NRW delivers its corporate strategy and sustainability objective.

CORPORATE GOVERNANCE

The Board is NRW's highest governing authority and instils a culture of accountability, integrity, transparency, and compliance. A Board Charter has been adopted which details the functions and responsibilities of the Company's Board and management. This Charter is regularly reviewed and updated to reflect changes and developments regarding the operation of the Board, and is published on the NRW website (www.nrw.com.au/about-us/corporate-governance). NRW's Board comprises the following members. The Board members credentials are published each year in the Annual Report.

Michael Arnett	Chairman & Independent Non-Executive Director
Jules Pemberton	Chief Executive Officer & Managing Director
Jeff Dowling	Independent Non-Executive Director
Peter Johnston	Independent Non-Executive Director
Fiona Murdoch	Independent Non-Executive Director

The Board is ultimately responsible for the governance, risk and compliance frameworks of the Company.

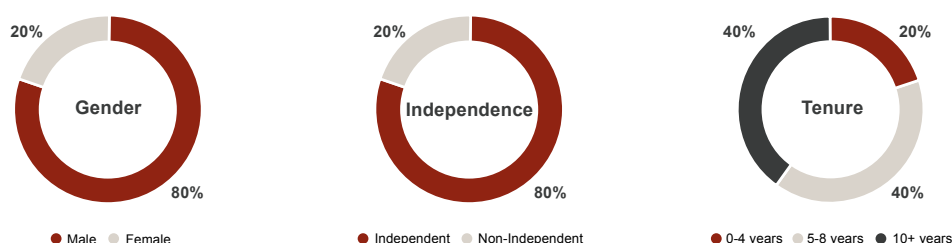
These frameworks exist through a suite of policies and procedures, developed over time to ensure compliance with the various legislative and regulatory requirements applicable to the NRW business. These policies include, amongst others:

- Code of Conduct for Directors and Key Officers
- Code of Conduct – Obligations to Stakeholders
- Shareholder Communication Policy.

Corporate Governance policies are published on the NRW website (www.nrw.com.au/about-us/corporate-governance).

BOARD COMPOSITION

The Board comprises five directors with diverse skills, experience, and backgrounds to support NRW in effective and robust corporate governance practices. The majority of directors are independent and non-executive, including the Chair. The Director's skills, experience and diversity, and Board size, are reviewed regularly by the Nomination and Remuneration Committee to ensure it remains fit for the Group's needs and in line with best practice requirements. The Board makeup according to gender, independence and tenure is depicted below.



(1) NRW has one member of the Board who is not independent, being the Managing Director and Chief Executive Officer Jules Pemberton.

The Board has set a board gender diversity target of 33.33% female representation, to be achieved by 31 December 2023.

COMMITTEES OF THE BOARD

The Board has the following sub-committees established to assist it in carrying out its primary role of guiding NRW's strategic direction:

	Board/Committee Member				
	Jules Pemberton	Michael Arnett	Jeff Dowling	Peter Johnston	Fiona Murdoch
Board	✓	Chair	✓	✓	✓
Audit and Risk Committee			Chair	✓	✓
Nomination and Remuneration Committee		✓	✓	Chair	✓
Sustainability Committee		✓		✓	Chair

The Board Committees' Charters are available on the NRW website (www.nrw.com.au/about-us/corporate-governance).

GOVERNANCE CONTINUED

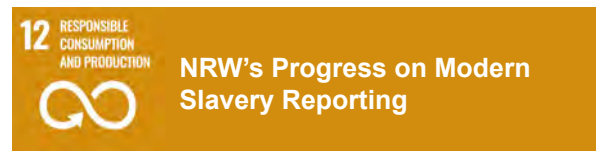
ASX CORPORATE GOVERNANCE COUNCILS CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

NRW's commitment to good corporate governance is evidenced through its adoption of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th Edition. Adoption of these principles and recommendations, and other information with regards to the Company's Corporate Governance Practices, are published in a Corporate Governance Statement. This Statement, along with the Appendix 4G, is released to the market annually and available on the ASX website (www.asx.com.au, ASX Code: NWH).

BUSINESS ETHICS AND TRANSPARENCY

NRW expects all directors, officers and employees act lawfully, ethically and responsibly. The Company's expectations with regards to employee conduct are contained within Company policies and behavioural standards documents. These policies and documents include, amongst others:

- Continuous Disclosure Policy
- Securities Trading Policy
- Whistleblowing Policy
- Modern Slavery Statement
- Code of Conduct documents.



As a leading provider of contract services within the Australian resources and construction industries, NRW acknowledges its inherent responsibility to act ethically and do its part to respond to social and human rights issues, including modern slavery. The NRW Group seeks to integrate respect for human rights into the way it operates to continuously improve the business and the way it delivers work.

NRW is committed to improving its understanding of modern slavery risks in operations and supply chains. The Company is also committed to raising awareness of the issue throughout operations and supply chains and thereby support efforts to combat it by tracing, monitoring and addressing the risk of modern slavery practices. NRW has a dedicated Modern Slavery Working Group to assist the Company in meeting its modern slavery reporting obligations.

NRW submitted its first joint Modern Slavery Statement (**Statement**) to the Australian Border Force (**ABF**) in March 2020. NRW's Statement, approved by the Board, is available on the NRW website (www.nrw.com.au/about-us/corporate-governance) and on the ABF's Modern Slavery Register (<https://modernslaveryregister.gov.au/>).

As at the date of this Report, for FY21, NRW confirms the following:

- No reported incidents of bribery or corruption.
- No reported breaches to the Company's Securities Trading Policy.
- NRW made 37 price-sensitive disclosures to the market during FY21, and had no reported breaches to its Continuous Disclosure Policy and no queries raised from the ASX with regards to meeting its continuous disclosure obligations.

RISK MANAGEMENT

In conducting its business, NRW takes informed and appropriate commercial and business risks (including non-financial risks) to achieve its objectives and deliver shareholder value. Through an enterprise-wide approach to risk management, NRW seeks to achieve:

- Compliance with laws and regulations;
- Assurance regarding the management of significant risks;
- Decisions that pay full regard to risk considerations; and
- Efficiency and effectiveness in operations, projects and strategy.

Risk management is overseen by the Board's Audit and Risk Committee. Consistent with its Charter, the Audit and Risk Committee is responsible for assisting the Board in fulfilling its responsibilities relating to the Company's risk management and compliance practices. The Charter for the Audit and Risk Committees is available on the NRW website (www.nrw.com.au/about-us/corporate-governance).

NRW's Risk Management strategy is set out in the Risk Management Corporate Policy. The Risk Management Corporate Policy is reviewed annually and outlines the Board's mandate and commitment to enterprise-wide risk management. Supporting the Risk Management Corporate Policy is a documented Risk Management Procedure, which has been developed in line with the requirements of the International Standard for Risk Management ISO 31000:2009, and the Risk Management Manual. This policy, procedure and manual, combined, assists the NRW Group with the identification, understanding, monitoring and management of risks and opportunities which can arise from operations, projects and strategies adopted by the Company. Supporting this is a dedicated risk and commercial function that embeds these frameworks within the business.

Material risks that could adversely affect NRW are set out in the FY21 Annual Financial Statements. Consideration of all business risks, including environmental, social and governance risks, were included in this assessment of the most significant risks to the NRW Group.

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FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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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 2021.

DIRECTORS

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

Michael Arnett

Chairman and Non-Executive Director

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

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

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

- Non-Executive Chairman, Genmin Limited (Appointed 10 March 2021)

Julian Pemberton

Chief Executive Officer and Managing Director

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

Mr Pemberton has more than 25 years' experience in both the resources and infrastructure sectors. He joined NRW in 1996, and prior to his appointment as Chief Executive Officer and Managing Director he held a number of senior management and executive positions at NRW including Chief Operating Officer.

Jeff Dowling

Non-Executive Director

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

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

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

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

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

Peter Johnston

Non-Executive Director

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

Mr Johnston has served with a number of national and international companies.

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

DIRECTORS'

REPORT CONTINUED

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)

Fiona Murdoch

Non-Executive Director

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

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

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

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

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

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

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

Kim Hyman

Company Secretary

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

DIRECTORS' MEETINGS

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

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

NOMINATION & REMUNERATION COMMITTEE

The members of the Nomination & Remuneration Committee (N&RC) are Peter Johnston (Chairman), Michael Arnett, Jeff Dowling and Fiona Murdoch. During the 2021 financial year, one meeting of the Committee was held with all members in attendance. Certain responsibilities of the Committee were also considered at board meetings as required.

AUDIT & RISK COMMITTEE

The members of the Audit & Risk Committee are Jeff Dowling (Chairman), Michael Arnett and Fiona Murdoch. During the 2021 financial year, two meetings of the Audit & Risk Committee were held with all members in attendance. In addition, some audit and risk matters were considered in the course of regular board meetings.

DIRECTORS'

REPORT CONTINUED

SUSTAINABILITY COMMITTEE

The members of the sustainability committee are Fiona Murdoch (Chair), Michael Arnett and Peter Johnston. During the 2021 financial year, two meetings of the Sustainability Committee were held with all members in attendance. The Committee provides advice, recommendations and assistance to the Board of Directors of the Company with respect to sustainability, primarily relating to environmental, social and corporate governance matters.

OPERATING AND FINANCIAL REVIEW

PRINCIPAL ACTIVITIES

NRW is a leading provider of diversified contract services to the resources and infrastructure sectors.

With extensive operations in all Australian States, except Tasmania, and an office in Canada, NRW's geographical diversification is complemented by its ability to deliver a wide range of services.

NRW's Civil and Mining businesses provide civil construction, including bulk earthworks, road and rail construction and concrete installation, together with contract mining and drill and blast services.

The Minerals, Energy & Technologies (MET) operating unit offers tailored mine to market solutions, specialist maintenance (shutdown services and onsite maintenance), non-process infrastructure, innovative materials handling solutions, and complete turnkey design, construction and operation of minerals processing and energy projects.

NRW also offers a comprehensive original equipment manufacturer (OEM) capability, providing refurbishment and rebuild services for earthmoving equipment and machinery.

NRW has a workforce of around 7,000 people supporting more than one hundred projects around Australia for clients across the resources, infrastructure, industrial engineering, maintenance and urban subdivision sectors.

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

SIGNIFICANT CHANGES IN BUSINESS ACTIVITIES

The Company acquired Primero Group Limited (Primero) on 17 February 2021, the results of which have been incorporated into this report from that date.

GROUP RESULTS

OVERVIEW OF OPERATIONS

The financial year ended 30 June 2021 provided a number of challenges and opportunities.

The COVID-19 pandemic had impacts across operations, particularly on West Australian Pilbara based projects. Measures taken as a result of the pandemic, including border closures imposed at a State and Federal level, effectively limited the available labour pool. Our challenge was to deliver projects in an environment where competition for people increased significantly, driven by both high construction activity and strong commodity demand. This led to higher staff turnover (at a level never previously experienced), increased labour costs and lower productivity as a consequence of specific labour skills shortages, resulting in extended project durations.

Despite these challenges, a number of businesses, particularly Golding Mining and the RCR Mining Technologies (RCRMT) and DIAB Engineering businesses, continued to deliver strong performances. This was partly attributable to having a more stable workforce through either long-term contracts or because their activities were predominantly based at workshops with a mostly long-term and stable workforce.

The Primero acquisition, successfully completed in the year, has strengthened the Minerals, Energy & Technologies operating unit. The addition of Primero significantly enhances NRW's capability to pursue new business initiatives across a large pipeline of opportunities and leverage the combined expertise of RCRMT and DIAB Engineering. The enlarged MET business enhances diversification of NRW's strategic platform to offer customers continuity of services across the whole lifecycle of resource projects from early planning, design, development and construction to operations and maintenance.

DIRECTORS'

REPORT CONTINUED

The major challenge throughout the last financial year and the main challenge facing the business remains the ongoing management of our people to ensure their day-to-day safety. COVID-19 safe measures have added to the complexity of delivering projects across almost all of our activities.

NRW has not accessed any COVID-19 related State or Federal support packages for any part of its operations.

FINANCIAL PERFORMANCE

A summary of the key financial performance metrics for the current financial year (FY21) is provided below with comments on significant movements compared to the financial year ended 30 June 2020 (FY20).

Revenue including associates at \$2,301 million increased by 11.5% compared to \$2,062 million in FY20. The increase in revenue was a result of continued growth following the FY20 acquisition of BGC Contracting (subsequently renamed to NRW Contracting 'NRWC') and five months contribution from the newly acquired Primero Group (refer note 7.5 of the financial statements).

	FY21		FY20	
	Revenue	Earnings	Revenue	Earnings
	\$M	\$M	\$M	\$M
Total Revenue ⁽¹⁾ / EBITDA ⁽²⁾	2,300.6	266.7	2,062.4	250.0
Revenue from Associates	(79.1)		(58.1)	
Depreciation		(146.1)		(109.1)
Operating EBIT ⁽³⁾		120.6		140.9
Amortisation of Acquisition Intangibles		(20.2)		(13.0)
Non-recurring transactions ⁽⁴⁾		(11.2)		(14.9)
EBIT		89.2		113.0
Net interest		(13.3)		(12.8)
Profit before income tax		75.9		100.2
Tax		(21.6)		(26.5)
Statutory Revenue / Net earnings	2,221.5	54.3	2,004.3	73.7
NPATN ⁽⁵⁾		75.1		89.7

(1) Revenue including our share of revenue earned by our associates and joint ventures.

(2) EBITDA is earnings before interest, tax, depreciation, amortisation of acquisition intangibles and non-recurring transactions.

(3) Operating EBIT / EBITA, is earnings before interest, tax, and amortisation of acquisition intangibles and non-recurring transactions.

(4) Non-recurring transactions include Altura impairment, Gascoyne writeback and Primero transaction costs (FY21) and costs associated with the acquisition of BGC Contracting (FY20).

(5) NPATN – earnings before amortisation of acquisition intangibles and non-recurring transactions at 30% tax rate.

Earnings including earnings before interest, tax, depreciation, and amortisation of acquisition intangibles (EBITDA) increased to \$266.7 million compared to \$250.0 million in FY20. The increase of 6.7% was mostly due to the recognition of Mining activities acquired from BGC Contracting in FY20 where only seven months of revenue was included in the results.

Earnings (Operating EBIT) of \$120.6 million were lower than last year due to resource challenges particularly on Pilbara based projects which experienced high staff turnover, labour rate increases and skill shortages.

Non-recurring transactions include recoveries from Gascoyne Resources following their successful recapitalisation, costs associated with Altura's administration and costs related to the acquisition of Primero (see non-recurring transactions section for details).

Net Earnings excluding non-cash amortisation costs for acquisition intangibles at standard tax rates decreased to \$75.1 million compared to \$89.7 million in FY20 due to lower operating earnings as commented above.

Net Assets increased in the year by \$72.7 million to \$545.1 million reflecting earnings in the year net of dividend payments and equity related to the acquisition of Primero (\$50.5 million). The acquisition of Primero was funded through new equity and a \$50.0 million debt facility (refer to note 7.5 of the financial statements for details).

DIRECTORS'

REPORT CONTINUED

OPERATING SEGMENTS

NRW has structured its business reporting into three segments, Civil, Mining, and Minerals, Energy & Technologies. In previous reports, the results of Drill and Blast (Action Drill & Blast) have been separately reported. The relative size of the Action Drill & Blast business in comparison to the other three segments and the increased dependency on work from the Civil and Mining segments were the main factors which were considered in making this change. Comparative segment information for the prior periods has been provided within Appendix A of the financial statements.

Commentary on the performance of each segment is provided below:

Civil

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

Results summary (\$M)

	FY21		FY20	
Revenue	726.5		820.1	
EBITDA	28.6	3.9%	34.4	4.2%
Depreciation	(5.7)		(7.9)	
EBIT	22.9	3.1%	26.5	3.2%

Revenue in the Civil business peaked in calendar year 2020 due to contracts secured for sustaining iron ore projects including work won by BGC Contracting (acquired in December 2019). Most of the major projects completed early in the second half of FY21 resulting in both lower full year and lower second half revenues compared to last year. The status of the major projects is provided below.

Resources

- Eliwana stage 1 rail – complete
- Eliwana stage 2 rail – complete
- Koodaideri Plant site – complete
- Koodaideri Rail South – ongoing – scheduled for completion Q1 FY22
- Iron Bridge – ongoing
- West Angeles – complete
- Olympic Dam Airport – complete
- Blackwater Ramp 47 – complete
- Rio Solar farm – ongoing - new contract awarded in FY21

Infrastructure

- Forrestfield-Airport Link – ongoing – scheduled for completion Q3 FY22
- Bunbury Outer Ring Road – ongoing – new contract awarded in FY21
- Hodges drive to Hepburn avenue southbound upgrade – ongoing – new contract awarded in FY21
- Woolgoolga to Ballina – complete
- 23 Urban development projects at various stages of completion

Earnings were lower than last year and lower than expectations due to the COVID-19 pandemic. Most of the business's revenue was generated on West Australian Pilbara based projects. Measures taken as a result of the pandemic including border closures imposed at State and Federal level effectively limited the available labour pool. Our challenge was to deliver projects in an environment where competition for people increased significantly, driven by both high construction activity and strong commodity demand. This led to higher staff turnover (at a level never previously experienced), increased labour costs and lower productivity as a consequence of specific labour skills shortages, which in turn led to extended project durations.

DIRECTORS'

REPORT CONTINUED

OPERATING SEGMENTS CONTINUED

Project cost increases related to the COVID-19 pandemic, other changes requested by clients, and events leading to a right to recover costs are the subject of claims and variations. Some of these claims and variations have been agreed in the year, whilst others are currently under negotiation. The total value of claims and variations agreed in FY21 is \$75 million. Note 2.2 discloses the overall value of claims relied upon although the value of claims currently submitted is clearly much higher than the \$68 million disclosed in these accounts. The total value of claims and variations is clearly commercially sensitive given ongoing negotiations.

Second half earnings were impacted by lower project margins carried forward from the first half (as above), unseasonal weather events and lower revenues. Business overheads were at similar levels in the second half (compared to the first half) to support the current high bidding activity.

Mining

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

Results summary (\$M)

	FY21		FY20	
Revenue	1,177.2		1,059.7	
EBITDA	212.8	18.1%	201.8	19.0%
Depreciation	(128.9)		(91.5)	
EBIT	83.9	7.1%	110.3	10.4%

The Mining business reported further growth in revenue mostly due to the addition of BGC Contracting's mining activities which contributed for a full 12 months compared to seven months in FY20. Major project activity included:

- Curragh mine – coal – ongoing – client added additional scope in FY21
- Isaac Plains – coal – ongoing
- Baralaba – coal – ongoing – contract extended in FY21
- Boggabri – coal – ongoing
- Kogan Creek – coal – ongoing
- Phosphate Hill – fertilisers - ongoing
- Simec – iron ore – ongoing
- Mount Webber – iron ore – ongoing
- Koodaideri Pre strip – iron ore – scheduled for completion Q1 FY22
- Roper Bar – iron ore – ongoing – new contract awarded in FY21
- Dalgaranga – gold – ongoing
- Karara Mining – iron ore – new award in FY21 scheduled to commence March 22

Earnings were impacted by both COVID-19 measures (as noted above for the Civil business) and unseasonal weather events (Western Australia and Queensland) which affected second half revenue and earnings more than we have experienced in previous years. Despite the weather impacts, margins improved in the second half as measures to mitigate resource availability in the Pilbara improved productivity but staffing remains a challenge.

DIRECTORS'

REPORT CONTINUED

OPERATING SEGMENTS CONTINUED

Minerals, Energy & Technologies

The Minerals, Energy & Technologies business includes RCR Mining Technologies (RCRMT) which is a leading original equipment manufacturer (OEM) that offers innovative materials handling design capability, DIAB Engineering which has proven capabilities in the metals and mining industry and provides specialist maintenance (shutdown services and onsite maintenance), industrial engineering and fabrication services and Primero acquired in February 2021. Primero provides a full engineering, procurement and construction (EPC) and operational (O&M) capability in the mineral processing, energy and non-process infrastructure market segments.

Results summary (\$M)

	FY21		FY20	
Revenue	426.9		187.2	
EBITDA	42.1	9.9%	22.4	12.0%
Depreciation	(8.5)		(6.5)	
EBIT	33.6	7.9%	15.9	8.5%

Revenue increased due to the addition of Primero activities from February 2021 and growth in both RCRMT and DIAB Engineering. The businesses were generally less impacted by COVID-19 measures as most of the workforce is located in company facilities in Bunbury, Geraldton, and Perth. The fixed nature of these facilities has been a contributor to a relatively stable workforce and consequently these businesses experienced lower staff turnover than the projects based businesses. Nonetheless, both Primero and DIAB Engineering were impacted in a similar manner to the Civil business on their site based activities. DIAB Engineering provides shutdown services and given the relatively short-term nature of the work, resourcing these projects proved challenging. Primero delivers EPC projects which competed for resources within the same constraints as the Civil business.

Major project activity included:

- Cloudbreak Hopper 9 – completed
- Queens Primary crusher – ongoing – awarded in FY21
- Queens Overland Conveyor – ongoing – awarded in FY21
- Cloudbreak Hopper 10 Primary Crushing – ongoing – awarded in FY21
- Koodaideri mine NPI facilities – ongoing
- Eliwana NPI facilities – ongoing
- Coburn Mineral sands EPC – ongoing – awarded in FY21
- Koolan Island Upgrade to crushing circuit and two year crushing contract – awarded in FY21

Earnings improved in line with higher revenues. Whilst margin in real terms increased, margins as a percentage of revenue reduced as expected due to the combination of the Primero business into segment results from February 2021.

NON-RECURRING TRANSACTIONS

	FY21	FY20
	\$M	\$M
Gascoyne recapitalisation	12.4	-
Altura Mining	(19.1)	-
Costs related to business combinations	(4.5)	(14.9)
Total	(11.2)	(14.9)

DIRECTORS'

REPORT CONTINUED

NON-RECURRING TRANSACTIONS CONTINUED

Gascoyne Recapitalisation

The financial results include the operating activities for Gascoyne Resources' (ASX: GCY) Dalgarranga project in the mining segment result on page nine. The recapitalisation of GCY was finalised in October 2020. As part of the recapitalisation structure, NRW negotiated recovery of pre-administration amounts owed in the form of a \$7 million cash payment, \$12 million in GCY shares (at the relisting price) and a structure to recover the balance of amounts owed through successful gold production. The first two stages of that agreement have been recognised in these accounts (net of costs). In addition, shares held prior to administration and previously expensed in FY19 have been recognised at the prevailing share price at the reporting date (refer to note 3.4 of the financial statements for further details).

Altura Mining

NRW was awarded the mining contract for Altura Mining (Altura) in early 2017. Altura note holders appointed receivers in October 2020. Given the nature and structure of the deed of company arrangement, NRW is unlikely to recover any amounts owed (\$19.1 million) which includes outstanding debts at the time of the receivership, work completed but not billed and demobilisation of equipment and staff from the Altura site.

Costs Related to Business Acquisitions

Costs associated with the acquisition of Primero are included in FY21. Costs incurred on the acquisition of BGC Contracting are shown in the prior comparative period.

BALANCE SHEET, OPERATING CASH FLOW AND CAPITAL EXPENDITURE

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

The Group announced to the ASX on 12 July 2021 that Boggabri Coal Operations Pty Ltd (BCO), part of the Idemitsu Group, agreed to acquire the majority of the major mining equipment of Golding Contractors Pty Ltd (a wholly owned subsidiary of NRW) that is engaged under the Maintenance Services and Hire Agreement at the Boggabri Coal Mine (Boggabri transaction). A pro forma balance sheet is provided to show the effect of the Boggabri transaction (refer to note 7.7 of financial statements for details).

	Pro forma ⁽¹⁾ 30 Jun 21	Actual 30 Jun 21	Actual 30 Jun 20
	\$M	\$M	\$M
Cash	163.9	146.5	170.2
Financial debt	(196.7)	(261.9)	(244.8)
Lease debt	(55.9)	(55.9)	(65.1)
Net Debt	(88.7)	(171.3)	(139.7)
Property, plant and equipment	321.4	321.4	451.8
Non-current assets held for sale	-	82.6	-
Lease assets (right of use)	48.2	48.2	58.3
Working capital	56.6	56.6	(18.7)
Investments in associates and listed equities	15.8	15.8	2.6
Tax Liabilities	(15.3)	(15.3)	(0.9)
Net Tangible Assets	338.0	338.0	353.4
Intangibles and Goodwill	207.1	207.1	119.0
Net Assets	545.1	545.1	472.4
Gearing	16.3%	31.4%	29.6%
Gearing Excl. AASB 16	6.0%	21.2%	15.8%

(1) Pro forma balance sheet includes the impact of the sale of the Boggabri mobile equipment. For more information refer note 7.7 of financial statements.

DIRECTORS'

REPORT CONTINUED

BALANCE SHEET, OPERATING CASH FLOW AND CAPITAL EXPENDITURE CONTINUED

Cash balances ended the year at \$146.5 million. Net debt increased to \$171.3 million which included \$50.0 million to fund the acquisition of Primero. The Boggabri transaction comprised the sale of \$82.6 million of equipment (shown as held for sale in the year end balance sheet) which reduced pro forma debt by \$65.2 million and increased cash by \$17.4 million. Debt repayments in the year included asset financing debt payments of \$60.7 million in line with agreements and \$21.4 million of corporate debt which mostly relates to business acquisition finance. New asset financing in the year totalled \$33.2 million with a further \$50.0 million debt draw down to fund the Primero acquisition. Post the Boggabri transaction, gearing reduced to 16.3% representing a significant reduction compared to last year (29.6%).

Capital expenditure totalled \$77.9 million compared to \$82.6 million in the previous financial year. Expenditure was mostly focused on maintenance and sustaining capex which totalled circa \$70.0 million. Capex also included the first PGX1000 crushing plant designed by Primero and jointly constructed by RCR Mining Technologies and Primero and now deployed at Mount Gibson's Shine project. This is the first Build Own Operate project entered into by NRW with more opportunities identified including the recently announced Miralga crushing contract for Atlas Iron Pty Ltd.

Intangibles and goodwill increased due to the Primero acquisition partly offset by amortisation charges incurred in the year.

The income tax expense recognised in net earnings has reduced the deferred tax asset carrying value as expected. Tax balances are now carried as a net tax liability but include within that balance further tax losses. No income tax was paid in the year and is unlikely to be paid at the current earnings run rate until calendar year 2022.

Returns to shareholders included both a final dividend for FY20 of 4 cents paid in October 2020 and an interim dividend for the current financial year of 4 cents paid in April 2021. Overall dividend payments in the year totalled \$35.0 million.

NRW continued to maintain strong relationships with its banking partners Bankwest and Bank of China. Developments in the year included agreement of a new \$50.0 million facility with Bankwest to support the acquisition of Primero Group. All banking covenants were in compliance at all times during the year and at 30 June 2021.

PEOPLE AND SAFETY / OCCUPATIONAL HEALTH AND SAFETY

The emergence of COVID-19 has raised significant challenges across the business. Our actions continue to be guided by health advice driven by Federal and State governments in our operating regions. These actions include social distancing, working from home, changes to how we manage the logistics for getting our workforce to sites and the implementation of new operating procedures. We are incredibly proud of the way over 7,000 members of our workforce over six states and territories have responded to this unprecedented challenge.

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

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

NRW's Total Recordable Injury Frequency Rate (TRIFR) at June 2021 was 6.25 compared to 5.61 at June 2020.

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

DIRECTORS'

REPORT CONTINUED

PEOPLE AND SAFETY / OCCUPATIONAL HEALTH AND SAFETY CONTINUED

The development of our workforce has continued despite the challenges posed by the pandemic. A snapshot of some of those development opportunities include:

- Employment of 89 apprentices
- Development and training of 65 graduates and undergraduates
- 112 members of staff working through formal training programmes
- Leadership and development courses completed by 173 members of staff
- Over 10,000 training events undertaken via eLearning solutions.

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

NRW's workforce levels increased through the year to a peak of 7,800 (pre Primero) reducing to 6,376 at June 21.

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

- Support of the Western Australian Jobs and Skills initiative promoting Indigenous employment;
- A number of site based initiatives to address mental health awareness through the Blue Tree Project;
- Engagement of Jukawayli Resources owned and operated by local Indigenous people in the Pilbara region to handle the safe transport of freight;
- Accelerated development programmes to support high potential female employees; and
- Adoption of a Primary carers leave scheme.

SUSTAINABILITY

The Group has determined that it will adopt the reporting framework under the Taskforce for Climate-Related Financial Disclosure (TCFD) which established recommendations for voluntary and effective climate related disclosures. A phased implementation plan to align NRW's reporting of climate change risks and climate-related financial disclosures with the TCFD framework is currently being developed.

In addition, NRW is preparing its first Sustainability Report that will be published as part of the 2021 Annual Report. This report will highlight the alignment of NRW's corporate values and operations with the United Nations Sustainable Development Goals (SDGs) and be guided by relevant Global Reporting Initiative (GRI) standards to report on the Group's sustainability performance.

NRW has also focused on a number of initiatives which will make or are making a positive impact on our environmental management and carbon footprint. These initiatives include:

- Development of and installation of in pit crushing and conveying solutions which reduce carbon emissions by at least 75% compared to traditional transport solutions;
- NRW is partnering with a local Perth based company to trial a Hydrogen injection technology which is expected to significantly improve vehicle fuel efficiency;
- Action Drill & Blast is using seed hole analysis to optimise blast vibration prediction for improved blast design, ultimately reducing mining energy requirements, and to improve the protection of sensitive infrastructure and culturally sensitive areas; and
- Primero is continuing to work with various clients on projects in the Hydrogen energy sector with new technologies and markets developing to reduce reliance on hydrocarbons based energy sources.

NRW group companies hold various licenses and are subject to various environmental regulations. No known environmental breaches have occurred in relation to the Group's operations.

DIRECTORS'

REPORT CONTINUED

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, responses to the pandemic and climate related risks. We also identify and track appropriate mitigation actions for identified risks.

OUTLOOK

The markets in which NRW operates continue to provide opportunities for growth. Commentary on the key sectors in which NRW work is provided below.

Resources

- Iron ore – NRW has been engaged on all the current sustaining tonnes programmes for the major iron ore producers and whilst capex is expected to peak in 2021, construction spend to deliver replacement tonnes is forecast at circa \$8 billion a year for a sustained period⁽¹⁾. The Company will continue to engage with the major iron ore clients to provide a range of solutions including bulk earthworks, crushing and conveying, non-process infrastructure and support and maintenance;
- Battery minerals – represents a growing opportunity for the Group through established delivery capabilities in lithium EPC projects undertaken by Primero and contract mining and civil construction opportunities in copper, lithium and nickel;
- Coal – most of NRW's coal client's output is metallurgical coal aligned to steel production or thermal coal supplied to meet Australian domestic baseload power. Whilst not a high priority target for new capital investments, extensions of existing contracts with established clients is a major focus for the business; and
- Resources – other opportunities include projects in gold and fertilisers and a broad range of installed minerals processing plants with a growing operations and maintenance requirement.

Infrastructure

- The acquisition of BGC Contracting and Golding capability has already increased the Group's presence in an expanding infrastructure sector. The Bunbury Outer Ring Road is the largest public infrastructure contract on which NRW has participated. Post pandemic underlying project activity is expected to grow faster with initiatives like the \$110 billion, 10 year infrastructure pipeline committed by the Federal government in response to COVID-19.

Renewables

- New initiatives being pursued by our clients desire for increased energy efficiency and lower carbon emissions are providing a range of opportunities matched to our capabilities.
 - The Perth based civil business is building a solar farm for Rio Tinto's captive power network in the Pilbara where construction challenges are well understood by that part of the business.
 - RCR Mining Technologies (RCRMT) is delivering relocatable crushing and conveying hubs which dramatically reduce the carbon footprint compared to traditional mining and processing operations.
 - Primero is continuing to work with various clients on projects in the Hydrogen energy sector with new technologies and markets developing to reduce reliance on hydrocarbons based energy sources

The Group's order book at 30 June 21 was \$3.4 billion compared to \$3.0 billion at the same time last year (pre Bunbury Outer Ring Road award, announced July 2020). The near term tender pipeline capable of being awarded in the next 12 months has strengthened to \$14.5 billion compared to \$12.9 billion this time last year.

NRW is forecasting revenue of between \$2.4 billion to \$2.5 billion in FY22 of which around \$2.0 billion is either in the order book, the subject of a letter of intent or notice of award, or is expected as repeatable business in Urban, RCRMT and DIAB Engineering with the balance of the work to be won and delivered in the year.

(1) Source Euroz and NRW internal assessments.

DIRECTORS'

REPORT CONTINUED

SIGNIFICANT EVENTS AFTER PERIOD END

The Group announced to the ASX on 12 July 2021 that Boggabri Coal Operations Pty Ltd (BCO), part of the Idemitsu Group, agreed to acquire the majority of the major mining equipment of Golding Contractors Pty Ltd (a wholly owned subsidiary of NRW) that is engaged under the Maintenance Services and Hire Agreement at the Boggabri Coal Mine.

The transaction was completed on 28 July 2021.

As part of the agreement, Golding will continue to perform maintenance services on site across the assets acquired by BCO, and another 50 pieces of major mining equipment, engaging a workforce of over 150 personnel on site (refer to note 7.7 of financial statements for details).

DIVIDEND

The Directors have declared a final dividend for the financial year of five cents per share. This brings the total dividend for the year to nine cents per share following the interim dividend paid in April 2021. The dividend will be fully franked and paid on 13 October 2021.

DIRECTORS' INTERESTS

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

PERFORMANCE RIGHTS OVER UNISSUED SHARES OR INTERESTS

As at 30 June 2021 there are 6,200,551 Performance Rights outstanding (2020: 4,187,762).

Details of Performance Rights granted to Executives as part of their remuneration are set out in the Remuneration Report on pages 16 to 34.

DIRECTORS'

REPORT CONTINUED

LETTER FROM CHAIRMAN OF THE NOMINATION & REMUNERATION COMMITTEE

Dear Shareholders,

On behalf of the Board, I am pleased to present our Remuneration Report (the Report) for the financial year ended 30 June 2021. The report that follows this letter details the governance, framework and outcomes of the Company's remuneration practices.

The Board believes the remuneration framework, which it continues to develop and refine, provides a structure to retain and attract the right people whilst generating and improving sustainable shareholder returns.

As a Remuneration Committee (the Committee) we firmly believe that growth delivered to shareholders in the preceding five years highlights our ability to successfully motivate and reward our management team. We also acknowledge the adverse share price movements, both last year and this year, which have negatively impacted Total Shareholder Return (TSR). Last year the Company's share price was impacted, as was the general ASX stock market, by the COVID-19 pandemic. Pleasingly this was short lived, demonstrated by the strong share price recovery in the first half of FY21. However, the continuation of COVID-19 measures which has restricted access to resources (as noted in the Directors report) has again weighed on the share price of NRW, and the share price of most of its sector peers. The share price has improved since June 21, and further improvements are expected and will be needed for the management team to meet certain performance hurdles set by the Committee.

NRW services a key sector within the Australian economy and has continued to do so during very challenging times. The Board is proud of the entire NRW workforce for its continued commitment during 2021.

Performance Outcomes in FY21

The COVID-19 pandemic has had an unprecedented impact on the Australian economy and community. During 2021, NRW began to experience these impacts across the business. Increased costs associated with the pandemic negatively impacted Group earnings, as shown in our financial results and discussed within the Directors report. Despite the challenges experienced widely across the sector, NRW has sustained its workforce at pre-pandemic levels, has not sought government-funded wage assistance, or required additional funding to meet our key deliverables.

While the Board is proud of the manner in which the NRW team has navigated the uncertainty of COVID-19, it recognises that expected financial outcomes cannot be modified as a consequence of the pandemic.

Short-Term Scheme

The intent of the short-term incentive (STI) scheme is to reward executive effort for short-term business performance through the setting of annual KPI targets. See section 3.3 for an overview of the FY21 STI Scheme. The Board set aggressive stretch targets for FY21 in order to drive business performance post the BGC Contracting acquisition in FY20. You will see in this report that as a consequence of issues related to the pandemic the CEO and the EGM of the NRW Civil and Mining business did not meet these stretch earnings objectives. The scheme includes strategic targets which have been reviewed and assessed by the Committee and appropriately recognised in FY21 remuneration outcomes. Details on the specific vesting of hurdles and outcomes for each KMP are outlined at section 5.2.2 of the Report.

As part of the ongoing review of the STI scheme, the Committee has restructured the safety component to adjust KMP performance. The revised structure recognises that good safety performance is a non-negotiable and cannot be earned through an incentive program. The safety adjustment, which was introduced this year, can only reduce incentives earned under other headings and for the avoidance of doubt cannot increase earnings within the STI scheme.

This year NRW has provided additional disclosure of performance against financial metrics for the previous financial year in order to improve the transparency of our remuneration practices. Disclosure has been limited to the CEO as representative of the broader management team. We consider the disclosure of current year targets to be commercially sensitive. Disclosure has been included in section 5.2.1 of the Report.

DIRECTORS'

REPORT CONTINUED

LETTER FROM CHAIR OF THE NOMINATION & REMUNERATION COMMITTEE CONTINUED

Long-Term Scheme

The NRW long-term incentive (LTI) scheme is structured to align executive and shareholder interests by rewarding long-term value creation measured through the delivery of long-term strategic goals. See section 3.4 and section 5.3 of the Report for details of the current LTI schemes in place.

The Performance Rights (Rights) vested to the CFO and CEO during the year were the final Tranche associated with the 2017 LTI Scheme. The stretch objectives set at the time of award required TSR to double, adding circa \$300 million to the value of the Company across a three year performance period. The 2017 LTI Scheme has proven to be effective resulting in the final tranche of Rights vesting in November 2020. The vesting of those Rights rounds out all Rights associated with NRW's previously structured LTI schemes which included a TSR measure only.

An issue of Rights was made last financial year under the FY20 LTI Scheme, in line with the Committees move to an annual Rights grant. The Board firmly believes the LTI Schemes in place are appropriate in terms of value and structure. The new scheme approved by shareholders at the November 2019 AGM was tested and supported by an independent remuneration consultant, as detailed in section 2.3 of the Report.

Key Changes Moving Forward

The Committee has developed the existing scheme to recognise the significant increase in the size and complexity of the business (turnover in FY19 when the scheme was last updated totaled \$1.1 billion compared to \$2.3 billion in FY21). In this light, the Committee notes the following:

- There was no change to the CEOs remuneration in FY21. This structure was tested through an independent remuneration consultant who confirmed both the fixed and variable (at-risk) values were appropriate, including the split between long and short-term components. Details on this engagement can be found in section 2.3 of the Report.
- As in previous years an award of Rights to the CEO for the next year of the scheme, FY21, should have been made at the November 2020 AGM. However the last AGM coincided with two key priorities for Mr Pemberton and his management team; the off market takeover of Primero and management of the consequences of the ongoing COVID-19 pandemic. Consequently, the Board deferred addressing this issue until an appropriate time when the matter could be properly considered. Therefore, the award of Rights for the FY21 LTI Scheme has been proposed and will be voted on by shareholders at the forthcoming Extraordinary General Meeting (EGM).
- In addition to an award of Rights under the next year of the LTI scheme, the Board has approved an additional one-off grant of 200,000 Rights to the CEO pursuant to the successful completion of the Primero acquisition. This acquisition was critical to the creation of the MET business unit which will significantly enhance the long-term sustainability of NRW. To ensure this grant is aligned to successful shareholder outcomes, the vesting hurdles applicable to the FY21 LTI Scheme will apply to this one-off grant. As above, this one-off grant of Rights will be voted on by shareholders at the upcoming EGM.

Response to Shareholder Feedback

The Committee acknowledges that more than 25% of shareholder votes did not support last year's remuneration report. We have engaged with stakeholders on their specific remuneration concerns in order to address those concerns through the development of our remuneration schemes where we consider them to be aligned with our remuneration approach. The Committee believes its agreed LTI structure deals with concerns raised in that:

- The long-term incentive schemes are three year rolling schemes to be awarded annually to the CEO, as shown in 5.3 of the Report.
- Performance metrics are multitiered and include earnings and gearing targets to complement TSR. The objectives chosen are appropriate to a capital intensive contracting business like NRW. The Committee acknowledges the inclusion of Gearing needs further explanation (please see commentary at 3.4), but notes it is fundamental to NRW's balance sheet structure and management of debt within the organisation and therefore has been determined to be an appropriate measure of performance.

DIRECTORS'

REPORT CONTINUED

LETTER FROM CHAIR OF THE NOMINATION & REMUNERATION COMMITTEE CONTINUED

Looking Forward

The Committee is listening to shareholders' responses to our Report as we continue to adopt remuneration strategies based on your feedback. We have been responsive to change with regards to our remuneration strategy and consider it appropriate for an organisation that has experienced significant growth, from \$345 million turnover in 2017 to circa \$2.3 billion in 2021.

The Board is of the view that the Company must now realise long-term sustainable value from the enlarged NRW business. We are committed to remuneration strategies that focus on medium to long-term business performance. We are confident the updated remuneration framework will serve shareholders well.



Peter Johnston

Chair Nomination and Remuneration Committee

DIRECTORS'

REPORT CONTINUED

1 SCOPE OF REPORT

The pages of the Report that follow have been prepared in accordance with section 300A of the Corporations Act 2001 (Cth) (the Act) and audited in accordance with Section 308(3C) of the Act.

The Report for the year ended 30 June 2021 outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of NRW Holdings Ltd (NRW, the Company) which includes Non-Executive Directors, Executive Directors, and those key executives who have authority and responsibility for planning, directing and controlling the activities of NRW during the financial year.

1.1 KEY MANAGEMENT PERSONNEL

The following persons were classified as KMP during the 2021 financial year, and unless otherwise indicated, were classified as KMP for the entire year:

Non-Executive Directors	
Michael Arnett	Chairman and Non-Executive Director
Jeff Dowling	Non-Executive Director
Peter Johnston	Non-Executive Director
Fiona Murdoch	Non-Executive Director
Executive Directors	
Julian Pemberton	Chief Executive Officer and Managing Director
Other Executives	
Andrew Walsh	Chief Financial Officer
Kim Hyman	Company Secretary
Geoff Caton	Executive General Manager – Golding
Ric Buratto	Executive General Manager – NRW Civil & Mining (retired 9 July 2021)
Andrew Broad	Executive General Manager – Action Drill & Blast
Ian Gibbs	Executive General Manager – RCR Mining Technologies and Heat Treatment
Glen Payne	Executive General Manager – DIAB Engineering
Cameron Henry	Executive General Manager – Primero Group (from 17 February 2021)

Executive Directors and Other Executives are together referred to as 'Executives' within this report.

1.2 EXECUTIVE SERVICE AGREEMENTS

The terms of employment for Executives are formalised within an employment contract (Executive Service Agreement). All Executives listed in the remuneration table are appointed under an Executive Service Agreement not for any fixed term and carry no termination payments other than statutory entitlements.

Executive Service Agreements normally provide for annual reviews of base salary and up to six months' notice of termination by either party. Mr Glen Payne has a twelve month notice period having joined the business from BGC Contracting.

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

KMP	Notice Period
Julian Pemberton	6 months
Andrew Walsh	6 months
Kim Hyman	6 months
Geoff Caton	6 months
Andrew Broad	4 weeks
Ian Gibbs	6 months
Glen Payne	12 months
Cameron Henry	6 months

DIRECTORS'

REPORT CONTINUED

2 REMUNERATION GOVERNANCE

Documented below are NRW's governance practices with regards to the remuneration and reward of KMPs within the organisation.

2.1 ROLE OF THE BOARD AND THE NOMINATION & REMUNERATION COMMITTEE

The roles and responsibilities of the NRW Board, Nomination and Remuneration Committee, management and external advisors in relation to remuneration for Executives and employees of NRW are outlined below.

Board	The Board is responsible for the oversight and strategic direction of NRW. The NRW Board reviews, and as appropriate, approves the remuneration practices within NRW. The NRW Board are responsible for the remuneration and remuneration outcomes for the CEO and Non-Executive Directors. Any changes to the Director fee pool are approved by Shareholders, in line with the Company Constitution.
Nomination and Remuneration Committee	NRW has established a Nomination & Remuneration Committee (N&RC) consisting of Peter Johnston (Chairman), Michael Arnett, Jeff Dowling and Fiona Murdoch. The N&RC are governed by the N&RC Committee Charter. The N&RC is responsible for making recommendations to the Board on the remuneration arrangements for Non-Executive Directors and KMP as set out in the N&RC Charter. The N&RC provides advice, recommendations, and assistance to the Board with respect to the following: The remuneration of Non-Executive Directors, including the Chair of the Board; • The remuneration policies which are designed to attract and retain Executives with the expertise to enhance the competitive advantage, performance and growth of NRW; • Ensuring that the level and composition of Executive remuneration packages are fair, reasonable and adequate and that the remuneration received by the KMP demonstrates a clear relationship between the performance of the individual and the performance of NRW; • Termination and redundancy policies and payments made to outgoing Executives; and • Disclosures to be included in the corporate governance section of NRW's annual report which relates to NRW's remuneration policies and procedures.
CEO and Management	The CEO makes recommendations to the N&RC regarding the remuneration of key Executives.
External Advisors	NRW seeks to engage external advisors to provide information on remuneration related issues, including with regards to benchmarking and market data. The N&RC is mandated to engage external and independent remuneration advisors who do not have a relationship with or advise NRW management.
NRW uses the above information and analysis to make informed decisions on remuneration practices within the organisation in line with our guiding principles.	

DIRECTORS'

REPORT CONTINUED

2.2 REMUNERATION STRATEGY

The Board has adopted the following overarching principles which recognise the importance of fair, effective and appropriate remuneration outcomes.

Remuneration Guiding Principles

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

2.3 ENGAGEMENT OF REMUNERATION CONSULTANTS IN FY21

In June 2019, the Board engaged Egan Associates (Egan) to review its existing remuneration policies and to provide recommendations on executive short-term and long-term incentive plan design and non-executive director remuneration. The advice was based on market analysis of remuneration trends on a comparative and industry specific basis. This advice resulted in changes to fixed remuneration, short-term incentives and the structure of the long-term incentive scheme, and was duly implemented with effect from 1 July 2019.

In March 2021, the Board engaged Egan to provide an update to the advice sought in June 2019. The advice focused on the role of the CEO, CFO and the second-highest paid executive among organisations of comparable scale across the broad market. Egan also provided research and commentary on fees paid to non-executive Directors, including Chairpersons and Committee member arrangements. The observations were provided to the Board for consideration, and changes were implemented to the remuneration structures where the Board considered it appropriate and in line with Egan recommendations.

Fees paid to Egan for the year ended 30 June 2021 are shown below.

	2021	2020
Fees paid to Egan Associates	13,629	23,730
Total	13,629	23,730

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

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

The Board is satisfied that the recommendations were made free from undue influence from any members of the Key Management Personnel.

DIRECTORS'

REPORT CONTINUED

3 EXECUTIVE REMUNERATION FRAMEWORK

3.1 EXECUTIVE REMUNERATION COMPONENTS

The NRW remuneration framework recognises that the Group's overall objectives of delivering profitable growth will ultimately lead to long-term shareholder returns.

NRW's remuneration framework combines elements of fixed remuneration and 'at-risk' remuneration, comprising short and long-term incentive schemes. The details of the current structures in place are provided below.

	Fixed Remuneration	Short-term Incentive (STI)	Long-Term Incentive (LTI)
Award	Cash - salary and superannuation capped at the relevant concessional contribution limit.	Cash or Performance Rights (Rights) - Executives can earn a cash based incentive by achieving specific objectives set by the CEO and N&RC.	Rights - Executives can participate in an equity based incentive through the award of Rights.
Structure	Fixed	STI award is based on a percentage of the Executive's TFR (see 5.1).	LTI award is based on a percentage of the Executive's TFR (see 5.1). The number of rights is determined by the 30 day Volume Weighted Average Price (VWAP) up to and including the start date of the performance period.
Purpose & Strategy	Attract, engage and retain a high performing workforce to ensure NRW delivers on its strategic objectives.	Reward Executive performance against annual Key Performance Indicators (KPIs) to focus Executive effort on short-term business performance.	Align Executive and shareholder interests by rewarding long-term value creation and success measured through the delivery of long-term strategic goals. A requirement of the scheme is that the participant remains employed with the Group up to and including the vesting date promoting long-term employee retention.
Approach	Fixed remuneration is set with reference to role, market and relevant experience, which is reviewed annually and upon promotion. Independent advice is sought where considered appropriate, in line with our Remuneration Governance principles.	STI objectives are set for each Executive based on core accountabilities. Awards are generally made annually. Awards vest under a STI plan through achieving a set of objectives which include relevant financial performance, business development and strategic targets. Awards up to the maximum amount payable can be achieved when performance is rated as superior reflecting the achievement of stretch objectives.	LTI objectives are set for each Executive based on long-term value creation for shareholders. Awards are generally made annually and may be split into tranches which have specific objectives within a specified timeframe. Rights which vest following the achievement of objectives are converted to shares when the vesting conditions are met. Vesting conditions include continued employment throughout the performance period, the normal performance period being a minimum of three years.
Additional Terms	Not applicable	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. Subject to approval of the N&RC, an executive may elect to convert the total value of the STI Scheme into a LTI award of Performance Rights, with performance hurdles assessed in line with LTI metrics.	Unvested Rights The N&RC may determine that all or a portion of Rights which have not yet met the vesting hurdle will vest, notwithstanding that time restrictions or performance conditions applicable to the performance rights have not been satisfied. Ceasing of Employment If a KMP's employment with NRW ceases for reasons other than death or permanent disability any unvested Rights will lapse and expire unless the Board of NRW considers it appropriate in the circumstances to consider the vesting of any unvested shares. Where a KMP has died or becomes permanently disabled the Board may determine that the Rights will not lapse and will be tested against the Vesting Conditions on the applicable vesting dates. Change of Control 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.

DIRECTORS'

REPORT CONTINUED

3.1 EXECUTIVE REMUNERATION COMPONENTS CONTINUED

	Good Leaver The terms and conditions of the LTI Schemes include a Good Leaver clause. As a "Good Leaver" any Rights awarded will be "pro rated" based on the number of months of completed employment in the performance period. Awards will then be tested at the relevant vesting date/date of performance hurdle and the pro rated number of Rights will vest on the vesting date. Breach of Obligation In the event of fraud, dishonesty, gross misconduct or material misstatement of the financial statements, the Board may make a determination that could result in the lapsing of unvested Rights.
Other Benefits	The opportunity to salary sacrifice benefits on a tax compliant basis is available upon request. NRW also provides basic income protection cover for all employees.

3.2 FIXED REMUNERATION

As the NRW Group continues to grow it is important to ensure that the remuneration levels of the Executive team support the Group in attracting and retaining high calibre staff to lead the delivery of strategic objectives. Remuneration for Executives is set dependent on a number of factors including, but not limited to, the scope of their role, experience and market conditions at the time of employment. NRW engages Egan where required to benchmark remuneration practices to market.

3.3 STI ARRANGEMENTS

Rewarding Executive performance against annual KPIs focuses and rewards effort for delivering short-term business performance. Delivery of financial targets is the foundation of long-term value creation. The Board considers the financial measures contained within the STI scheme to be appropriate as they are aligned with the Groups overall objectives of delivering profitable growth and ultimately over the long-term, shareholder returns. The non-financial performance measures have been approved by the CEO to drive strategic initiatives and performance consistent with the overall business strategy.

The following table summarises the key components and operation of the FY21 STI Scheme for Executives.

Scheme Name	FY21 STI Scheme	
Participants	All Executives	
Performance Period	One year performance period beginning 1 July 2020 and ended on 30 June 2021	
Award Value	Award value is equal to a percentage of the KMP's TFR (as shown in 5.1)	
Performance Metrics	KPIs are made up of two critical financial measures and four individual strategic measures. Hurdles for financial metrics are set to allow for a staggered approach to achievement of incentive targets. Objectives are based on achieving a minimum financial target in the performance period at which time a proportion of the total incentive will be earned. The balance of the total STI is accrued by achieving progressively higher earnings. Actual financial performance between targets is paid pro rata. EBIT/EBITDA Earnings before interest and taxes (EBIT) or earnings before interest, taxes, depreciation and amortisation (EBITDA) is selected dependent upon business unit. EBIT and EBITDA targets are used as earnings targets and a proxy for 'cash' generation at the business unit level. Order Intake NRW operates in a contracting environment where securing, as well as delivering, work is critical to sustaining earnings. Order intake is assessed to ensure continued business growth within the sector. Annual Business Objectives Individual performance hurdles are set during the performance period for four strategic objectives. These strategic objectives vary for each Executive dependent upon the business units they manage.	
When are performance metrics tested?	Incentive payments are determined in line with the approval of the Financial Statements for the end of the performance period – being the 30 June 2021 annual financial statements.	
Relationship between performance and payment	Financial Targets EBIT/DA	60%
	Target 1	20% earned
	Target 2	Additional 20% earned
	Target 3	Additional 20% earned

DIRECTORS'

REPORT CONTINUED

3.3 STI AGREEMENTS CONTINUED

	Order Intake Targets	20%
	Target 1	10% earned
	Target 2	Additional 10% earned
	Annual Business Objectives	20%
	Four KPIs based on individual business unit priorities	5% each
Other Terms and Conditions	Continued employment throughout the performance period. The structure of the scheme ensures that an STI cannot be earned for managing safety. The expectation is that safety is managed as part of an Executives core responsibility. If safety is not managed to expectations then any STI earned can be adjusted downwards.	
Calculation of Outcome	The above STI outcome percentages are then multiplied by the KPI weighting and individual STI opportunity to determine the payout amount.	

3.4 LTI ARRANGEMENTS

The NRW LTI Scheme seeks to align Executive and shareholder interests by rewarding long-term value creation and success measured through the delivery of long-term strategic goals. A requirement of the scheme is that the participant remains employed with the Group up to and including the vesting date promoting long-term employee retention.

Following the engagement of Egan in 2019, a revised structure was approved by the N&RC for new long-term awards which was approved by shareholders at the November 2019 AGM as part of the award of Rights to the CEO. The FY21 LTI Scheme follows on from the FY20 Scheme approved in November 2019, and is in line with Egan recommendations. It is proposed that the CEO will be granted an award of Rights in the FY21 LTI Scheme subject to the approval of Shareholders at the 2021 EGM. The outline of that scheme is provided in this report.

Additional participants will join the Scheme following Scheme approval at the EGM.

Scheme Name	FY21 LTI Scheme
Participants	CEO, subject to approval at the EGM, and CFO
Performance Period	Three year performance period starting 1 July 2020 and ending 30 June 2023.
Award Value	Grant of performance rights is equal to a percentage of the KMP's TFR (as shown in 5.1)
Vesting Date	Subject to the achievement of the performance metrics across the performance period, Rights will vest to the CEO on 30 September 2023. Subject to the achievement of the performance metrics across the performance period, Rights will vest to the CFO in two equal tranches on 30 September 2023 and 30 September 2024.
Performance Metrics and Weighting	Rights vest subject to the achievement of a series of performance hurdles chosen to align shareholder interests and Executive effort. NRW notes that the performance metrics chosen are focussed on delivering increased earnings and growth in shareholder value, whilst maintaining appropriate levels of gearing within the business. Rights awarded under this scheme require substantial increments in shareholder returns, growth in earnings and management of debt. The number of Rights is allocated equally over the three performance hurdles.
Growth in TSR (33.3%)	Share price has been selected as a proxy for TSR. The final assessment of TSR will include appropriate adjustments which will include dividend payments and any equity raisings during the performance period to reflect actual TSR. TSR targets require a minimum growth objective based on an initial share price of \$1.92, being the 30 day VWAP to 30 June 2020. Targets related to TSR are: - Growth of at least 10% per annum from the 30 June 2020 VWAP (\$1.92) to meet the minimum objective - Growth of more than 12% per annum from the 30 June 2020 VWAP (\$1.92) to meet the maximum objective
Growth in Earnings (33.3%)	Earnings before Interest, Taxes and Amortisation (EBITA) has been selected as the metric for earnings. Targets related to EBITA are: - Growth in cumulative EBITA of at least 10% per annum from FY20 to meet the minimum objective - Growth of more than 12% per annum from FY20 to meet the maximum objective

DIRECTORS'

REPORT CONTINUED

3.4 LTI ARRANGEMENTS CONTINUED

Gearing (33.3%)	NRW operates a capital intensive business where asset purchasing and maintenance are critical to successful operations. Clients expect upgraded equipment as new contracts are awarded. The management of gearing over the long-term is critical to ensuring debt is managed appropriately within the business. Targets related to gearing are: Gearing not to exceed 40% The Company defines Gearing as net debt / total equity.									
When are Performance Metrics Tested?	The vesting of Rights is determined in line with the approval of the Financial Statements at the end of the performance period.									
Relationship Between Performance and Vesting	Executive Rights will vest in full subject to the below performance hurdles being met. Where performance is above the minimum objective but below the maximum objective, the performance rights will vest pro rata to actual achievement.									
	The number of Rights awarded under each performance objective is shown below.									
	Objective	Target	CEO	CFO						
			30 September 2023	30 September 2023	30 September 2024					
			No.	No.	No.					
	TSR (share price)	Min	\$2.56	158,333	62,500	62,500				
		Max	\$2.70	up to 316,666	up to 125,000	up to 125,000				
	EBITA (\$M's)	Min	\$169M	158,333	62,500	62,500				
		Max	\$176M	up to 316,666	up to 125,000	up to 125,000				
	Gearing (%)	Below	40%	316,668	125,000	125,000				
Total			950,000	375,000	375,000					
Valuation Assumptions	The value per Right to determine the total Rights allocated under this scheme is based on the 30 day VWAP to 30 June 2020, being \$1.92.									
One-Off Issue of Rights	For the purposes of the total FY21 LTI grant to the CEO, the Board has approved an additional one-off grant of 200,000 Rights pursuant to the successful completion of the Primero acquisition. This acquisition was critical to the creation of the MET business unit which will significantly enhance the long-term sustainability of NRW.									
	To ensure this grant is aligned to successful shareholder outcomes, the vesting hurdles applicable to the FY21 LTI Scheme will apply to this one-off grant.									
	As such, the total FY21 grant of Rights to the CEO subject to shareholder approval at the EGM comprises:									
	<table><tr><td>FY21 LTI Scheme</td><td>750,000</td></tr><tr><td>One-Off Issue of Rights – Primero Acquisition</td><td>200,000</td></tr><tr><td>Total Rights subject to shareholder approval</td><td>950,000</td></tr></table>					FY21 LTI Scheme	750,000	One-Off Issue of Rights – Primero Acquisition	200,000	Total Rights subject to shareholder approval
FY21 LTI Scheme	750,000									
One-Off Issue of Rights – Primero Acquisition	200,000									
Total Rights subject to shareholder approval	950,000									
Other Terms and Conditions	The structure of the scheme and quantum of Rights awarded to the CEO will be put for approval by Shareholders at the 2021 EGM, please see the Notice of Meeting for further details.									
	Performance Metrics Gearing will be measured by the average Gearing across the performance period. The TSR objective is expressed as a target share price as a proxy for TSR. The final assessment will include appropriate adjustments which will include dividend payments and any equity raisings to reflect actual TSR. TSR will be measured on sustaining returns at target level for a minimum 2 month period in the performance period or any day the target is achieved in the final 2 months of the performance period.									

The FY22 LTI Scheme is currently under construction for all KMP and the Senior Executive Team.

DIRECTORS'

REPORT CONTINUED

4 COMPANY PERFORMANCE

A key underlying principle of NRW's Executive remuneration framework is the delivery of financial targets, recognising that the delivery of financial targets is the foundation for long-term value creation for Shareholders. The following information summarises key financial performance of NRW over the medium term.

4.1 FIVE YEAR SNAPSHOT

Measure	2021	2020	2019	2018	2017
Market Capitalisation (30 June) - \$ million	657.9	793.6	943.5	630.1	205.9
Share Price (30 June) - \$	1.47	1.86	2.51	1.70	0.64
Total Revenue - \$ million	2,222	2,004	1,078	685	345
Earnings per share (EPS) - cents	12.5	18.2	8.6	11.6	9.1
Comparative EBITDA - \$ million ⁽¹⁾	266.7	250.0	143.9	93.4	58.8
Net Profit / (Loss) After Tax - \$ million	54.3	73.7	32.2	42.2	28.5
NPATA - \$ million ⁽²⁾	75.1	89.7	40.4	33.9	16.5
Interim Dividend Paid	4.0	2.5	2.0	-	-
Final Dividend Declared in Respect of the Year	5.0	4.0	2.0	2.0	-
Annual Total Shareholder Return - \$ million	(143.2)	(244.5)	336.6	391.4	126.2

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

(2) NPATA – Net profit after Tax adjusted for amortisation of acquisition intangibles and or impairment losses at 30% tax rate.

4.2 SHARE PRICE PERFORMANCE



DIRECTORS'

REPORT CONTINUED

5 EXECUTIVE REMUNERATION OUTCOMES

5.1 FIXED REMUNERATION

The table below provides information on the remuneration packages of Executives as at 30 June 2021.

	TFR ⁽¹⁾	STIP	LTIP ⁽²⁾
Julian Pemberton	1,200,000	80%	120%
Andrew Walsh	800,000 ⁽³⁾	0% ⁽³⁾	180%
Kim Hyman	387,136	20%	20%
Geoff Caton	650,000	33%	35%
Ric Buratto	600,000	33%	0%
Andrew Broad	500,691	33%	35%
Ian Gibbs	437,077	33%	35%
Glen Payne	429,694	33%	35%
Cameron Henry	432,525	33%	35%

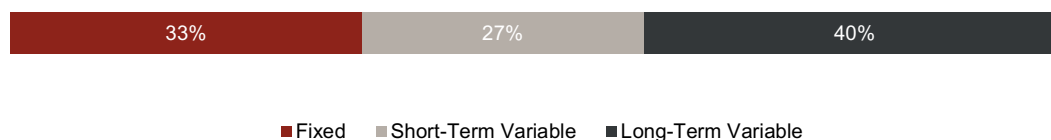
(1) Annual Total Fixed Remuneration (TFR) as at 30 June 2021.

(2) LTIP structure approved by N&RC.

(3) Mr. Walsh was awarded an increase in fixed remuneration from \$725,000 to \$800,000 to recognise the growth in the business effective 1 January 2021. His STI was also increased from 60% to 80% of TFR. Mr Walsh elected to convert the value of his STI award into an equity based award of Performance Rights. Vesting of Rights under this award is subject to performance hurdles assessed in line with FY20 and FY21 LTI Schemes. These changes were approved by the N&RC and supported by the independent remuneration consultant.

For FY21, the split between fixed and variable remuneration components for the CEO and CFO, if maximum at-risk remuneration is earned, is as follows.

CEO Remuneration Mix



CFO Remuneration Mix



During the year there was no change to fixed or variable remuneration received by our CEO. The remuneration received recognises the activity level and complexity of the NRW business. The current structure was tested through an independent remuneration consultant who confirmed both the fixed and variable values were appropriate, including the split between long and short-term components. Details on this engagement can be found in section 2.3 of the Report.

In addition to the above, a number of changes were made to other KMP TFR during the year to recognise the expanded business and to keep remuneration competitive within the wider market.

DIRECTORS'

REPORT CONTINUED

5.2 STI OUTCOMES

5.2.1 FY20 Performance Measures

NRW considers the disclosure of financial hurdles under the STI scheme to be market sensitive. Earnings expectations for the NRW Group are disclosed in line with our obligations under the Corporations Act, and the ASX Listing Rules.

This year, however, NRW has provided additional disclosure of performance against financial metrics for the previous financial year to improve the transparency of its remuneration practices. Disclosure has been limited to the CEO as representative of the broader management team.

Please see below the performance metrics, and outcomes, of the FY20 STI Scheme.

Performance Metric	STI Weighting	Target (\$M)	Result (\$M)	STI Earned	Performance Commentary
EBITDA	30%			30%	EBITDA measures were adjusted for the following:
Target 1		\$160			• The acquisition of BGC Contracting; and
Target 2		\$170			• The impacts of AASB 16.
Target 3		\$175	\$250		Post adjustment Target 3 was increased to \$233.3M.
Order Intake	15%	\$1,520	\$1,646	15%	Budget values met
Safety	20%			0%	Not awarded due to fatality
BGC Acquisition	30%			30%	Integration objectives included:
					• Delivery of EBITDA targets consistent with acquisition assumptions; and
					• Integration measures.
					EBITDA targets have been adjusted and reflected at 'EBITDA' above.
Annual Business Objectives	5%			5%	Primarily related to acquisitions, integration and strategic growth markets. Performance was assessed in line with the expectations of the N&RC.
	100%			80%	

5.2.2 FY21 Performance Measures

The following table provides information on the outcome of the STIP for each Executive for the year ended 30 June 2021. The value of the award is outlined in the remuneration table in 6.1.

	FY21		FY20	
	STIP Earned	STIP Forfeited	STIP Earned	STIP Forfeited
Julian Pemberton	65%	35%	80%	20%
Andrew Walsh	_(1)	_(1)	80%	20%
Kim Hyman	65%	35%	-	-
Geoff Caton	100%	0%	65%	35%
Ric Buratto	0%	100%	50%	50%
Andrew Broad	100%	0%	80%	20%
Ian Gibbs	100%	0%	80%	20%
Glen Payne	100%	0%	0%	100%
Cameron Henry ⁽²⁾	-	-	N/A	N/A

(1) Mr. Walsh elected to convert the value of his STI award into an equity based award of Performance Rights. See Note 3 under 5.1.

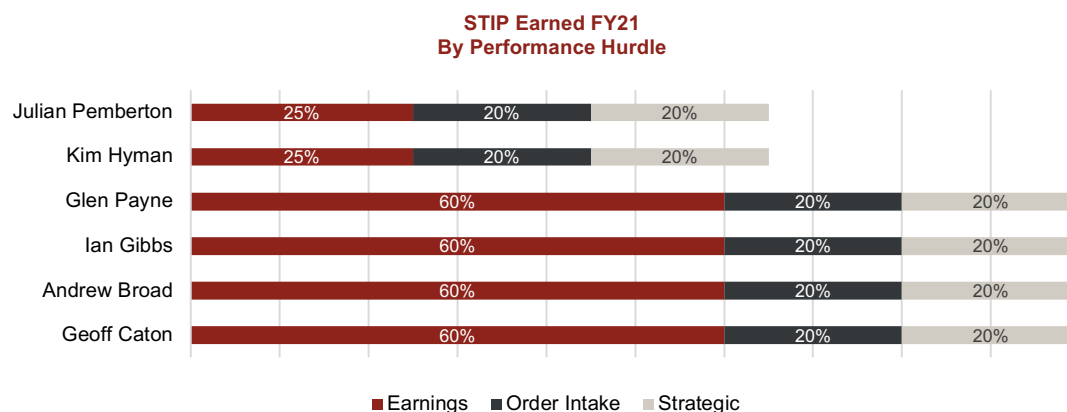
(2) Cameron Henry joined in February 2021 and was therefore not eligible for the FY21 STI Scheme.

The award structure and outcomes by hurdle are shown below for each KMP who was eligible to participate in the FY21 STI Scheme.

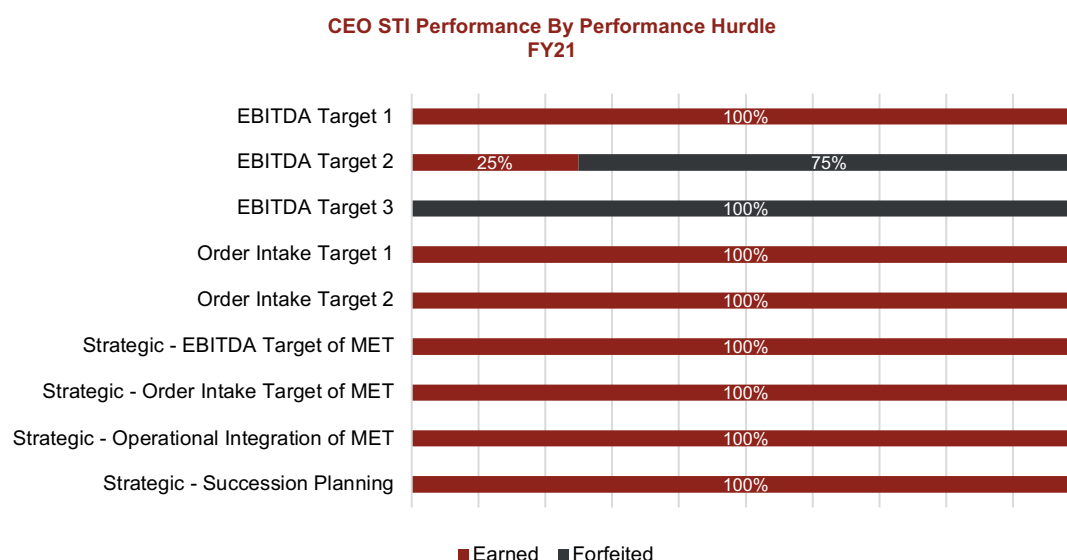
DIRECTORS'

REPORT CONTINUED

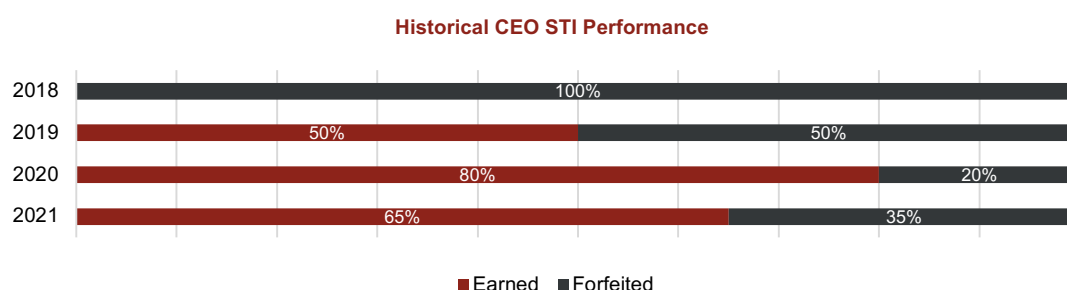
5.2 STI OUTCOMES CONTINUED



For clarity, we also include the STI outcomes by hurdle for the CEO as listed below.



A summary of the CEO's STI performance over the last four years is set out below.



DIRECTORS'

REPORT CONTINUED

5.3 LTI OUTCOMES

The structure of the Company's current year LTI scheme is set out in section 3.4. Details of specific awards and progress on meeting objectives within those awards is provided below. The comparative results include an earlier scheme which resulted in rights vesting in November last year, details of which can be found in the FY20 remuneration report.

CEO and CFO

NRW has the current LTIP schemes in place which have an impact in FY21 for the CEO and CFO. The structure of the FY21 LTI Scheme and quantum of Rights awarded will be put for approval by Shareholders at the 2021 EGM, please see the Notice of Meeting for further details.

Scheme	2017 LTI Scheme	FY20 LTI Scheme	FY21 LTI Scheme
Participants	CEO, CFO	CEO, CFO	CEO, CFO
Scheme Details	Rights were awarded in three equal tranches with increasing performance hurdles set for each year. The objectives set at the time of the award required the market capitalisation (TSR) to be doubled in the performance period.	Rights were awarded under this revised scheme following the advice from Egan, an independent advisor on executive remuneration. This scheme requires yearly incremental shareholder returns, growth in earnings and management of debt.	Rights awarded under this scheme require substantial increments in shareholder returns, growth in earnings and management of debt.
Performance Period	FY18, FY19, FY20	FY20, FY21, FY22, FY23	FY21, FY22, FY23
Award Period	FY18, FY19, FY20	FY21, FY22	FY23
Vesting Date	30 November 2018 30 November 2019 30 November 2020	30 November 2022 30 September 2023 (CFO) 30 November 2023 (CEO)	30 September 2023 30 September 2024 (CFO only)
Testing Time	30 June 2020	30 June 2022 30 June 2023	30 June 2023
Performance Hurdles	As a result of the very strong increase in the share price the performance hurdles for all three tranches have been met and Rights have now fully vested. Please see prior year remuneration reports for further details on the performance hurdles for this scheme.	Annual growth in TSR of: - At least 10% to meet the minimum objective - More than 12% to meet the maximum objective Growth in annual accumulated EBITDA of: - At least 10% to meet the minimum objective - More than 12% to meet the maximum objective Maximum gearing objective of 40%. Please note the performance hurdles set have been adjusted for the impacts of AASB16.	Annual growth in TSR of: - At least 10% per annum to meet the minimum objective - More than 12% per annum to meet the maximum objective Growth in cumulative EBITA of: - At least 10% per annum to meet the minimum objective - More than 12% per annum to meet the maximum objective Maximum gearing objective of 40%.
Additional Details	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.	The structure of the plan and the quantum of rights awarded in these plans to the CEO were approved by shareholders at the 2019 AGM.	The structure of the plan and quantum of Rights awarded will be put for approval by Shareholders at the 2021 EGM, please see the Notice of Meeting for further details. For the purposes of the total FY21 LTI grant to the CEO, the Board has approved an additional one-off grant of 200,000 Rights pursuant to the successful completion of the Primero acquisition. Please see disclosure under 3.4, above, for further details.
Rights Vested	2,837,500	No Rights have vested under this Scheme.	No Rights have vested under this Scheme.
Rights Outstanding	Nil	2,664,492	1,700,000

DIRECTORS'

REPORT CONTINUED

All Other Executives

NRW has the current LTIP schemes in place which have an impact in FY21 for Executives other than the CFO and CEO.

Scheme	2017 LTI Scheme	FY20 LTI Scheme
Participants	EGM RCR Mining Technologies (RCRMT)	All Executives excluding CEO and CFO
Scheme Details	Following the acquisition of RCRMT in 2020, the 2017 LTIP Scheme was rolled out to the EGM of RCRMT. The relatively short performance period reflects the agreed business recovery objectives consistent with the acquisition valuation assumptions.	Rights were awarded under this revised scheme following the advice from Egan, an independent advisor on executive remuneration. This scheme requires yearly incremental shareholder returns, growth in earnings and management of debt.
Performance Period	15 February 2019 – 31 October 2020/2021	FY20, FY21, FY22, FY23
Award Period	FY19	FY20, FY21, FY22
Vesting Date	30 November 2020 30 November 2021	30 November 2022 30 November 2023
Testing Times	30 October 2020 30 October 2021	30 June 2022 30 June 2023
Performance Hurdles	- Increase in share price (30 day VWAP) to \$2.80 by October 2020; and - Increase in share price (30 day VWAP) to \$2.90 by October 2021. As a result of the strong increase in the share price the performance hurdles for both tranches have been met.	Annual growth in TSR of: - At least 10% to meet the minimum objective - More than 12% to meet the maximum objective Growth in annual accumulated EBITDA of: - At least 10% to meet the minimum objective - More than 12% to meet the maximum objective Maximum gearing objective of 40%. Please note the performance hurdles set have been adjusted for the impacts of AASB16.
Additional Details	The structure of the plan was approved by shareholders at the 2017 AGM as part of the Rights awarded to the CEO.	The structure of the plan was approved by shareholders at the 2019 AGM as part of the Rights awarded to the CEO.
Rights Vested in FY21	77,885	No Rights have vested under this Scheme.
Rights Outstanding	77,885	689,334

LTIP Awards and Vesting Status

The above Schemes have resulted in the following movement of Rights during FY21.

Name	Allocation Date	Balance of Unvested Equity Awards as at 1 July 2020	Granted in FY21	Vested in FY21	Balance of Unvested Equity Awards as at 30 June 2021	Fair Value Per Security	Fair Value at Grant Date	Share Based Payments Expense FY21
		Number	Number	Number	Number	Cents	\$	\$
Julian Pemberton	4/12/2017 to 30/06/2021	3,301,992	950,000 ⁽¹⁾	(2,137,500)	2,114,492	27.0 to 182	3,381,572	887,999
Andrew Walsh	4/12/2017 to 01/06/2021	700,000	2,250,000 ⁽²⁾	(700,000)	2,250,000	34 to 153	2,719,626	849,496
Geoff Caton	20/07/2020	-	275,960	-	275,960	30.1 to 182	380,160	110,222
Andrew Broad	27/07/2020	-	164,975	-	164,975	30.1 to 182	227,268	65,893
Ian Gibbs	15/02/2019 to 20/07/2020	155,770	96,112	(77,885)	173,997	30.1 to 182	290,977	86,106
Glen Payne	20/07/2020	-	152,287	-	152,287	30.1 to 182	209,790	60,826

(1) Includes one-off Rights issue in accordance with 3.4, above. Subject to shareholder approval at the upcoming EGM.

(2) Rights granted during the year includes the election to convert the value of STI award into an equity based award. See Note 3 under 5.1.

DIRECTORS'

REPORT CONTINUED

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

6 NON-EXECUTIVE DIRECTORS' ARRANGEMENTS

6.1 NON-EXECUTIVE REMUNERATION FRAMEWORK

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.

Non-Executive Director fees (excluding superannuation and non-cash benefits) to be paid by the Company to the Chairman is \$150,000 (2020: \$150,000) and to Non-Executive Directors is \$100,000 (2020: \$100,000). In addition, the chair of the Audit & Risk committee receives an additional fee of \$25,000 (2020: \$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.

6.2 NON-EXECUTIVE REMUNERATION OUTCOMES

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

		Remuneration		Post-Employment Benefits	Total
		Salary & fees	Non cash benefit	Superannuation	
Michael Arnett	FY21	150,000	-	14,250	164,250
	FY20	150,000	-	14,250	164,250
Jeff Dowling	FY21	125,000	-	11,875	136,875
	FY20	125,000	-	11,875	136,875
Peter Johnston	FY21	100,000	-	9,500	109,500
	FY20	100,000	-	9,500	109,500
Fiona Murdoch	FY21	100,000	-	9,500	109,500
	FY20	38,387	-	3,330	41,717
TOTAL	FY21	475,000	-	45,125	520,125
	FY20	413,387	-	38,955	452,342

DIRECTORS'

REPORT CONTINUED

7 OTHER STATUTORY DISCLOSURES

7.1 EXECUTIVE REMUNERATION TABLES

The table below sets out the remuneration outcomes for each of NRW's Executive KMP for the financial year ended 30 June 2021 and 30 June 2020.

	Year	Salary & fees	Cash Based Awards (STI)	Annual Leave ⁽¹⁾	Post Employment Benefits (Super)	Other Long-Term Benefits ⁽²⁾	Equity Based Awards (LTI)	Total
EXECUTIVE DIRECTOR								
Julian Pemberton	2021	1,178,997	619,787	90,665	21,694	19,656	887,999	2,818,798
	2020	1,178,997	768,000	150,473	21,003	39,207	818,939	2,976,619
EXECUTIVES								
Andrew Walsh	2021	741,497	-(8)	16,230	21,695	-	849,496	1,628,918
	2020	703,997	348,000	37,215	21,003	-	118,100	1,228,315
Kim Hyman	2021	363,568	50,328	22,365	21,694	6,060	-	464,015
	2020	363,568	-	14,459	21,003	9,755	-	408,785
Geoff Caton	2021	625,000	214,500	48,011	25,000	10,400	110,222	1,033,133
	2020	625,000	139,425	26,509	25,000	10,433	11,339	837,706
Ric Buratto	2021	557,645	-	21,456	21,694	-	-	600,795
	2020	557,645	99,000	17,031	21,003	-	-	694,679
Andrew Broad ⁽³⁾	2021	478,997	165,229	(3,695)	21,694	-	65,893	728,118
	2020	156,595	43,759	12,042	7,876	-	-	220,272
Jeff Whiteman ⁽⁴⁾	2021	-	-	-	-	-	-	-
	2020	356,400	42,433	-	-	-	-	398,833
Ian Gibbs ⁽⁵⁾	2021	415,383	144,235	15,336	21,694	(43,935)	86,106	638,819
	2020	415,383	120,079	(23,975)	19,485	(41,139)	71,924	561,757
Glen Payne ⁽⁶⁾	2021	408,000	141,799	26,668	21,694	6,801	60,826	665,788
	2020	298,154	-	(52,460)	11,309	7,237	-	264,240
Cameron Henry ⁽⁷⁾	2021	151,923	-	10,059	14,433	3,205	-	179,620
	2020	-	-	-	-	-	-	-
Total 2021	2021	4,921,010	1,335,878	247,095	191,292	2,187	2,060,542	8,758,004
Total 2020	2020	4,655,739	1,560,696	181,294	147,682	25,493	1,020,302	7,591,206

(1) Represents the movement in accrued annual leave.

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

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

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

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

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

(7) Mr C Henry joined on 17 February 2021 as Executive General Manager of Primero Group.

(8) Mr A Walsh elected to convert the value of his STI award into an equity based award of Performance Rights. See Note 3 under 5.1.

DIRECTORS'

REPORT CONTINUED

7.2 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.

	Held at 30 June 19	Purchases	Rights vested	Share Sales	Held at 30 June 20	Purchases	Rights vested	Share Sales	Held at 30 June 21
Michael Arnett	1,009,179	3,355	-	-	1,012,534	-	-	-	1,012,534
Jeff Dowling	364,705	-	-	-	364,705	-	-	-	364,705
Peter Johnston	109,416	3,355	-	-	112,771	25,000	-	-	137,771
Fiona Murdoch	-	13,700	-	-	13,700	7,000	-	-	20,700
Julian Pemberton	10,208,497	-	2,762,500	(3,650,000)	9,320,997	-	2,137,500	-	11,458,497
Andrew Walsh	2,895,498	3,355	981,250	(570,000)	3,310,103	-	700,000	(700,000)	3,310,103
Geoff Caton	-	-	357,798	(357,798)	-	-	-	-	-
Ric Buratto	-	-	288,000	(200,000)	88,000	-	-	(88,000)	-
Ian Gibbs	-	-	-	-	-	-	77,885	-	77,885
Cameron Henry	-	-	-	-	-	256,816 ⁽¹⁾	-	-	256,816
TOTAL	14,587,295	23,765	4,389,548	(4,777,798)	14,222,810	288,816	2,915,385	(788,000)	16,639,011

(1) Relates to share allotment as part of the takeover consideration received as part of the Primero acquisition.

7.3 RELATED PARTY TRANSACTIONS

All loans or related party transactions made to KMP or their associates during the 2021 financial year are disclosed at note 7.3 of the financial statements.

End of Remuneration Report (Audited)

CORPORATE GOVERNANCE & RISK MANAGEMENT

Good corporate governance and risk management is fundamental to all aspects of NRW's activities. Set out below is 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 (ASX) 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 2021.

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

RISK MANAGEMENT

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

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

Market Risk

NRW's financial performance is influenced by the level of activity in the resources and mining industry, and the construction and engineering sector, 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, macro-economic cycles (in particular capital expenditure in natural resources), and government policy on infrastructure spend;
- The policies of mine owners including their decisions to undertake their own mining operations or to outsource these functions; and
- The availability and cost of key resources including people, earth moving equipment, and critical consumables.

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

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

Loss of Contracts / Reduction in Contract Scope

NRW's revenues are subject to underlying contracts with varying terms. There is a risk that NRW's contracts may be cancelled (whether for convenience or with cause) or may not be renewed if NRW's clients decide to reduce their levels of spending, potentially reducing revenue generated on those projects.

Contract operations are also vulnerable to the risk of interruption as a result of a variety of factors, which may be beyond NRW's control, including prolonged heavy rainfall or cyclones, geological instability, accidents or unsafe conditions, equipment breakdowns, industrial relations issues, and scarcity of materials and equipment. Interruptions to existing operations or delays in commencing operations experienced by NRW's clients may result in lost revenue and, in some circumstances, result in NRW incurring additional costs, which may have a material adverse effect on NRW's business, results of operations and financial condition.

NRW is also dependant on our client's assessments of the financial viability of their projects which includes ensuring they have access to sufficient funding to meet project working capital and debt covenant requirements. If a client fails to obtain sufficient funding to successfully develop its project or otherwise fails to meet its working capital or debt covenant requirements, the client may seek to scale back or cancel its contract with NRW, which may have a material adverse impact on NRW's financial performance.

CORPORATE GOVERNANCE & RISK MANAGEMENT CONTINUED

Mitigation actions include working closely with our clients to ensure we understand the issues faced by them and to identify opportunities 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. Some of NRW's contracts are 'lump sum' in nature and to the extent costs exceed the contracted price, there is a risk these amounts may not be recovered. From time to time variations to the planned scope occurs or issues arise during the construction phase of a project not anticipated at the time of bid. This may give rise to claims under the contract with the clients in the ordinary course of business. Where such claims are not resolved in the ordinary course of business they may enter formal dispute and the outcome upon resolution of these claims may be materially different to the position taken by NRW.

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 mitigates changes in input costs to NRW.

Access to Resources

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

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

Engineer Design Risk

NRW operates as a 'design, construct and operate' contractor in the engineering sector. Such projects and contracts place an obligation on NRW to design 'fit for purpose' infrastructure and to give warranties to such effect. Any failure in design may see NRW exposed to contractual claims for breach of 'fit for purpose' or design obligations and, from time to time, to performance and liquidated damages.

NRW is particularly exposed to risk in circumstances where it has agreed to an engineering, procurement and construction (EPC) contract where it may suffer loss in the event expenses exceed anticipated costings for the project. NRW constructs large often complex processing plants which may operate under extreme conditions. The potential for failure of components is always present. If this failure results in a loss to NRW, NRW may have exposure to rectification of these failures which may result in a call on performance guarantees provided by NRW to its clients (if any), or in some cases, may exceed the quantum of any such performance guarantees.

Mitigation actions include maintaining professional indemnity insurance and also engaging appropriate third party design consultants for complex or specialist design expertise.

Climate Related Risks

NRW recognises the potential challenges posed by a number of factors which can be grouped under the heading 'climate risk'. These risks mainly relate to the operations of our clients which NRW currently works for but could nonetheless impact operations over the medium to long-term. Risks include reduction to current activity levels, and potential disruption to operations from activists. NRW operates within the strict environmental obligations defined by its clients which requires the project 'environmental footprint' to be respected at all times.

CORPORATE GOVERNANCE & RISK MANAGEMENT CONTINUED

NRW, through its Sustainability Committee, has adopted a number of initiatives to monitor the effect that climate related risks have on its operations and take appropriate action to ensure there is a balanced approach to capital allocation and the sustainable growth objectives of the Company.

Regulatory Compliance

NRW must meet regulatory requirements that are subject to continual review, including inspection by regulatory authorities. Failure by NRW to continuously comply with regulatory requirements or failure to take satisfactory corrective action in response to adverse inspection could result in enforcement actions. NRW operates in a regulated environment with the potential for significant penalties for non-compliance with applicable laws and regulations. NRW's future growth prospects are reliant on its ability to market its services and any regulatory change, event or enforcement action which would restrict those activities could have a material impact on NRW's growth and future financial performance. Amendments to current law and regulations governing operations or more stringent implementation of laws and regulations could have an adverse impact on NRW, including increases in expenses, capital expenditure and costs. The impact of future regulatory and legislative change upon the business of NRW cannot be predicted.

NRW is also dependent on various technical and financial accreditations to operate the business. These include safety accreditations, quality assurance standards, technical accreditations and various financial accreditations. Any failure to maintain or comply with accreditation can impact the eligibility of NRW to participate in certain projects and sectors.

Mitigation actions include the monitoring of regulatory and legislative changes that impact the organisation and ensuring NRW is up to date with its compliance obligations.

Intellectual Property

NRW's ability to leverage innovation and expertise depends upon its ability to protect intellectual property and any improvements to it. Such intellectual property may not be capable of being legally protected and may be the subject of unauthorised disclosure or unlawfully infringed. NRW may incur substantial costs in asserting or defending its intellectual property rights.

Mitigation actions include continual internal assessment to identify any potential intellectual property and where able, the legal protection of such rights.

Pandemic

The ongoing challenges related to the COVID-19 pandemic require constant monitoring. The COVID-19 pandemic has had a significant impact across our operations to date. Measures taken as a result of the pandemic, including border closures imposed at a State and Federal level, have effectively restricted the available labour pool. Our challenge remains to deliver projects in an environment where competition for people has increased significantly, driven by both high construction activity and strong commodity demand. This restriction on available labour may lead to higher staff turnover, increased labour costs and lower productivity.

Our clients depend on open access to international markets without which they may need to reduce or temporarily suspend operations currently performed by NRW. We employ over 7,000 people across the Group and rely on them to apply social distancing both at work and when not at work. We cannot assume that we are immune to a local infection which may require operations to be temporarily suspended.

NRW's supply chain is reliant on overseas sourcing and normal logistical support timeframes. Its operation could be impacted by delays brought about by responses to the pandemic which could delay project timeframes and lead to increased costs.

There is a risk that a material outbreak related to the virus may impact operations through both reductions in revenue and increases in costs which could result in the carrying values of certain assets being overstated. NRW has carried out additional impairment scenario testing including stress testing the current business plan assumptions to ensure the carrying value of assets can continue to be supported.

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

AUDITOR'S INDEPENDENCE DECLARATION



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

19 August 2021

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 2021, 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

A blue ink signature of D K Andrews, consisting of a stylized 'D' and 'A' followed by a horizontal line.

D K Andrews
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation
Member of Deloitte Asia Pacific Limited and the Deloitte organisation

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, 19 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2021

	Notes	Consolidated	
		2021 \$'000	2020 \$'000
REVENUE	2.2	2,221,479	2,004,362
Other income	2.3	14,712	311
Materials and consumables		(476,333)	(390,599)
Employee benefits expense	2.4	(720,130)	(570,183)
Subcontractor costs		(466,906)	(441,929)
Plant and equipment costs		(271,726)	(343,961)
Depreciation and amortisation expenses	2.4	(166,297)	(122,081)
Other expenses	2.4	(47,012)	(22,856)
Share of profit / (loss) from associates	3.5	1,435	(42)
Net finance costs	2.5	(13,332)	(12,804)
Profit before income tax		75,890	100,218
Income tax expense	6.1	(21,595)	(26,469)
Profit for the year		54,295	73,749
Profit and Other Comprehensive Income Attributable to:			
Equity holders of the Company		54,295	73,749
EARNINGS PER SHARE		Cents	Cents
Basic earnings per share	4.6	12.5	18.2
Diluted earnings per share	4.6	12.4	18.0

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 2021

		Consolidated	
	Notes	2021	2020 ⁽¹⁾
		\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents		146,549	170,229
Trade and other receivables	3.1	412,577	369,906
Lease receivable		2,794	2,546
Inventories	3.2	57,055	57,358
Non-current assets held for sale	3.8	82,612	-
Other current assets		7,321	8,771
Total current assets		708,908	608,810
Non-current assets			
Property, plant and equipment	3.3	321,408	451,825
Lease assets (right of use)	3.3	48,163	58,276
Lease receivable		180	2,545
Investments in listed equities	3.4	13,616	-
Investments in associates	3.5	2,233	2,610
Intangibles	3.6	44,123	33,961
Goodwill	3.7	162,981	85,036
Total non-current assets		592,704	634,253
Total assets		1,301,612	1,243,063
LIABILITIES			
Current liabilities			
Trade and other payables	3.9	330,755	331,642
Financial debt	5.3	92,056	81,799
Lease debt	5.4	13,621	14,757
Provisions	3.10	71,966	110,442
Current tax liability	6.3	418	-
Total current liabilities		508,816	538,640
Non-current liabilities			
Financial debt	5.3	169,852	162,996
Lease debt	5.4	42,303	50,301
Provisions	3.10	20,670	17,871
Deferred tax liabilities	6.3	14,848	866
Total non-current liabilities		247,673	232,034
Total liabilities		756,489	770,674
Net assets		545,123	472,389
EQUITY			
Contributed equity	4.2	383,416	332,863
Reserves	4.3	11,359	8,453
Retained profits	4.4	150,348	131,073
Total equity		545,123	472,389

(1) Restated to reflect finalisation of BGC Contracting Purchase Price Accounting – refer to note 7.5.
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 2021

	Notes	Contributed Equity	Foreign Currency Translation Reserve	Share Based Payment Reserve	Total Reserves	Retained Earnings	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2019		206,126	(208)	7,032	6,824	75,613	288,563
Total profit and other comprehensive income for the year	4.4	-	-	-	-	73,749	73,749
Issue of ordinary shares under institutional share placement	4.2	120,000	-	-	-	-	120,000
Share purchase plan	4.2	10,000	-	-	-	-	10,000
Share issue costs (net of tax benefit)	4.2	(3,287)	-	-	-	-	(3,287)
Treasury shares transferred to contributed equity	4.2	24	-	(24)	(24)	-	-
Dividends paid	4.5	-	-	-	-	(18,289)	(18,289)
Share-based payments	4.3	-	-	1,653	1,653	-	1,653
Balance at 30 June 2020		332,863	(208)	8,661	8,453	131,073	472,389
Total profit and other comprehensive income for the year	4.4	-	-	-	-	54,295	54,295
Issue of ordinary shares as part of business acquisition	4.2	50,553	-	-	-	-	50,553
Dividends paid	4.5	-	-	-	-	(35,020)	(35,020)
Movements in foreign currency		-	67	-	67	-	67
Share-based payments	4.3	-	-	2,839	2,839	-	2,839
Balance at 30 June 2021		383,416	(141)	11,500	11,359	150,348	545,123

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 2021

		Consolidated	
	Notes	2021	2020
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,363,455	2,120,573
Payments to suppliers and employees		(2,202,685)	(1,892,067)
Interest paid	2.5	(13,676)	(13,310)
Interest received	2.5	344	506
Income tax paid		-	-
Net cash flow from operating activities	5.1	147,438	215,702
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment		4,214	1,377
Proceeds from Associates	3.5	1,812	-
Acquisition of Gascoyne shares	3.4	(4,312)	-
Acquisition of property, plant and equipment	3.3	(77,895)	(82,622)
Acquisition of intangible assets	3.6	(703)	-
Payment for subsidiary	7.5	(44,796)	(111,759)
Net cash used in investing activities		(121,680)	(193,004)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of equity instruments of the Company		-	130,000
Payment for share issue costs		-	(4,694)
Proceeds from borrowings	5.3	83,197	68,469
Repayment of borrowings	5.3	(82,092)	(82,434)
Repayment of lease debt	5.4	(15,523)	(10,552)
Payment of dividends to shareholders	4.5	(35,020)	(18,289)
Net cash (used in) / from financing activities		(49,438)	82,500
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(23,680)	105,198
Cash and cash equivalents at beginning of the year		170,229	65,031
Cash and cash equivalents at the end of the year		146,549	170,229

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

NOTES TO THE FINANCIAL STATEMENT

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 2021 comprises the Company and its subsidiaries together referred to as the Group. The Group is primarily involved in the provision of diversified contract services to the resources and infrastructure sectors in Australia.

1.2 BASIS OF PREPARATION

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

The financial report is a general purpose financial report which:

- Has been prepared in accordance with Australian Accounting Standards (AASBs), including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board, and the Corporations Act 2001. The financial report of the Group also complies with International Financial Reporting Standards (IFRSs) and Interpretations as issued by the International Accounting Standards Board (IASB);
- Has been prepared on the basis of historical cost except for the revaluation of financial instruments. Historical cost is based on the fair values of the consideration given in exchange for goods and services;
- Is presented in Australian dollars (AUD);
- Is rounded to the nearest thousand (\$000), unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- Adopts all new and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2020. Refer to note 1.4 for further details;
- Does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note 1.4 for further details; and
- Has applied the Group accounting policies consistently to all periods presented.

The financial statements were authorised for issue by the Directors on 19 August 2021.

1.3 BASIS OF CONSOLIDATION

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1.3 BASIS OF CONSOLIDATION CONTINUED

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with the Group's accounting policies.

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

1.4 NEW ACCOUNTING STANDARDS

The Group has adopted all 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:

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

1.5 OTHER ACCOUNTING POLICIES

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

1.6 ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 BUSINESS PERFORMANCE

2.1 SEGMENT REPORTING

NRW is comprised of three reportable segments, Civil, Mining and Minerals, Energy & Technologies. Business activities are conducted primarily in Australia, with some operations in Canada and the USA.

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 (the Board of Directors) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

In previous reports, the results of Drill and Blast (Action Drill & Blast) have been separately reported. The relative size of the Action Drill & Blast business in comparison to the other three segments and the increased dependency on work from the Civil and Mining segments were the main factors which were considered in making this change. Comparative segment information for prior periods has been provided within Appendix A of the financial statements.

Significant Business Acquisition

On 17 February 2021, the Company completed the acquisition of Primero Group Limited (Primero). The Primero business has been integrated into the Minerals, Energy & Technologies (MET) segment. For further details on the acquisition of the Primero Group refer to note 7.5.

Reportable Segments

NRW has structured its business reporting into three segments, Civil, Mining, and Minerals, Energy & Technologies.

- **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, renewable energy projects, water infrastructure and concrete installations.
- **Mining:** The Mining business specialises in mine management, contract mining, load and haul, dragline operations, drill and blast, coal handling prep plants, maintenance services and the fabrication of water and service vehicles.
- **Minerals, Energy & Technologies:** The Minerals, Energy & Technologies business includes RCR Mining Technologies which is a leading original equipment manufacturer (OEM) that offers innovative materials handling design capability, DIAB Engineering which has proven capabilities in the metals and mining industry and provides specialist maintenance (shutdown services and onsite maintenance), industrial engineering and fabrication services and Primero acquired in February 2021. Primero provides a full engineering procurement construction capability that operates in the Mineral Processing, Energy and Non-Process Infrastructure market segments.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.1 SEGMENT REPORTING CONTINUED

Reportable Segment Revenues and Results

2021 \$'000	Civil	Mining	MET	Corporate / Eliminations	Total
Revenue ⁽¹⁾	726,514	1,177,240	426,907	(30,053)	2,300,608
Revenue from associates	(79,129)	-	-	-	(79,129)
Statutory revenue	647,385	1,177,240	426,907	(30,053)	2,221,479
EBITDA⁽²⁾	28,600	212,769	42,104	(16,738)	266,735
EBITDA margin (%)	3.9%	18.1%	9.9%	-	11.6%
Depreciation and amortisation ⁽³⁾	(5,739)	(128,888)	(8,547)	(2,916)	(146,090)
EBITA⁽⁴⁾	22,861	83,881	33,557	(19,654)	120,645
EBITA margin (%)	3.1%	7.1%	7.9%	-	5.2%
Amortisation of acquisition intangibles ⁽⁵⁾					(20,207)
Non-recurring transactions ⁽⁶⁾					(11,216)
Net interest					(13,332)
Profit before income tax					75,890
Income tax expense					(21,595)
Profit for the year					54,295

2020 \$'000	Civil	Mining	MET	Corporate / Eliminations	Total
Revenue ⁽¹⁾	820,097	1,059,714	187,167	(4,532)	2,062,446
Revenue from associates	(58,084)	-	-	-	(58,084)
Statutory revenue	762,013	1,059,714	187,167	(4,532)	2,004,362
EBITDA⁽²⁾	34,386	201,809	22,384	(8,555)	250,024
EBITDA margin (%)	4.2%	19.0%	12.0%	-	12.1%
Depreciation and amortisation ⁽³⁾	(7,917)	(91,508)	(6,532)	(3,124)	(109,081)
EBITA⁽⁴⁾	26,469	110,301	15,852	(11,679)	140,943
EBITA margin (%)	3.2%	10.4%	8.5%	-	6.8%
Amortisation of acquisition intangibles ⁽⁵⁾					(13,000)
Non-recurring transactions ⁽⁶⁾					(14,921)
Net interest					(12,804)
Profit before income tax					100,218
Income tax expense					(26,469)
Profit for the year					73,749

(1) Revenue including our share of revenue earned by our associates and joint ventures.

(2) EBITDA is earnings before interest, tax, depreciation, amortisation of acquisition intangibles and non-recurring transactions.

(3) Includes depreciation, and amortisation of software.

(4) EBITA is earnings before interest, tax, and amortisation of acquisition intangibles and non-recurring transactions.

(5) Amortisation of intangibles as part of business acquisitions.

(6) Non-recurring transactions include Altura impairment, Gascoyne writeback and Primero transaction costs (FY21) and costs associated with the acquisition of BGC Contracting (FY20).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.1 SEGMENT REPORTING CONTINUED

Segment Assets and Liabilities

	Segment Assets		Segment Liabilities	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Civil	89,950	202,757	123,065	194,959
Mining	760,019	733,726	357,058	430,143
MET	273,571	106,066	160,533	63,041
Unallocated	178,072	200,514	115,833	82,531
Consolidated	1,301,612	1,243,063	756,489	770,674

Information About Major Customers

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

These are summarised by segment below for the year end 30 June 2021:

	Civil	Mining	MET	Total
	\$'000	\$'000	\$'000	\$'000
Major customer 1	215,363	96,101	208,447	519,911
Major customer 2	195,470	12,745	149,085	357,300
Total	410,833	108,846	357,532	877,211

These are summarised by segment below for the comparative year end 30 June 2020:

	Civil	Mining	MET	Total
	\$'000	\$'000	\$'000	\$'000
Major customer 1	239,871	36,509	13,819	290,199
Major customer 2	169,178	14,310	32,346	215,834
Major customer 3	-	214,667	-	214,667
Total	409,049	265,486	46,165	720,700

2.2 REVENUE

	Consolidated	
	2021	2020
	\$'000	\$'000
Revenue - group and equity accounted joint ventures ⁽¹⁾	2,300,608	2,062,446
Equity accounted investments in associates	(79,129)	(58,084)
Revenue from contracts with customers	2,221,479	2,004,362

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.2 REVENUE CONTINUED

(i) Construction Contracts

Revenues from construction contracts are recognised by reference to the stage of completion of the contract activity. Measurement is based on the proportion of contract costs incurred for work performed to date relative to the estimate total contract costs, except where this would not be representative of the stage of completion.

The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of performance obligations under AASB 15: *Revenue from Contracts with Customers*.

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

(ii) Service Contracts

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

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

Transaction Price and Contract Modifications

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

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

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

The right to income from a contract modification shall be provided to the extent the agreement with the customer creates enforceable rights and obligations. Once the enforceable right has been identified, the Group applies the guidance given in AASB 15 in relation to variable consideration. This requires an assessment that it is highly probable that there will not be a significant reversal of this revenue in the future.

Costs to Obtain and Fulfil a Contract

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

Financing Components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer represents a financing component. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.2 REVENUE CONTINUED

Warranties

Generally, construction and services contracts include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and therefore estimated and included in the total costs of the contracts. Where required, amounts are recognised accordingly in line with AASB 137: *Provisions, Contingent Liabilities and Contingent Assets*. Refer to note 3.10 for further details.

Key Judgements and Estimates

Stage of completion

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

Variable consideration

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

The estimate of variable consideration can only be recognised to the extent it is highly probable that a significant revenue reversal will not occur in future. As at 30 June 2021, the Group has recognised revenue of \$68.0 million (2020: \$39.5 million) from unapproved claims based on the relative stage of completion.

Remaining Performance Obligations (Work in Hand)

The transaction price allocated to remaining performance obligations (unsatisfied or partially satisfied) at 30 June 2021 are set out below.

	Consolidated	
	2021	2020
	\$'000	\$'000
Civil	518,413	476,706
Mining	2,488,859	2,483,023
MET	341,308	79,880
Total	3,348,580	3,039,609

	Consolidated	
	2021	2020
	\$'000	\$'000
Within one year	1,560,297	1,752,699
More than one year	1,788,283	1,286,910
Total	3,348,580	3,039,609

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.3 OTHER INCOME

	Consolidated	
	2021	2020
	\$'000	\$'000
Gascoyne Resources	12,437	-
Lease income	382	311
All other income	1,893	-
Total	14,712	311

Gascoyne

The recapitalisation of Gascoyne Resources (GCY) was finalised in October 2020. As part of the recapitalisation structure NRW negotiated recovery of pre-administration amounts owed in the form a cash payment, issue of GCY shares and a structure to recover the balance of amounts owed through successful gold production (refer to note 3.4 for further details).

Lease Income

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

2.4 OTHER EXPENSES

	Consolidated	
	2021	2020
	\$'000	\$'000
EMPLOYEE BENEFITS EXPENSE		
Wages and salaries	(667,893)	(527,207)
Superannuation contributions	(49,398)	(41,323)
Share based payments	(2,839)	(1,653)
Total	(720,130)	(570,183)
DEPRECIATION & AMORTISATION		
Depreciation of non-current assets (note 3.3)	(144,704)	(108,802)
Amortisation of intangibles (note 3.6)	(20,584)	(13,279)
Amortisation of capitalised contract costs	(1,009)	-
Total	(166,297)	(122,081)
OTHER EXPENSES		
Insurance	(14,207)	(9,862)
Professional services	(1,440)	(2,826)
Loss on sale of property, plant and equipment	(366)	(1,477)
Non-recurring transactions – Altura Mining	(19,057)	-
All other expenses	(11,942)	(8,691)
Total	(47,012)	(22,856)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.5 NET FINANCE EXPENSES

	Consolidated	
	2021	2020
	\$'000	\$'000
Interest income	344	506
Total finance income	344	506
Interest expense on financial debt	(10,059)	(9,889)
Interest expense on lease debt	(3,617)	(3,421)
Total finance expenses	(13,676)	(13,310)
Net finance expense	(13,332)	(12,804)

Interest Income

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

Interest Expense

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

3 BALANCE SHEET

3.1 TRADE AND OTHER RECEIVABLES

	Consolidated	
	2021	2020
	\$'000	\$'000
Trade receivables	181,606	153,571
Contract assets	222,629	210,060
Total contract debtors	404,235	363,631
Other receivables	5,922	5,863
Loans to associates	2,420	412
Total trade and other receivables	412,577	369,906

Trade Receivables

Trade receivables represent receivables in respect of which the Group's right to consideration is unconditional subject only to the passage of time. Trade receivables and other receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, less an allowance for expected credit losses.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.1 TRADE AND OTHER RECEIVABLES CONTINUED

Contract Assets

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue'. Contract assets represent the Group's right to consideration for services provided to customers for which the Group's right remains conditional on something other than the passage of time. Amounts are generally reclassified to trade receivables when contract performance obligations have been certified or invoiced to the customer. Contract liabilities arise where payment is received prior to work being performed.

Age of Trade Receivables That are Past Due

	Consolidated	
	2021	2020
	\$'000	\$'000
60-90 days	48	361
90-120 days	562	870
Total	610	1,231

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

Key Judgements and Estimates

Estimation of contract revenue (contract assets)

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

3.2 INVENTORIES

	Consolidated	
	2021	2020 ⁽¹⁾
	\$'000	\$'000
Raw materials and consumables	47,507	50,629
Work in progress	9,548	6,729
Total inventories	57,055	57,358

(1) Restated to reflect finalisation of BGC Contracting Purchase Price Accounting – refer to note 7.5.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.3 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Plant and equipment	PPE Total	RoU buildings	RoU plant and equipment	Lease assets (RoU) Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
COST								
Balance as at 30 June 2019	3,218	6,732	1,680	604,930	616,560	-	-	-
Adoption of AASB16	-	-	-	-	-	36,301	9,601	45,902
Acquisitions through business combinations (note 7.5)	-	-	912	227,633	228,545	4,154	1,348	5,502
Additions	-	63	-	82,559	82,622	8,067	11,672	19,739
Disposals	-	-	-	(31,816)	(31,816)	-	(18)	(18)
Impairment	-	-	-	-	-	(482)	-	(482)
Balance as at 30 June 2020⁽¹⁾	3,218	6,795	2,592	883,306	895,911	48,040	22,603	70,643
Acquisitions through business combinations (note 7.5)	-	-	940	7,559	8,499	-	2,466	2,466
Transfer to intangibles	-	-	-	(377)	(377)	-	-	-
Additions	-	281	294	77,320	77,895	4,897	943	5,840
Disposals	-	-	-	(31,082)	(31,082)	(1,150)	(1,928)	(3,078)
Assets held for sale	-	-	-	(112,151)	(112,151)	-	-	-
Balance as at 30 June 2021	3,218	7,076	3,826	824,575	838,695	51,787	24,084	75,871
DEPRECIATION								
Balance as at 30 June 2019	1,000	5,495	1,508	368,630	376,633	-	-	-
Depreciation expense	-	190	27	96,202	96,419	6,469	5,914	12,383
Disposals	-	-	-	(28,966)	(28,966)	-	(16)	(16)
Balance as at 30 June 2020	1,000	5,685	1,535	435,866	444,086	6,469	5,898	12,367
Depreciation expense	-	200	86	129,148	129,434	6,415	9,047	15,462
Transfer to intangibles	-	-	-	(192)	(192)	-	-	-
Disposals	-	-	-	(26,502)	(26,502)	(26)	(95)	(121)
Assets held for sale	-	-	-	(29,539)	(29,539)	-	-	-
Balance as at 30 June 2021	1,000	5,885	1,621	508,781	517,287	12,858	14,850	27,708
CARRYING VALUES								
At 30 June 2020	2,218	1,110	1,057	447,440	451,825	41,571	16,705	58,276
At 30 June 2021	2,218	1,191	2,205	315,794	321,408	38,929	9,234	48,163

(1) Restated to reflect finalisation of BGC Contracting Purchase Price Accounting – refer to note 7.5.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.3 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Recognition and Measurement

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

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

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

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

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

Lease Assets (Right of Use Assets)

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

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

Key Judgements and Estimates

Estimates of useful economic lives

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

Lease vs 'in substance' sale or purchase

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.4 INVESTMENTS IN LISTED EQUITIES

	Consolidated	
	2021	2020
	\$'000	\$'000
Investments at fair value through profit and loss		
Gascoyne Resources Limited (ASX: GCY)	11,081	-
Barton Gold Limited (ASX: BGD)	1,496	-
Other listed equities	1,039	-
Total investments in listed equities	13,616	-

All equity investments in scope of AASB 9 are measured at fair value in the statement of financial position, with value changes recognised in profit or loss, except for those equity investments for which the entity has elected to present value changes in other comprehensive income.

Gascoyne Resources

Following the successful recapitalisation of Gascoyne Resources, NRW received 480 million shares in exchange for amounts owed pre-administration. At the same time, 86.2 million of pre-existing shares were reinstated.

In addition, NRW subscribed to 172.5 million shares under the entitlement offer bringing total NRW shareholding to 738.7 million pre-share consolidation, 36.9 million shares post share consolidation (on 22 September 2020 GCY announced a 20:1 share consolidation).

The investment in Gascoyne Resources is accounted for at fair value through profit and loss and has been valued at 30 cents per share at 30 June 2021.

Gascoyne Recapitalisation Reconciliation

The following table summarises the impairment recognised in the financial year 30 June 2019, following Gascoyne Resources entering Voluntary Administration in June 2019, together with the corresponding effect on these financial statements of the recovery of amounts following the successful recapitalisation of Gascoyne Resources in October 2020.

Loss Recognised	30 June 2019	GCY Recapitalisation 30 June 2021	Recover	P&L	Equity Invest.	Operating Cash Flow	Investing Cash Flow	Non Cash
	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Secured loans	(10,000)	Equity settlement of secured loan	12,000	12,000	12,000	-	-	12,000
Listed shares	(4,312)	Relisting shares	2,156	2,156	2,156	-	-	2,156
Trade debtors	(19,211)	Cash settlement (excl. GST)	6,364	6,364	-	6,364	-	-
		Future entitlement	15,780⁽¹⁾	804	-	804	-	-
Total	(33,523)	Subtotal	36,300	21,324	14,156	7,168	-	14,156
		Subscription for new share (2:1 rights entitlement)	-	-	4,312	-	(4,312)	-
		Remeasurement of GCY equity FVTPL ⁽²⁾	-	(7,387)	(7,387)	-	-	(7,387)
		Related costs	-	(1,500)	-	(1,500)	-	-
		Total	-	12,437⁽³⁾	11,081	5,668	(4,312)⁽⁴⁾	6,769⁽⁵⁾

(1) NRW negotiated a structure to recover the balance of amounts owed through successful gold production. Amounts have since been received in FY21.

(2) Fair value through profit and loss.

(3) Disclosed as Other Income in the Consolidated Statement of Profit or Loss.

(4) Disclosed as an Investing Activity in the Consolidated Statement of Cash Flows.

(5) Disclosed as adjustment to working capital in note 5.1.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.5 INVESTMENT IN ASSOCIATES

	Consolidated	
Interest in Associates:	2021	2020
Salini Impregilo NRW Joint Venture	20%	20%
Southwest Connex Alliance	40%	-
Hepburn to Hodges Joint Venture	50%	-
NewGen Drilling Pty Ltd	20%	20%

Reconciliation and Movement in the Group's Carrying Value of its Investments:

	Consolidated	
	2021	2020
	\$'000	\$'000
Opening balance of investment in associates	2,610	2,652
Share of profit/(loss) from equity accounted investments	1,435	(42)
Distributions received from associates	(1,812)	-
Closing balance of investment in associates	2,233	2,610

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

The requirements of AASB 136 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.

Key Judgements and Estimates

Determination of control

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 control, 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.6 INTANGIBLE ASSETS

	Software and System Development	Patent Technology	Brand Names	Customer Relationships	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
COST					
Balance as at 30 June 2019	21,142	9,460	11,638	24,210	66,450
Assets recognised on business combinations (note 7.5)	-	-	2,291	21,208	23,499
Balance as at 30 June 2020	21,142	9,460	13,929	45,418	89,949
Transferred from property, plant and equipment	377	-	-	-	377
Additions	703	-	-	-	703
Disposals	(9,029)	-	-	-	(9,029)
Assets recognised on business combinations (note 7.5)	-	-	4,038	25,628	29,666
Balance as at 30 June 2021	13,193	9,460	17,967	71,046	111,666
AMORTISATION					
Balance as at 30 June 2019	20,863	2,353	-	19,493	42,709
Amortisation expense (note 2.4)	279	3,601	-	9,399	13,279
Balance as at 30 June 2020	21,142	5,954	-	28,892	55,988
Transferred from property, plant and equipment	192	-	-	-	192
Amortisation expense (note 2.4)	185	3,506	-	16,701	20,392
Disposals	(9,029)	-	-	-	(9,029)
Balance as at 30 June 2021	12,490	9,460	-	45,593	67,543
CARRYING VALUES					
At 30 June 2020	-	3,506	13,929	16,526	33,961
At 30 June 2021	703	-	17,967	25,453	44,123

Intangible Assets Acquired in a Business Combination

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

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

Software and System Development

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

Patent Technology

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

Brand Names

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.6 INTANGIBLE ASSETS CONTINUED

Customer Relationships

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

3.7 GOODWILL

	Consolidated	
	2021	2020 ⁽¹⁾
	\$'000	\$'000
Balance at beginning of the period	85,036	40,103
Amounts recognised from business combinations occurring during the period (note 7.5)	77,945	44,933
Balance at end of the period	162,981	85,036

(1) Restated to reflect finalisation of BGC Contracting Purchase Price Accounting – refer to note 7.5.

Goodwill arising on an acquisition of a business is carried at cost established at the date of the acquisition of the business less accumulated impairment losses, if any. Goodwill is not amortised, but it is tested for impairment annually or more frequently if there is an indication that it might be impaired.

Goodwill is attributable to Cash Generating Units (CGU) aggregated in the following reporting segments whose results are regularly reviewed by the Group's Chief Operating Decision Maker:

	2021	2020 ⁽¹⁾
	\$'000	\$'000
Civil	18,513	18,513
Mining	59,858	59,858
MET	84,610	6,665
Balance at end of the period	162,981	85,036

(1) Restated to reflect finalisation of BGC Contracting Purchase Price Accounting – refer to note 7.5.

If the recoverable amount of a CGU to which goodwill is allocated is less than its carrying amount, the impairment loss is allocated first to goodwill and then to the identifiable assets on a pro rata basis. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill cannot be reversed in subsequent periods. On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may have suffered an impairment loss.

The determination of the existence of impairment indicators requires a degree of management judgement. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of a CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

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

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

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.7 GOODWILL CONTINUED

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.

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

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

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

Key areas of management judgement required in this assessment include:

Value in Use Assumptions and Key Estimates

Sales and earnings growth

The five year cash flow estimates used in assessments for all CGU's were based on Board approved budgets for the year ending 30 June 2022 adjusted for material known transactions. Growth assumptions thereafter are 2.5% (2020: 3%) per annum for each future year. The terminal value assumes perpetual growth of 2.5% (2020: 0%). Growth rates do not exceed historical averages.

Discount rate

A pre-tax discount rate of 13.3% (2020: 13.3%) which includes a risk margin was applied to the cash flows within each of the CGU's.

Working capital and capital expenditure

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

Capital expenditure forecasts were based on the various strategic business plans and those levels considered appropriate to sustain current growth projections above current level of operating activities.

The Company was satisfied that the recoverable values were sufficiently in excess of their carrying values at reporting date. This conclusion was supported having applied a sensitivity analysis on the key assumptions used in determining the recoverable values.

Sensitivity Analysis

Short-term assumptions

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

- An absolute, or timing delay, for disruptions at a current client's operations; or
- A non-award, or delay to an award, of future contracts.

Long-term assumptions

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

- Future years' growth rate assumption adjusted to a range of 0%-2.5% growth per annum; and
- Pre-tax discount rate assumption increased from 13.3% to as high as 20.0%, representing the higher degree of risk to returns through an extended period of higher global uncertainty related to events like an extended pandemic (COVID-19) or similar global event.

Each of these sensitivities were performed in isolation of each other and did not result in recoverable values to be lower than the carrying values of the CGUs as at 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.8 NON-CURRENT ASSETS HELD FOR SALE

The Group announced to the ASX on 12 July 2021 that Boggabri Coal Operations Pty Ltd (BCO), part of the Idemitsu Group, agreed to acquire the majority of the major mining equipment of Golding Contractors Pty Ltd (a wholly owned subsidiary of NRW) that is engaged under the Maintenance Services and Hire Agreement at the Boggabri Coal Mine. Accordingly, relevant assets have been presented as held for sale.

No impairment loss was recognised on the reclassification of the plant and equipment given the fair value estimates (based on recent market prices) less costs to sell are higher than the carrying amount.

Assets held for sale and associated liabilities:

	2021
	\$'000
Current assets	
Plant and equipment held for sale	82,612
Current liabilities	
Financial debt	18,220
Non-current liabilities	
Financial debt	46,961
Total liabilities	65,181

Key Judgements and Estimates

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

3.9 TRADE AND OTHER PAYABLES

	Consolidated	
	2021	2020
	\$'000	\$'000
CURRENT PAYABLES		
Trade payables	176,794	142,944
Goods and service tax	18,559	6,360
Other payables	23,299	23,495
Accruals	112,103	158,843
Total trade and other payables	330,755	331,642

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3.10 PROVISIONS

	Consolidated			
	Onerous Contracts	Warranty & Other	Employee Benefits	Total
	\$'000	\$'000	\$'000	\$'000
Current provisions	42,564	3,049	64,829	110,442
Non-current provisions	811	222	16,838	17,871
Total balance as at 30 June 2020⁽¹⁾	43,375	3,271	81,667	128,313
Current provisions	3,475	1,671	66,820	71,966
Non-current provisions	1,608	123	18,939	20,670
Total balance as at 30 June 2021	5,083	1,794	85,759	92,636

(1) Restated to reflect finalisation of BGC Contracting Purchase Price Accounting – refer to note 7.5.

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

(i) Onerous Contracts

A provision is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price where the forecast costs are greater than the forecast revenue. The provision is recognised in full in the period in which loss making contracts are identified under AASB 137.

(ii) Warranties and Other

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

(iii) Employee Benefits

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

Key Judgements and Estimates

Onerous contracts

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

Warranties

The provision is estimated having regard to previous claims experience.

Long service leave

Management judgement is applied in determining employee entitlements for long service leave. This determination considers future increases in wages and salaries, future on cost rates, employee departures and period of service. Expected future payments are discounted using the market yield at the reporting date on Australian corporate bonds with terms to maturity and currencies to match, as close as possible, the estimate future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4 CAPITAL STRUCTURE

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

Gearing Ratio

The Board meets regularly to determine the level of borrowings and shareholder funding required to appropriately support business operations. The gearing ratio is a function of the capital structure, dividends and movements in debt. The gearing ratio was calculated at 30 June 2021 as:

	Pro forma ⁽¹⁾	Consolidated	
	2021	2021	2020
	\$'000	\$'000	\$'000
Cash and cash equivalents	163,980	146,549	170,229
Financial debt	(196,727)	(261,908)	(244,795)
Lease debt	(55,924)	(55,924)	(65,058)
Net Debt	(88,671)	(171,283)	(139,624)
Total equity	545,123	545,123	472,389
Net Debt to Equity Ratio	16.3%	31.4%	29.6%

(1) Pro forma includes the impact of the sale of the Boggabri mobile equipment. For more information refer note 7.7 of financial statements.

4.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital Risk Management

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

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

Financial Risk Management

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

The financial instruments in the Group primarily consist of interest bearing debt, cash, trade receivables and payables. The Group has minimal foreign currency risks.

Interest Rate Risk Management

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

The Board considers the exposure to market rate volatility as low. If the Group were to consider a movement of 100 basis points in interest rates or cost of funds, there would be no material impact to the cost of capital. Refer to the Consolidated Interest and Liquidity table on the following page for further details around interest rate profiles.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Foreign Exchange and Currency Exposure

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

Liquidity Risk Management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining appropriate banking facilities, ensuring a suitable credit control program, continuously monitoring forecast and actual cash flows, and considering the level of capital commitment commensurate with project demands and other market forces.

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

Consolidated interest and liquidity analysis 2021

	Effective Interest rate	Total \$'000	0 to 30 days \$'000	31 days to < 1 year \$'000	1 to 5 yrs \$'000	> 5yrs \$'000
FINANCIAL ASSETS						
Cash and cash equivalents	0.3%	146,549	146,549	-	-	-
Trade and other receivables ⁽¹⁾		412,577	178,428	234,149	-	-
Lease receivables		2,974	242	2,552	180	-
Subtotal		562,100	325,219	236,701	180	-
FINANCIAL LIABILITIES						
Bank loans	2.3%	74,945	-	20,570	54,375	-
Equipment finance	4.3%	173,390	5,874	52,039	114,735	742
Lease debt	6.1%	55,924	1,169	12,452	42,303	-
Trade and other payables ⁽²⁾		330,755	163,699	167,056	-	-
Other		13,573	11,131	2,442	-	-
Subtotal		648,587	181,873	254,559	211,413	742

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Consolidated interest and liquidity analysis 2020

	Effective interest rate	Total \$'000	0 to 30 days \$'000	31 days to < 1 year \$'000	1 to 5 yrs \$'000	> 5yrs \$'000
FINANCIAL ASSETS						
Cash and cash equivalents	0.3%	170,229	170,229	-	-	-
Trade and other receivables ⁽¹⁾		369,906	191,962	177,944	-	-
Lease receivable	9.4%	5,091	203	2,343	2,545	-
Subtotal		545,226	362,394	180,287	2,545	-
FINANCIAL LIABILITIES						
Bank loans	4.4%	48,717	282	24,435	24,000	-
Equipment finance	4.6%	196,078	5,524	51,558	138,996	-
Lease debt	6.1%	65,058	1,150	13,607	35,501	14,800
Trade and other payables ⁽²⁾		331,642	174,043	157,599	-	-
Subtotal		641,495	180,999	247,199	198,497	14,800

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

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

Credit Risk

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

The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments. The carrying amount of financial assets recorded in the financial statements net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral.

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

Expected Credit Losses

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost including, lease receivables, amounts due from customers and on loan commitments.

The Group has elected to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk of that financial instrument has increased significantly since initial recognition. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

In making the assessment, management takes into consideration Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

As at 30 June 2021 expected credit losses are immaterial.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.2 ISSUED CAPITAL

Fully Paid Ordinary Shares

	Consolidated	
	2021	2020
	\$'000	\$'000
ORDINARY SHARES		
449,051,657 fully paid ordinary shares (2020: 426,685,384)	383,416	332,863

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			
	2021	2021	2020	2020
	No. '000	\$'000	No. '000	\$'000
FULLY PAID ORDINARY SHARES				
Balance at the beginning of the financial year	426,686	332,863	375,880	206,126
Capital raising at \$2.85 share	-	-	42,106	120,000
Share purchase plan at \$2.85 share	-	-	3,509	10,000
Share issue costs net of tax	-	-	-	(3,287)
Issue of shares to executives	2,943	-	5,180	-
Issue of shares as part of business acquisition	19,423	50,553	-	-
Treasury shares transferred to contributed equity	-	-	11	24
Balance at the end of the period	449,052	383,416	426,686	332,863

4.3 RESERVES

	Consolidated	
	2021	2020
	\$'000	\$'000
Share based payment reserve	11,500	8,661
Foreign currency reserve	(141)	(208)
Total reserves	11,359	8,453

Share Based Payment Reserve

	Consolidated	
	2021	2020
	\$'000	\$'000
Balance at the beginning of the financial year	8,661	7,032
Share based payments	2,839	1,653
Treasury shares issued for vested rights	-	(24)
Balance at the end of the financial year	11,500	8,661

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.4 RETAINED EARNINGS

	Consolidated	
	2021	2020
	\$'000	\$'000
Balance at the beginning of the financial year	131,073	75,613
Net profit attributable to members of the parent entity	54,295	73,749
Dividends paid	(35,020)	(18,289)
Balance at the end of the financial year	150,348	131,073

4.5 DIVIDENDS

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

Fully paid ordinary shares	Consolidated year ended 30 June 2021		Consolidated year ended 30 June 2020	
	Cents per share	\$'000	Cents per share	\$'000
Final dividend (FY20 / FY19)	4.0	17,067	2.0	7,621
Interim dividend (FY21 / FY20)	4.0	17,953	2.5	10,668
Total dividend payments		35,020		18,289

The Directors have declared a dividend for the current financial year of 5.0 cents per share. The dividend will be fully franked and paid on 13 October 2021.

Franking Account

	Consolidated	
	2021	2020
	\$'000	\$'000
Franking account balance at 1 July	43,101	50,939
Australian income tax paid	-	-
Franking credits transferred to head entity upon acquisition	6,727	-
Franking credits attached to dividends paid:		
As final dividend	(7,315)	(3,266)
As interim dividend	(7,694)	(4,572)
Franking account balance at 30 June	34,819	43,101
Franking credits that will attach to the payment of fully franked dividends declared but not paid as at reporting date	(9,623)	(7,315)
Net franking credits available	25,196	35,786

4.6 EARNINGS PER SHARE

	Consolidated	
	2021	2020
	\$'000	\$'000
Profit for the year	54,295	73,749
Weighted average number of shares for the purposes of basic earnings per share (000's)	435,534	405,024
Basic earnings per share	12.5 cents per share	18.2 cents per share
Shares deemed to be issued for no consideration in respect of:		
Performance rights (000's)	4,063	5,671
Weighted average number of shares used for the purposes of diluted earnings per share (000's)	439,597	410,695
Diluted earnings per share	12.4 cents per share	18.0 cents per share

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.6 EARNINGS PER SHARE CONTINUED

Basic Earnings Per Share

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

Diluted Earnings Per Share

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

4.7 SHARE BASED PAYMENTS

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

Share based compensation payments are measured at the fair value of the equity instruments at the grant date. The choice of valuation methodology is determined by the structure of the awards, particularly the vesting conditions:

- Market based valuations – a Monte-Carlo simulation valuation methodology is used to determine the share based payment cost relative to TSR growth. The valuation methodology used is chosen from those available to incorporate an appropriate amount of flexibility with respect to the particular performance and vesting conditions of the award.
- Non-market based valuations – EBITDA and Gearing targets are based on a 30 day VWAP up to and including the grant date, risk-weighted for the likelihood of achievement of the vesting conditions. The valuation methodology assumes between 90% and 100% achievement of vesting conditions.

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

Scheme ID	Risk Free Interest Rate	Share Price Volatility	Dividend Yield	Value (cents per share)
G	1.96%	103.20%	10.2%	34.0
K	1.44%	55.14%	1.20%	79.7
L	1.35%	64.05%	1.20%	123.9
M	1.44%	47.26%	1.20%	75.3
N	1.35%	53.62%	1.20%	101.1
O	0.29%	62.74%	1.34%	30.1 to 182.0
P	0.26%	50.05%	3.62%	6.5
Q	0.27%	54.27%	3.62%	14.2
R	0.07%	62.74%	3.62%	37.6 to 40.3
S	0.29%	92.52%	3.62%	56.1 to 77.4
T	0.29%	87.82%	3.62%	60.5 to 61.1
U	0.43%	65.21%	3.62%	27.0 to 153.0

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.7 SHARE BASED PAYMENTS CONTINUED

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

Name / Scheme	Scheme ID	Allocation Date	Vesting Date	Balance of Unvested Equity Awards as at 1 July 2020	Granted	Vested in FY21	Balance of Unvested Equity Awards as at 30 June 2021	Fair Value Per Security	Fair Value at Grant Date	Fair Value at Vesting Date	Share Based Payments Expense FY21
				Number of Rights	Number of Rights	Number of Rights	Number of Rights	Cents	\$	\$	\$
J Pemberton											
2018 Tranche 3	G	4/12/2017	30/11/2020	2,137,500	-	(2,137,500)	-	34.0	726,750	5,664,375	72,675
FY20 Tranche 1	O	26/11/2019	30/11/2022	582,246	-	-	582,246	30.1 to 182.0	768,785	-	256,262
FY20 Tranche 2	O	26/11/2019	30/11/2023	582,246	-	-	582,246	30.1 to 182.0	835,411	-	208,853
FY21 Tranche 1	U	30/06/2021	30/09/2023	-	950,000	-	950,000	27.0 to 153.0	1,050,626	-	350,209
Total				3,301,992	950,000	(2,137,500)	2,114,492		3,381,572	5,664,375	887,999
A Walsh											
2018 Tranche 3	G	4/12/2017	30/11/2020	700,000	-	(700,000)	-	34.0	238,000	1,855,000	23,800
FY20 Tranche 1	R	01/06/2021	30/11/2022	-	750,000	-	750,000	37.6 to 153.0	860,593	-	286,340
FY20 Tranche 2	S	01/06/2021	30/09/2023	-	750,000	-	750,000	58.2 to 153.0	717,458	-	238,715
FY21 Tranche 1	S	01/06/2021	30/09/2023	-	375,000	-	375,000	56.1 to 153.0	455,506	-	151,558
FY21 Tranche 2	T	01/06/2021	30/09/2024	-	375,000	-	375,000	61.1 to 153.0	448,069	-	149,083
Total				700,000	2,250,000	(700,000)	2,250,000		2,719,626	1,855,000	849,496
G Payne											
FY20 Tranche 1	O	20/07/2020	30/11/2022	-	76,144	-	76,144	30.1 to 182.0	100,538	-	33,513
FY20 Tranche 2	O	20/07/2020	30/11/2023	-	76,144	-	76,144	30.1 to 182.0	109,251	-	27,313
Total				-	152,288	-	152,288		209,789	-	60,826
A Broad											
FY20 Tranche 1	O	20/07/2020	30/11/2022	-	82,487	-	82,487	30.1 to 182.0	108,915	-	36,305
FY20 Tranche 2	O	20/07/2020	30/11/2023	-	82,487	-	82,487	30.1 to 182.0	118,354	-	29,588
Total				-	164,974	-	164,974		227,269	-	65,893
G Caton											
FY20 Tranche 1	O	20/07/2020	30/11/2022	-	137,980	-	137,980	30.1 to 182.0	182,185	-	60,728
FY20 Tranche 2	O	20/07/2020	30/11/2023	-	137,980	-	137,980	30.1 to 182.0	197,975	-	49,494
Total				-	275,960	-	275,960		380,160	-	110,222

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.7 SHARE BASED PAYMENTS CONTINUED

Name / Scheme	Scheme ID	Allocation Date	Vesting Date	Balance of Unvested Equity Awards as at 1 July 2020	Granted	Vested in FY21	Balance of Unvested Equity Awards as at 30 June 2021	Fair Value Per Security	Fair Value at Grant Date	Fair Value at Vesting Date	Share Based Payments Expense FY21
				Number of Rights	Number of Rights	Number of Rights	Number of Rights	Cents	\$	\$	\$
Gibbs											
2019 Scheme 1 Tranche 1	K	15/02/2019	30/11/2020	77,885	-	(77,885)	-	79.7	62,074	206,395	12,103
2019 Scheme 1 Tranche 2	L	15/02/2019	30/11/2021	77,885	-	-	77,885	123.9	96,500	-	35,614
FY20 Tranche 1	O	20/07/2020	30/11/2022	-	48,056	-	48,056	30.1 to 182.0	63,452	-	21,151
FY20 Tranche 2	O	20/07/2020	30/11/2023	-	48,056	-	48,056	30.1 to 182.0	68,951	-	17,238
Total				155,770	96,112	(77,885)	173,997		290,977	206,395	86,106
Non KMP											
2019 Scheme 2 Tranche 1	M	18/04/2019	30/11/2020	15,000	-	(15,000)	-	75.3	11,295	39,750	2,445
2019 Scheme 2 Tranche 2	N	18/04/2019	30/11/2021	15,000	-	-	15,000	101.1	15,165	-	5,971
2019 Tranche 1	P	14/07/2020	30/11/2020	-	12,500	(12,500)	-	6.5	812	33,125	812
2019 Tranche 2	Q	14/07/2020	30/11/2021	-	12,500	-	12,500	14.2	1,775	-	812
FY20 Tranche 1	O	20/07/2020	30/11/2022	-	520,670	-	520,670	30.1 to 182.0	687,482	-	229,161
FY20 Tranche 2	O	20/07/2020	30/11/2023	-	520,670	-	520,670	30.1 to 182.0	747,061	-	186,765
Total				30,000	1,066,340	(27,500)	1,068,840		1,463,590	72,875	425,966
TOTAL				4,187,762	4,955,674	(2,942,885)	6,200,551		8,672,983	7,798,645	2,486,508

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5 FINANCING

5.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Reconciliation of Profit for the Period to Net Cash Flows from Operating Activities

	Consolidated	
	2021	2020
	\$'000	\$'000
PROFIT FOR THE PERIOD	54,295	73,749
Adjustments for:		
Loss on sale of property, plant and equipment	366	1,477
Depreciation and amortisation	166,297	122,081
Lease asset (RoU) impairment	1,111	482
Share of (loss) / gain from associates	(1,435)	42
Share based payment expense	2,839	1,653
Gascoyne recovery	(6,769)	-
Net cash generated before movement in working capital	216,704	199,484
Change in trade and other receivables	(13,726)	(85,449)
Change in lease receivables	2,117	1,383
Change in inventories	3,847	(1,755)
Change in other assets	1,673	169
Change in trade and other payables	(45,164)	66,280
Change in provisions	(39,608)	9,122
Change in deferred tax balances	21,595	26,468
Net cash from operating activities	147,438	215,702

5.2 GUARANTEES

	Consolidated	
	2021	2020
	\$'000	\$'000
Bank guarantees	32,825	16,464
Insurance bonds	202,982	178,563
Balance at the end of the financial year	235,807	195,027

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5.3 FINANCIAL DEBT

	Consolidated	
	2021	2020
	\$'000	\$'000
SECURED AT AMORTISED COST		
Current		
Bank loans	20,570	24,717
Equipment finance	57,912	57,082
Other	13,574	-
Total current financial debt	92,056	81,799
Non-current		
Bank loans	54,375	24,000
Equipment finance	115,477	138,996
Total non-current financial debt	169,852	162,996
Total financial debt	261,908	244,795

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

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

As at the date of signing the annual accounts, the Company is in compliance with its obligations under its facilities. The Company expects to be in compliance with agreed covenants throughout the year ending 30 June 2022.

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

Financial debt movement reconciliation for the year ended 30 June 2021:

	Consolidated	
	2021	2020
	\$'000	\$'000
Opening balance	244,795	100,459
Equipment finance assumed (through business acquisition)	4,736	158,301
Debts assumed (through business acquisition)	11,273	-
New equipment finance	33,197	37,679
Repayment of equipment finance	(60,720)	(41,144)
New financial debt	50,000	30,790
Net repayment of financial debt	(21,372)	(41,290)
Total financial debt	261,908	244,795

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5.3 FINANCIAL DEBT CONTINUED

Interest Bearing Finance Facilities

Consolidated finance facilities as at 30 June 2021

Finance Description	Face Value (limit)	Carrying Amount (utilised)	Unutilised Amount
	\$'000	\$'000	\$'000
Banking facilities ⁽¹⁾	99,945	74,945	25,000
Equipment finance ⁽²⁾	198,337	173,389	24,948
Guarantees and insurance bonds ⁽³⁾	434,231	235,807	198,424

Consolidated finance facilities as at 30 June 2020

Finance Description	Face Value (limit)	Carrying Amount (utilised)	Unutilised Amount
	\$'000	\$'000	\$'000
Banking facilities ⁽¹⁾	75,435	48,717	26,718
Equipment finance ⁽²⁾	223,548	196,078	27,470
Guarantees and insurance bonds ⁽³⁾	356,055	195,027	161,028

(1) Includes: cash advance facilities, bank guarantee facilities (reflected within guarantees and insurance bonds line item) and an overdraft facility.

(2) Terms range from one to five years.

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

5.4 LEASE DEBT

	Consolidated	
	2021	2020
	\$'000	\$'000
Opening balance	65,058	50,369
New leases through a business combination (see note 7.5)	2,576	5,502
New leases	3,813	19,739
Net repayments	(15,523)	(10,552)
Balance at 30 June	55,924	65,058
Current	13,621	14,757
Non-current	42,303	50,301
Total lease debt	55,924	65,058

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

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

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

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5.4 LEASE DEBT CONTINUED

- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease debt is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease debt is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- Lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease debt is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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

Key Judgements and Estimates

Determination of the existence of leases

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

Lease extension periods

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

Incremental borrowing rate

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

5.5 CAPITAL AND OTHER COMMITMENTS

As at 30 June 2021 the Group has capital and other commitments totalling \$3.2 million (2020: \$6.8 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6 TAXATION

6.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

	Consolidated	
	2021	2020
	\$'000	\$'000
CURRENT TAX EXPENSE		
Current year income tax	418	-
Adjustments for prior years income tax	(335)	-
Subtotal	83	-
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences	21,512	26,469
Total income tax expense / (benefit)	21,595	26,469

6.2 RECONCILIATION OF EFFECTIVE TAX RATE

	Consolidated	
	2021	2020
	\$'000	\$'000
Profit before tax for the period	75,890	100,218
INCOME TAX USING THE COMPANY'S DOMESTIC TAX RATE OF 30%	22,767	30,065
Changes in income tax expense due to:		
Share based payments	(1,783)	(4,235)
Adjustments recognised in the current year in relation to the effect of tax consolidation in prior years	319	-
Effect of different income tax rates for subsidiaries operating in a different tax jurisdiction	4	-
Effect of impairment of financial assets relating to the Gascoyne Resources loan and equity instruments	1,569	-
Adjustments recognised in the current year in relation to the current tax of prior years (effect of expenses that are not deductible in determining taxable profit)	(1,624)	(670)
Non-Deductible Transaction Costs	1,098	-
Transfer duties on acquisitions of RCRMT and BGC Contracting	-	891
Deferred tax assets brought to account	-	(33)
Effect of expenses that are not deductible in determining taxable profit	(732)	451
Joint ventures	(23)	-
Total income tax expense / (benefit)	21,595	26,469

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.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6.3 CURRENT AND DEFERRED TAX BALANCES

Current Tax Liabilities

Tax losses have been applied to offset any Australian taxable income. The reported current tax liabilities as at 30 June 2021 (2020: Nil) related to the assumed liability from the Primero acquisition, and foreign tax due and payable in other jurisdictions.

Deferred Tax Balances

	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables (contract assets)	-	-	(23,711)	(41,893)	(23,711)	(41,893)
Inventories	-	290	(5,716)	-	(5,716)	290
Other current assets	2,577	2,829	(4,985)	(5,024)	(2,408)	(2,195)
Property, plant and equipment	3,693	1,922	(48,932)	(38,828)	(45,239)	(36,906)
Investment in associates	2,843	4,133	-	-	2,843	4,133
Intangibles	-	-	(12,257)	(9,360)	(12,257)	(9,360)
Lease debt	21,864	26,215	(20,034)	(24,180)	1,830	2,035
Provisions	24,475	28,034	-	-	24,475	28,034
Payables	8,720	7,337	-	-	8,720	7,337
Costs of equity raising	226	1,305	-	-	226	1,305
Share based payments	1,453	295	-	-	1,453	295
Losses	34,936	37,182	-	-	34,936	37,182
Deferred tax assets / (liabilities)	100,787	109,542	(115,635)	(119,285)	(14,848)	(9,743)

Movement of Deferred Tax Balances

	Consolidated	
	2021	2020
	\$'000	\$'000
DEFERRED TAX EXPENSE		
Recognised in profit or loss (note 6.1)	(21,512)	(26,469)
Recognised directly in equity	7	2,637
Balance acquired through business combinations (note 7.5)	7,523	(7,975)
Balance restated to reflect finalisation of BGC Contracting purchase price accounting	8,877	-
Total	(5,105)	(31,807)

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6.3 CURRENT AND DEFERRED TAX BALANCES CONTINUED

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.

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

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

6.4 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. The acquisition of Primero during the year resulted in the Australian Primero entities joining the tax-consolidated group on 24 March 2021.

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.

Upon entering the tax consolidated group on 24 March 2021, the Australian Primero entities formally entered into a tax sharing and tax funding agreement with NRW Holdings Ltd.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6.5 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.

6.6 TAX POLICY, STRATEGY AND GOVERNANCE

Approach to Tax Governance

NRW has developed a Board approved Tax Risk Management Framework to govern the way in which the Group manages its tax obligations. The Tax Risk Management Framework has been designed in line with the Australian Taxation Office (ATO) Tax Risk Management and Governance Review Guide. The Tax Risk Management Framework applies to all entities within the NRW tax consolidated group.

In accordance with the Tax Risk Management Framework, decisions on tax risk are reviewed by the Chief Financial Officer and reported to the Audit and Risk Committee as appropriate. Ultimate responsibility for tax governance is borne by the Board. Tax risk assessments are conducted and are consistent with the risk tolerance levels applied to other decisions in the business.

Corporate Income Tax Contribution Summary

NRW is currently utilising available carry-forward Australian tax losses. As at 30 June 2021, NRW has estimated carry forward tax losses of \$34.9M on its balance sheet as a deferred tax asset. This position results in zero income tax payable in Australia. The NRW tax consolidated group will commence paying corporate tax in Australia once these losses are fully utilised.

The ATO publish the income tax information of taxpayers with a total income of \$100 million or more. The information is published in the Report of Entity Tax Information online. NRW confirms the following disclosures under the ATO regime.

	2015-16	2016-17	2017-18	2018-19	2019-20 ⁽¹⁾
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Income	291,949	367,184	676,658	1,087,568	2,011,916
Taxable/Net Income	Nil	Nil	Nil	Nil	Nil
Tax Payable	Nil	Nil	Nil	Nil	Nil

(1) Not yet disclosed by the ATO under the Report of Entity Tax Information regime online.

Relationships with Tax Authorities

NRW is committed to open and transparent dealings with the ATO and other relevant tax authorities. NRW's approach to engagement with these authorities is to be compliant with tax laws to ensure its statutory obligations are met.

NRW is included in the ATO's Justified Trust review program. NRW's last assurance review under this regime was finalised in September 2018. The ATO obtained an overall high level of assurance that NRW paid the right amount of Australian income tax for the income years reviewed.

International Related Party Dealings

The NRW group includes entities incorporated under foreign jurisdictions where corporate tax is remitted in accordance with the applicable taxation authorities and laws.

NRW does not have material operations located outside of Australia, resulting in minor international related party dealings. These dealings are disclosed to the ATO within the International Related Party Dealings Schedule.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7 OTHER NOTES

7.1 SUBSIDIARIES

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

Entity	Principal Activities	Country of Incorporation	Ownership Interest	
			2021	2020
NRW Holdings Limited (ACN 118 300 217) <	Holding Company	Australia	-	-
Actionblast Pty Ltd (ACN 058 473 331) <	Mining Equipment Solutions	Australia	100%	100%
Action Drill & Blast Pty Ltd (ACN 144 682 413) <	Drill & Blast	Australia	100%	100%
Hughes Drilling 1 Pty Ltd (ACN 011 007 702) <	Drill & Blast	Australia	100%	100%
NRW Pty Ltd (ACN 067 272 119) <	Civil & Mining	Australia	100%	100%
The trustee for NRW Unit Trust (ABN 69 828 799 317)	Civil & Mining	Australia	100%	100%
NRW Contracting Pty Ltd (ACN 008 766 407) <	Civil, Mining & Urban	Australia	100%	100%
NRW Contracting (NO.2) Pty Ltd (ACN 621 008 473) <	Mining	Australia	100%	100%
DIAB Engineering Pty Ltd (ACN 611 036 689) <	MET	Australia	100%	100%
NRW Intermediate Holdings Pty Ltd (ACN 120 448 179) <	Intermediary	Australia	100%	100%
Indigenous Mining & Exploration Company Pty Ltd (ACN 114 493 579) <	Investment Shell	Australia	100%	100%
NRW International Holdings Pty Ltd (ACN 138 827 451) <	Investment Shell	Australia	100%	100%
RCR Heat Treatment Pty Ltd (ACN 631 155 032)	Heat Treatment	Australia	100%	100%
RCR Mining Technologies Pty Ltd (ACN 107 724 274) <	MET	Australia	100%	100%
NRW Mining Pty Ltd (ACN 117 524 277) <	Investment Shell	Australia	100%	100%
Golding Group Pty Ltd (ACN 129 247 025) <	Holding Company	Australia	100%	100%
Golding Employee Equity Pty Ltd (ACN 134 623 680) <	Dormant	Australia	100%	100%
Golding Finance Pty Ltd (ACN 128 839 056) <	Holding Company	Australia	100%	100%
Golding Contractors Pty Ltd (ACN 009 734 794) <	Civil, Mining & Urban	Australia	100%	100%
Golding Civil Pty Ltd (ACN 628 709 777)	Civil	Australia	100%	100%
Golding Mining Pty Ltd (ACN 628 709 740)	Mining	Australia	100%	100%
Golding Services Pty Ltd (ACN 628 709 768)	Civil, Mining & Urban	Australia	100%	100%
Golding Urban Pty Ltd (ACN 628 709 759)	Urban	Australia	100%	100%
Golding PNG Limited	Mining	Papua New Guinea	100%	100%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.1 SUBSIDIARIES CONTINUED

Entity	Principal Activities	Country of Incorporation	Ownership Interest	
			2021	2020
NRW Guinea SARL	Dormant	Guinea	100%	100%
The Trustee for NRW Holdings Employee Share Trust (ABN 85 324 493 658)	Dormant	Australia	100%	100%
Primero Group Limited (ACN 149 964 045)	MET	Australia	100%	-
PGX Ops Pty Ltd (ACN 645 420 542)	MET	Australia	100%	-
Primero Group Americas Inc	MET	Canada	100%	-
Primero USA Inc	MET	USA	100%	-

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

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

Deed of Cross Guarantees

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

The consolidated statement of comprehensive income of the entities party to the Deed of Cross guarantees is as follows:

	Consolidated	
	2021	2020
	\$'000	\$'000
STATEMENT OF COMPREHENSIVE INCOME		
Revenue	2,071,537	1,997,152
Other income	14,666	311
Materials and consumables used	(418,458)	(389,712)
Employee benefits expense	(665,596)	(566,902)
Subcontractor costs	(450,953)	(441,912)
Plant and equipment costs	(263,009)	(343,296)
Depreciation and amortisation expenses	(162,042)	(120,920)
Other expenses	(43,483)	(22,099)
Share of profit / (loss) in associate	1,435	(42)
Net finance costs	(12,588)	(12,812)
Profit before income tax	71,509	99,768
Income tax expense	(21,364)	(26,334)
Profit for the year	50,145	73,434
OTHER COMPREHENSIVE INCOME		
Total comprehensive income for the year	50,145	73,434

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	
	2021	2020
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	138,172	168,336
Trade and other receivables	368,006	368,687
Lease receivable	2,794	2,546
Inventories	52,782	57,355
Non-current assets held for sale	82,612	-
Other current assets	5,008	8,762
Total current assets	649,374	605,686
Non-current assets		
Property, plant and equipment	304,569	451,244
Lease assets (right of use)	45,913	58,276
Lease receivable	180	2,545
Investment in listed equities	11,081	-
Investments in associates	110,390	6,561
Intangibles	15,618	31,710
Goodwill	85,036	85,036
Total non-current assets	572,787	635,372
Total assets	1,222,161	1,241,058
LIABILITIES		
Current liabilities		
Trade and other payables	277,451	331,146
Financial debt	77,259	81,799
Lease debt	12,853	14,757
Provisions	61,251	109,942
Total current liabilities	428,814	537,644
Non-current liabilities		
Financial debt	166,669	162,996
Lease debt	40,711	50,301
Provisions	19,912	17,804
Deferred tax liabilities	22,638	424
Total non-current liabilities	249,930	263,525
Total liabilities	678,744	769,169
Net assets	543,417	471,889
EQUITY		
Contributed equity	383,416	332,863
Reserves	11,446	8,453
Retained earnings	148,555	130,573
Total equity	543,417	471,889

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.1 SUBSIDIARIES CONTINUED

Changes in the Group's Ownership Interests in Existing Subsidiaries

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

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

7.2 UNINCORPORATED JOINT OPERATIONS

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

Name of Operation	Principal Activity	Country of Operation	Group Interest	
			2021	2020
BGC Contracting Pty Ltd & Laing O'Rourke Australia Construction Pty Ltd	NorthLink WA roads	Australia	50%	50%

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

Financial Information

	Consolidated	
	2021 \$'000	2020 \$'000
STATEMENT OF FINANCIAL PERFORMANCE		
Revenue	726	1,046
Expenses	537	(2,869)
STATEMENT OF FINANCIAL POSITION		
Cash	2,525	777
Other Current assets	8,250	7,950
Current liabilities	(1,754)	(969)

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

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.2 UNINCORPORATED JOINT OPERATIONS CONTINUED

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

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

7.3 RELATED PARTIES

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

Key Management Personnel Transactions

During the financial year, rental of commercial properties to the value of \$442,556 (2020: \$256,141) were provided to the NRW Group on normal commercial terms and conditions from Belle Creed Pty Ltd and Payne Property Unit Trust, both related parties of Mr G Payne (Executive General Manager of DIAB Engineering Pty Ltd). This transaction dates back to when members of the Payne family owned the DIAB Engineering business. The premises are the main DIAB Engineering workshops and facilities in Geraldton which are key to operations of that business. The increase represents 12 months' rent for FY21 compared to seven months in FY20 (BGC Contracting acquisition).

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

7.4 PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2021 the parent company of the Group was NRW Holdings Limited.

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

Financial Position

	Parent	
	2021	2020
	\$'000	\$'000
ASSETS		
Current assets	203,674	210,912
Non-current assets	311,473	200,156
Total assets	515,147	411,068
LIABILITIES		
Current liabilities	27,589	22,002
Non-current liabilities	65,997	37,463
Total liabilities	93,586	59,465
Net assets	421,561	351,603
EQUITY		
Contributed equity	383,416	332,863
Retained earnings	26,699	10,132
Share based payment reserve	11,446	8,608
Total equity	421,561	351,603

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.4 PARENT ENTITY INFORMATION CONTINUED

Financial Performance

	Parent	
	2021	2020
	\$'000	\$'000
Profit for the year	51,586	17,216
Total comprehensive income	51,586	17,216

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

	Parent	
	2021	2020
	\$'000	\$'000
Asset finance	169,037	199,573
Total	169,037	199,573

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

7.5 BUSINESS COMBINATIONS

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.5 BUSINESS COMBINATIONS CONTINUED

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.

2021 Acquisitions

Primero Group Limited acquisition

On 17 February 2021, the Company completed the acquisition of Primero Group Limited (Primero). Total consideration for Primero was \$99.9 million for 100% of the shares.

Primero provides services to the engineering, procurement and construction (EPC) services across three core business segments:

- **Design** – metallurgical test work, process design, feasibility studies, automation and control, and technical due diligence;
- **Construction** – fabrication and installation of facilities with a variety of specialities such as process plants, power generation, and hydrocarbon storage and distribution; and
- **Operation** – operational readiness services, restart, refurbishment and recommissioning, and maintenance and shutdown services.

Costs of a one-off nature relating to the acquisition amounting to \$4.5 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 2021.

The fair values of the acquisition balances are provisional due to the timing of the acquisition.

Acquisition Cost of Funding

	2021
	\$'000
Consideration paid in cash	49,435
Consideration paid in equity	50,553
Total consideration	99,988
Less cash and cash equivalents acquired	(4,639)
Net outflow on acquisition	95,349
Add financial debt assumed	16,009
Net purchase consideration	111,358

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.5 BUSINESS COMBINATIONS CONTINUED

Provisional Fair Value of Assets Acquired and Liabilities Assumed at the Date of the Acquisition

	2021
	\$'000
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	4,639
Trade and other receivables	31,074
Inventories	3,544
Other current assets	1,602
Total current assets	40,859
NON-CURRENT ASSETS	
Property, plant and equipment	8,499
Lease assets (right of use)	2,466
Investments in listed equities	2,536
Intangibles	29,666
Deferred tax asset	7,593
Total non-current assets	50,760
Total assets	91,619
LIABILITIES	
CURRENT LIABILITIES	
Trade and other payables	45,054
Financial debt	11,273
Lease debt	856
Provisions	2,534
Unearned revenue	2,416
Current tax liability	418
Total current liabilities	62,551
NON-CURRENT LIABILITIES	
Financial debt	4,736
Lease debt	1,720
Provisions	569
Total non-current liabilities	7,025
Total liabilities	69,576
NET ASSETS ACQUIRED	22,043

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.5 BUSINESS COMBINATIONS CONTINUED

Provisional Goodwill Arising on Acquisition

	2021
	\$'000
Consideration paid in cash	49,435
Consideration paid in equity	50,553
Total consideration	99,988
Less fair value of identifiable net assets acquired	(22,043)
Goodwill	77,945

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

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

Impact of Acquisition on the Results of the Group

The activities of Primero were progressively integrated into the operations of the NRW group structure over the five months following completion of the acquisition. The estimates of revenue and earnings which follow represent our best assessment of contributions from Primero in the five months. It is estimated that Primero generated a profit before tax of circa \$3.3 million for the five months from 17 February 2021 to the reporting date. Revenue for the five months to 30 June 2021 was circa \$143 million.

2020 Acquisitions

BGC Contracting Pty Ltd acquisition

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

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

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

Costs of a one-off nature relating to the acquisition amounting to \$14.9 million have been excluded from the consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss for the year ended 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.5 BUSINESS COMBINATIONS CONTINUED

Acquisition Cost of Funding

	2020
	\$'000
Consideration paid in cash to vendor (from equity raising)	116,388
Consideration paid from new banking facility (to repay exiting asset financier)	24,003
Total cash consideration	140,391
Less cash and cash equivalents acquired	(28,632)
Net cash outflow on acquisition (refer to consolidated statement of cash flows)	111,759
Add asset finance debt assumed	158,301
Net purchase consideration (Excl. AASB 16)	270,060
Recognition of lease debt	5,502
Net purchase consideration	275,562

Fair Value of Assets Acquired and Liabilities Assumed at the Date of the Acquisition

	2020
	\$'000
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	28,632
Trade and other receivables	130,286
Inventories	25,021
Lease receivable	2,415
Other current assets	2,499
Total current assets	188,853
NON-CURRENT ASSETS	
Property, plant and equipment	228,545
Lease assets (right of use)	5,502
Lease receivable	4,059
Intangibles	23,499
Deferred tax asset	902
Total non-current assets	262,507
Total assets	451,360
LIABILITIES	
CURRENT LIABILITIES	
Trade and other payables	107,606
Financial debt	62,528
Lease debt	1,445
Provisions	81,774
Total current liabilities	253,353
NON-CURRENT LIABILITIES	
Financial debt	95,773
Lease debt	4,058
Provisions	2,718
Total non-current liabilities	102,549
Total liabilities	355,902
NET ASSETS ACQUIRED	95,458

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.5 BUSINESS COMBINATIONS CONTINUED

Goodwill Arising on Acquisition

	2020
	\$'000
Consideration paid in cash to vendor (from equity raising)	116,388
Consideration paid from new banking facility (to repay existing asset financier)	24,003
Total cash consideration	140,391
Less fair value of identifiable net assets acquired	(95,458)
Goodwill	44,933

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

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

7.6 AUDITORS REMUNERATION

	Consolidated	
	2021	2020
	\$	\$
AUDIT SERVICES		
Auditors of the Company		
Deloitte Touche Tohmatsu	548,000	581,000
OTHER SERVICES		
Industry specific compliance audits	26,500	18,500
Assurance services related to business acquisitions	22,000	30,000
Total	596,500	629,500

7.7 EVENTS AFTER THE REPORTING PERIOD

The Directors have declared a fully franked dividend for the current financial year of five cents per share, payable on 13 October 2021.

The Group announced to the ASX on 12 July 2021 that Boggabri Coal Operations Pty Ltd (BCO), part of the Idemitsu Group agreed to acquire the majority of the major mining equipment of Golding Contractors Pty Ltd (a wholly owned subsidiary of NRW) that is engaged under the Maintenance Services and Hire Agreement at the Boggabri Coal Mine.

The transaction was completed on 28 July 2021.

As part of the agreement, Golding will continue to perform maintenance services on site across the assets acquired by BCO, and another 50 pieces of major mining equipment, engaging a workforce of over 150 personnel on site.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7.7 EVENTS AFTER THE REPORTING PERIOD CONTINUED

The impact of the sale on the current financial results, had it occurred prior to 30 June 2021 is set out below:

Financial Position

	Consolidated	
	2021	Pro forma 2021
	\$'000	\$'000
ASSETS		
Cash and cash equivalents	146,549	163,980
Non-current assets held for sale	82,612	-
Other current assets	479,747	479,747
Property, plant and equipment	321,408	321,408
Other non-current assets	271,296	271,296
Total assets	1,301,612	1,236,431
LIABILITIES		
Trade and other payables	330,755	330,755
Borrowings – current	92,056	73,836
Other current liabilities	86,005	86,005
Borrowings – non-current	169,852	122,891
Other non-current liabilities	77,821	77,821
Total liabilities	756,489	691,308
NET ASSETS	545,123	545,123
EQUITY		
Contributed equity	383,416	383,416
Reserves	11,359	11,359
Retained earnings	150,348	150,348
Total equity	545,123	545,123

Other than the events noted above, 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.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 30 July 2021. NRW's contributed equity comprises 449,051,657 fully paid ordinary shares.

Distribution of Shareholdings

Range	Fully Paid Ordinary Shares	%	No of Holders	%
100,001 and Over	360,596,538	81.76%	227	2.25%
10,001 to 100,000	56,980,972	12.92%	2,098	20.75%
5,001 to 10,000	12,835,325	2.91%	1,672	16.54%
1,001 to 5,000	9,318,861	2.11%	3,358	33.21%
1 to 1,000	1,332,652	0.30%	2,756	27.25%
Subtotal	441,064,348	100.00%	10,111	100.00%
Shares held in escrow	7,987,309	1.78%	5	0.05%
Unmarketable parcels	76,092	0.02%	704	6.96%

NRW's 20 Largest Shareholders

Rank	Name	Shares	% Interest
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	103,570,597	23.48%
2	CITICORP NOMINEES PTY LIMITED	57,925,710	13.13
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	49,748,909	11.28
4	NATIONAL NOMINEES LIMITED	19,158,142	4.34
5	BNP PARIBAS NOMINEES PTY LTD	12,714,621	2.88
6	MR DAVID RONALDSON	8,020,392	1.82
7	JULIAN ALEXANDER PEMBERTON	7,973,702	1.81
8	ZERO NOMINEES PTY LTD	7,000,000	1.59
9	BNP PARIBAS NOMS PTY LTD	6,242,685	1.42
10	SANDHURST TRUSTEES LTD	4,319,129	0.98
11	MR ANDREW JOHN WALSH	3,310,103	0.75
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,224,144	0.73
13	MR JULIAN ALEXANDER PEMBERTON	3,000,000	0.68
14	CITICORP NOMINEES PTY LIMITED	2,932,142	0.66
15	JEFFRESS NOMINEES PTY LTD	2,213,920	0.50
16	MR PETER HOWELLS	2,053,355	0.47
17	GABRIELLA NOMINEES PTY LTD	2,006,702	0.45
18	BNP PARIBAS NOMINEES PTY LTD	1,914,783	0.43
19	MR STEVEN SCHALIT & MS CANDICE SCHALIT	1,612,125	0.37
20	MS LESLEY ANN JEFFRESS	1,575,226	0.36

Voting Rights

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

INDEPENDENT AUDITOR'S REPORT



Deloitte Touche Tohmatsu
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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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

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INDEPENDENT AUDITOR'S REPORT CONTINUED



Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

Deloitte.

Acquisition of Primero Group Limited ('Primero')

As disclosed in Note 7.5, the Group completed the acquisition of Primero on 17 February 2021 for net purchase consideration of \$99.9 million.

Management provisionally allocated the purchase price to identifiable assets, liabilities and separately identifiable intangible assets as relevant.

This process involved estimation and judgement in determining the purchase price, provisions, customer relationships, customer backlog, 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;
- 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 identifiable assets and liabilities acquired;
- In conjunction with our valuation specialists, assessing the competence and objectivity of management's specialist who valued the intangible assets; and
- Challenging the values attributable to equipment, inventory, provisions, customer relationships and brand value recognised in respect of the acquisition, including the appropriateness of the resulting goodwill.

We also assessed the appropriateness of the disclosures in Note 7.5 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT CONTINUED



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's audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

Deloitte.

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in on pages 16 to 34 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of NRW Holdings Limited, for the year ended 30 June 2021, 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



D K Andrews
Partner
Chartered Accountants
Perth, 19 August 2021

APPENDIX

4E

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the Year Ended 30 June 2021

	% Change Up / (down)	Year Ended 30 June 2021	Year Ended 30 June 2020
		\$'000	\$'000
Revenues from ordinary activities	10.8	2,221,479	2,004,362
Profit from ordinary activities after tax attributable to members	(26.4)	54,295	73,749
Total Comprehensive Income	(26.4)	54,295	73,749
INTERIM DIVIDEND			
Date dividend is payable		8 April 2021	9 June 2020
Record date to determine entitlements to dividend		23 March 2021	30 March 2020
Interim dividend payable per security (cents)		4.0	2.5
Franked amount of dividend per security (cents)		4.0	2.5
FINAL DIVIDEND			
Date dividend is payable		13 October 2021	14 October 2020
Record date to determine entitlements to dividend		24 September 2021	29 September 2020
Final dividend payable per security (cents)		5.0	4.0
Franked amount of dividend per security (cents)		5.0	4.0
RATIOS AND OTHER MEASURES			
Net tangible asset backing per ordinary security		\$0.75	\$0.84

Commentary on the Results for the Year

A commentary for the results for the year is contained in the statutory financial report dated 19 August 2021.

Status of Accounts

This statutory financial report is based on audited accounts.

NRW Holdings Limited - ACN 118 300 217

APPENDIX

A

Segment Information Adjusted to Reflect Change in Reportable Segments

In previous reports, the results of Drill & Blast have been separately reported. For comparative purposes, prior period segment information now reflects the Drill & Blast reallocation into the Civil and Mining segments.

First Half Year 2021

\$'000	Civil	Mining	MET	Corporate / Eliminations	Total
Revenue ⁽¹⁾	474,697	585,394	118,296	(10,368)	1,168,019
Revenue from associates	(30,321)	-	-	-	(30,321)
Statutory revenue	444,376	585,394	118,296	(10,368)	1,137,698
EBITDA⁽²⁾	20,240	104,505	15,606	(7,543)	132,808
EBITDA margin (%)	4.3%	17.9%	13.2%	-	11.4%
Depreciation and amortisation ⁽³⁾	(3,941)	(64,590)	(3,834)	(1,459)	(73,824)
EBITA⁽⁴⁾	16,299	39,915	11,772	(9,002)	58,984
EBITA margin (%)	3.4%	6.8%	10.0%	-	5.0%

Second Half Year 2021

\$'000	Civil	Mining	MET	Corporate / Eliminations	Total
Revenue ⁽¹⁾	251,817	591,846	308,611	(19,685)	1,132,589
Revenue from associates	(48,808)	-	-	-	(48,808)
Statutory revenue	203,009	591,846	308,611	(19,685)	1,083,781
EBITDA⁽²⁾	8,360	108,264	26,498	(9,195)	133,927
EBITDA margin (%)	3.3%	18.3%	8.6%	-	11.8%
Depreciation and amortisation ⁽³⁾	(1,798)	(64,298)	(4,713)	(1,457)	(72,266)
EBITA⁽⁴⁾	6,562	43,966	21,785	(10,652)	61,661
EBITA margin (%)	2.6%	7.4%	7.1%	-	5.4%

Total Reportable Segment Revenues and Results 2021

\$'000	Civil	Mining	MET	Corporate / Eliminations	Total
Revenue ⁽¹⁾	726,514	1,177,240	426,907	(30,053)	2,300,608
Revenue from associates	(79,129)	-	-	-	(79,129)
Statutory revenue	647,385	1,177,240	426,907	(30,053)	2,221,479
EBITDA⁽²⁾	28,600	212,769	42,104	(16,738)	266,735
EBITDA margin (%)	3.9%	18.1%	9.9%	-	11.6%
Depreciation and amortisation ⁽³⁾	(5,739)	(128,888)	(8,547)	(2,916)	(146,090)
EBITA⁽⁴⁾	22,861	83,881	33,557	(19,654)	120,645
EBITA margin (%)	3.1%	7.1%	7.9%	-	5.2%

(1) Revenue including associates and joint ventures.

(2) EBITDA is earnings before interest, tax, depreciation, amortisation of acquisition intangibles and non-recurring transactions.

(3) Includes depreciation, and amortisation of software.

(4) EBITA is earnings before interest, tax, and amortisation of acquisition intangibles and non-recurring transactions.

APPENDIX

A CONTINUED

Segment Information Adjusted to Reflect Change in Reportable Segments Continued

First Half Year 2020

\$'000	Civil	Mining	MET	Corporate / Eliminations	Total
Revenue ⁽¹⁾	305,017	424,070	74,055	5,542	808,684
Revenue from associates	(25,077)	-	-	-	(25,077)
Statutory revenue	279,939	424,070	74,055	5,542	783,607
EBITDA⁽²⁾	13,278	84,823	7,418	(1,700)	103,819
EBITDA margin (%)	4.4%	20.0%	10.0 %	-	12.8%
Depreciation and amortisation ⁽³⁾	(3,463)	(30,892)	(2,469)	(1,422)	(38,246)
EBITA⁽⁴⁾	9,815	53,931	4,949	(3,122)	65,573
EBITA margin (%)	3.2%	12.7%	6.7%	-	8.1%

Second Half Year 2020

\$'000	Civil	Mining	MET	Corporate / Eliminations	Total
Revenue ⁽¹⁾	515,080	635,644	113,112	(10,074)	1,253,762
Revenue from associates	(33,007)	-	-	-	(33,007)
Statutory revenue	482,073	635,644	113,112	(10,074)	1,220,755
EBITDA⁽²⁾	21,108	116,986	14,966	(6,855)	146,205
EBITDA margin (%)	4.1%	18.4%	13.2%	-	11.7%
Depreciation and amortisation ⁽³⁾	(4,454)	(60,616)	(4,063)	(1,702)	(70,835)
EBITA⁽⁴⁾	16,654	56,370	10,903	(8,557)	75,370
EBITA margin (%)	3.2%	8.9%	9.6%	-	6.0%

Total Reportable Segment Revenues and Results 2020

\$'000	Civil	Mining	MET	Corporate / Eliminations	Total
Revenue ⁽¹⁾	820,097	1,059,714	187,167	(4,532)	2,062,446
Revenue from associates	(58,084)	-	-	-	(58,084)
Statutory revenue	762,013	1,059,714	187,167	(4,532)	2,004,362
EBITDA⁽²⁾	34,386	201,809	22,384	(8,555)	250,024
EBITDA margin (%)	4.2%	19.0%	12.0%	-	12.1%
Depreciation and amortisation ⁽³⁾	(7,917)	(91,508)	(6,532)	(3,124)	(109,081)
EBITA⁽⁴⁾	26,469	110,301	15,852	(11,679)	140,943
EBITA margin (%)	3.2%	10.4%	8.5%	-	6.8%

(1) Revenue including associates and joint ventures.

(2) EBITDA is earnings before interest, tax, depreciation, amortisation of acquisition intangibles and non-recurring transactions.

(3) Includes depreciation, and amortisation of software.

(4) EBITA is earnings before interest, tax, and amortisation of acquisition intangibles and non-recurring transactions.

Our objective is to increase participation across **various demographics**, ensure we recruit and **retain a skilled workforce**, and **endorse a safe** and productive working **environment** that encourages equality, diversity and inclusion.



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NRW HOLDINGS LIMITED

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