NRW Holdings Limited (ASX: NWH)

ABN 95 118 300 217

Interim Financial Report

For the Half-Year Ended

31 December 2014

APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the Half-Year Ended 31 December 2014

NRW Holdings Limited

ACN 118 300 217

	% Change up / (down)	**Half-year ended 31 Dec 2014** *$'000*	**Half-year ended 31 Dec 2013** *$'000*
Revenues from ordinary activities	*9.5%*	570,419	520,931
Profit from ordinary activities after tax attributable to members	*(639.1%)*	(120,632)	22,376
Net profit for the period attributable to members	*(639.1%)*	(120,632)	22,376

Interim Dividend

Date dividend is payable	-	9 April 2014
Record date to determine entitlements to dividend	-	12 March 2014
Interim dividend payable per security (cents)	-	4.0
Franked amount of dividend per security (cents)	-	4.0

Ratios and Other Measures

Net tangible asset backing per ordinary security	$0.83	$1.19

CORPORATE DIRECTORY

Directors	Ian Burston – Chairman and Non-executive Director Michael Arnett - Non-executive Director Julian Pemberton – Chief Executive Officer and Managing Director John Cooper – Non-executive Director Jeff Dowling – Non-executive Director
Company Secretary	Kimberley Hyman
Registered Office	181 Great Eastern Highway BELMONT WA 6104 Telephone: +61 8 9232 4200 Facsimile: +61 8 9232 4232 Email:info@nrw.com.au
Auditor	Deloitte Touche Tohmatsu Level 14 Woodside Plaza 240 St Georges Terrace PERTH WA 6000
Share Registry	Link Market Services Level 4 Central Park 152 St Georges Terrace PERTH WA 6000 Telephone: +61 1300 554 474 Facsimile: +61 2 8287 0303
ASX Code	NWH – NRW Holdings Limited Fully Paid Ordinary Shares
Web Page	www.nrw.com.au

CONTENTS

DIRECTORS' REPORT

The Directors present their report together with the financial report of NRW Holdings Limited and its subsidiaries for the half year ended 31 December 2014. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows.

Directors

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

Name	Status	
Ian Burston	Chairman Independent Non-Executive Director	Dr Burston was appointed as a Director and Chairman on 27 July 2007.
Julian Pemberton	Chief Executive Officer and Managing Director	Mr Pemberton was appointed as a Director on 1 July 2006.
Michael Arnett	Non-Executive Director	Mr Arnett was appointed as a Director on 27 July 2007.
John Cooper	Non-Executive Director	Mr Cooper was appointed as a Director on 29 March 2011.
Jeff Dowling	Non-Executive Director	Mr Dowling was appointed as a Director on 21 August 2013.

Company Secretary

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

State of Affairs

There were no significant changes in the state of affairs of the Company or the Group during the half year ended 31 December 2014.

RESULTS FOR THE HALF YEAR AND REVIEW OF OPERATIONS

Financial Performance

NRW reported Revenue of $570.4 million an increase compared to the same period last year ($520.9 million) due to increased activity on two major projects both related to the Roy Hill Iron Ore project. NRW is disappointed to report a net after tax loss of $120.6 million due to a decision not to recognise margin on the rail contract with Samsung C&T and an Impairment of asset carrying values. The loss in the first half compares to net earnings of $22.4 million in the same period last year.

The loss includes issues advised in the company's operational update dated 25th November 2014. In that announcement we advised that earnings were likely to be materially lower than the previous financial year if we were unable to reach a resolution on a number of contract interpretations concerning our rail contract with Samsung before finalising the half year results. The Roy Hill rail formation is now complete leaving only off formation remediation and maintenance activities outstanding which are expected to be finished by the end of March 2015. Discussions with Samsung C&T have been constructive but the final outcome remains uncertain hence the decision to recognise revenue only to the extent of costs incurred on the contract. With the critical path formation construction now complete and handed over, we have started working closely together with Samsung C&T's commercial team through an agreed process which has a targeted final contract resolution date of 31st March 2015. The impact on the full year financials will be communicated when those discussions have been concluded. We remain committed to achieving a positive outcome on the contract which we have performed on time and to a high quality standard.

The loss also includes an Impairment of asset carrying values of $134.9 million. The impairment charge includes goodwill write offs in the AES business ($19.6 million) and reductions to carrying values of property plant and equipment due to expected lower resale prices on high hour, low utilisation and non-core fleet, ($115.3 million). The impairment charge is higher than forecast in the November market update. Since the time of that announcement the business has seen cancelation or deferment of projects in its core markets. Consequently the review has addressed a larger pool of assets likely to be impacted by utilisation and lower resale prices resulting in a higher impairment charge than initially indicated.

Despite the adverse impact on working capital of the Roy Hill contract Net debt levels continued to improve. Overall Net debt at December 31st improved to $27.9 million compared to $34.0 million as at 30th June 2014. The improvement reflects resolution of other project revenues received in the half year, lower capital expenditure and continued control of working capital across the business.

NRW is a leading contractor in the mining and civil construction industries. NRW is comprised of three businesses, NRW Civil & Mining, Action Drill & Blast and AES Equipment Solutions.

NRW Civil & Mining

NRW Civil & Mining delivers high quality civil projects, including earthworks and concrete projects. Activity in the six months was concentrated on the Roy Hill Rail project, Roy Hill Concrete project and a number of smaller contracts for Iron Ore majors. Revenues in the six months at $449.3 million were higher than the same period last year due to high volumes on the two major projects.

NRW Civil & Mining provides coal and iron ore mining services throughout WA's Pilbara region and Queensland's Bowen Basin. Sales of $76.0 million were down on last year mostly due to contracts which completed in the first half of FY14.

NRW Civil & Mining has a long term contract to supply and maintain dry hire equipment to the Middlemount coal project. It was very pleasing to announce an extension of that contract to 2020. This extension sustains a solid base for NRW to continue to grow its services across the east coast mining and construction markets over the longer term. A collateral benefit of the extension is the improved certainty provided to service current asset financing. Around $90 million of the company's debt relates to equipment deployed on this project. The new contract extension provides the basis to fully meet current principal, interest and refinancing obligations on that debt.

NRW Civil and Mining sustained a loss of $131.6 million in the half year as result of the margin recognition policy adopted on the rail contract and impairment of assets in respect of that segment of ($105.9 million).

Action Drill and Blast Pty Ltd

Action Drill & Blast (ADB) provides contract drill and blast services to mining (including iron ore and coal mining) and civil companies throughout Australia. Although Revenues were lower at $49.2 million compared to $52.0 million our EBIT improved to $2.8 million, (compared to $0.4 million for the same period last year) due to sustaining margins across all business activity and higher equipment utilisation. The business has secured a number of new contracts whilst at the same time one of its major clients suspended activity having decided to place the mine on care and maintenance.

AES Equipment Solutions

AES Equipment Solutions (AES) provides maintenance services to the mining and resources sectors including the fabrication of water and service trucks. Revenues in the business reduced to $9.7 million compared to $15.6 million in the prior comparative period reflecting a marked downturn in market activity particularly for service vehicles and water trucks experienced in the final quarter to 31 December 2014. The business has successfully implemented a number of cost reduction measures and productivity improvements to deliver improved margins with a break even result (prior to impairment expense) compared to a loss of $0.3 million in the same period last year. The result includes an impairment expense of $21.3 million ($19.6 million Goodwill, $1.7 million property, plant and equipment) reflecting the downturn in the market in the last quarter of FY14 and the resulting impact on expected levels of revenue in future years.

Balance Sheet, Operating Cash Flow and Capital Expenditure

Net assets reduced to $237.5 million in the six month period due to the reported loss. Cash balances decreased by $16.5 million to $138.9 million whilst debt levels improved by $22.6 million to $166.8 million. Capital expenditure mostly relates to major component replacement. Gearing increased marginally to 11.7% as at 31 December 2014 compared to 31 December 2013 (11.0%).

Outlook

The mining and civil construction industry in particular the commodities sector continues to face strong headwinds driven by weaker global demand. This weakness in the sector has led to a number of capital projects being deferred or cancelled during the period and significant cost control measures introduced. In the public sector, there are a number of large infrastructure projects that NRW is actively pursuing with tendering likely to take place during the remainder of this year. Contract award and commencement of these projects will occur during 2016

NRW's forward order book currently totals $904 million of which $200 million is secured revenue for delivery during the second half of FY15.

We anticipate that the remainder of the 2015 calendar year will continue to be challenging due to the number and timing of opportunities available to bid and the high level of competitiveness in the industry. There are however a number of solid prospects for the Mining and Drill and Blast businesses and a potential major opportunity for the Civil business in Queensland. Consequently the tender pipeline at $2.5 billion although lower than previously reported provides some optimism.

As this difficult environment continues the business will ensure that the operating cost base is closely matched to revenues as we remain focused on cost reduction and increased productivity where possible. As the cost base is reset we expect to achieve overhead reductions in excess of 30% whilst ensuring we still retain the necessary resources to address major opportunities as they arise.

Dividend

The directors have determined that no dividend will be paid out of retained profits at 31 December 2014 (2013 – 5.0 cents fully franked).

Significant Events after Period End

No matter or circumstance has arisen since the end of the interim reporting period that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or its state of affairs in future financial periods.

Auditor's Independence Declaration

The Directors received the Auditor's Independence Declaration from the auditor of the Company, which is included on page 7 of the half-year financial report.

Rounding of Amounts

The Company is of a type referred to in ASIC Class Order 98/0100 issued by ASIC and in accordance with that Class Order amounts in the Directors' report and the Financial report are rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the *Corporations Act 2001.*

On behalf of the Directors

Julian Pemberton	Ian Burston
Chief Executive Officer	Chairman
Dated this 27th February 2015	

Deloitte.

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

26 February 2015

Dear Board Members

NRW Holdings Limited

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

As lead audit partner for the review of the financial statements of NRW Holdings Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

AT Richards
Partner
Chartered Accountants

DIRECTORS' DECLARATION

The Directors of the Company declare that:

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

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

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001.*

On behalf of the Directors

Julian Pemberton

Chief Executive Officer

Ian Burston

Chairman

Dated this 27th February 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Notes	Consolidated Half-year ended 31 December 2014 $'000	Consolidated Half-year ended 31 December 2013 $'000
Revenue		570,419	520,931
Finance income		911	978
Finance costs		(6,991)	(8,495)
Materials and consumables used		(94,125)	(99,031)
Employee benefits expense		(209,650)	(171,288)
Subcontractor costs		(151,304)	(100,470)
Depreciation and amortisation expenses		(25,039)	(24,494)
Impairment expense	7	(134,868)	(4,800)
Plant and equipment costs		(109,744)	(79,655)
Other expenses		(2,867)	(6,048)
(Loss) / Profit before income tax		(163,258)	27,628
Income tax benefit / (expense)	4	42,626	(5,252)
(Loss) / Profit for the period		**(120,632)**	**22,376**
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		32	(2)
Total comprehensive (loss) / income		**(120,600)**	**22,374**
(Loss) / Profit Attributable to:			
Equity holders of the Company		(120,632)	22,376
Total Comprehensive (Loss) / Income Attributable to:			
Equity holders of the Company		(120,600)	22,374
Earnings / (Loss) per share (cents per share)			
Basic earnings / (loss) per share		(43.3)	8.0
Diluted earnings / (loss) per share		(43.3)	8.0

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	Consolidated Half-year ended 31 December 2014 $'000	Consolidated Half-year ended 31 December 2013 $'000
Assets			
Current assets			
Cash and cash equivalents		138,944	155,474
Trade and other receivables		145,362	200,541
Inventories	6	29,946	36,690
Current tax assets		1,074	-
Other current assets		3,273	6,406
Total current assets		**318,599**	**399,111**
Non-current assets			
Property, plant and equipment	7	226,482	354,758
Intangible assets	7	5,964	12,763
Investments in associates	13	6,424	-
Goodwill	5	-	19,617
Deferred tax assets		13,126	-
Total non-current assets		**251,996**	**387,138**
Total assets		**570,595**	**786,249**
Liabilities			
Current liabilities			
Trade and other payables		150,173	170,887
Borrowings	12	166,825	49,613
Current tax liabilities		-	6,992
Provisions		14,518	17,178
Total current liabilities		**331,516**	**244,670**
Non-current liabilities			
Borrowings	12	-	139,867
Provisions		1,622	1,541
Deferred tax liability		-	28,169
Total non-current liabilities		**1,622**	**169,577**
Total liabilities		**333,138**	**414,247**
Net assets		**237,457**	**372,002**
Equity			
Contributed equity		156,432	156,432
Reserves		2,803	2,772
Retained earnings		78,222	212,798
Total equity		**237,457**	**372,002**

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Consolidated	Contributed equity	Foreign currency translation reserve	Share based payment reserve	Retained earnings	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 July 2013	**156,432**	**(214)**	**2,991**	**193,661**	**352,870**
Profit for the period	-	-	-	22,377	22,377
Exchange differences arising on translation of Foreign operations	-	(2)	-	-	(2)
Total Comprehensive Income for the period	**-**	**(2)**	**-**	**22,377**	**22,375**
Payment of dividends	-	-	-	(13,944)	(13,944)
Share-based payments	-	-	226	-	226
Acquisition of treasury shares	(231)	-	-	-	(231)
Transfer to issued capital	231	-	(231)	-	-
Balance at 31 December 2013	**156,432**	**(216)**	**2,987**	**202,094**	**361,297**
Balance at 1 July 2014	**156,432**	**(216)**	**2,987**	**212,798**	**372,002**
Loss for the period	-	-	-	(120,632)	(120,632)
Exchange differences arising on translation of foreign operations	-	32	-	-	32
Total Comprehensive Income for the period	**-**	**32**	**-**	**(120,632)**	**(120,600)**
Payment of dividends	-	-	-	(13,944)	(13,944)
Balance at 31 December 2014	**156,432**	**(184)**	**2,987**	**78,222**	**237,457**

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Notes	Consolidated Half-year ended 31 December 2014 $'000	Consolidated Half-year ended 31 December 2013 $'000
Cash flows from operating activities			
Cash receipts from customers		688,050	598,185
Cash paid to suppliers and employees		(645,140)	(523,425)
Interest paid		(6,991)	(8,495)
Interest received		911	978
Income tax refunded / (paid)		(6,735)	10,140
Net cash provided by operating activities		**30,095**	**77,383**
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		650	1,010
Acquisition of property, plant and equipment		(4,252)	(15,423)
Payment of investment in associate	13	(6,424)	-
Net cash used in investing activities		**(10,026)**	**(14,413)**
Cash flows from financing activities			
Proceeds from borrowings		7,236	28,933
Repayment of borrowings and finance/hire purchase liabilities		(29,891)	(34,432)
Acquisition of shares by NRW Employee Share Trust		-	(231)
Payment of dividends to shareholders		(13,944)	(13,944)
Net cash used in financing activities		**(36,599)**	**(19,673)**
Net increase/(decrease) in cash and cash equivalents		**(16,530)**	**43,296**
Cash and cash equivalents at beginning of the period		**155,474**	**130,994**
Cash and cash equivalents at the end of the period		**138,944**	**174,290**

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

(a) Statement of compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *'Interim Financial Reporting'.*

Compliance with AASB 134 ensures compliance to International Financial Reporting Standards IAS 34 'Interim Financial Reporting'. The half-year report shall be read in conjunction with the most recent annual financial report where full disclosure is presented.

(b) Basis of Preparation

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

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the Standards and Interpretations described below.

Borrowings

As at the balance sheet date there was a net current asset deficiency of $12.9 million which resulted from the reclassification of borrowings from non-current to current. Further details are set out in note 7.

Application of new and revised Accounting Standards

Standards and Interpretations adopted in the current year

The Group has considered and applied all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period, being the half year ended 31 December 2014.

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

AASB 1031 (2013)	Materiality
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
AASB 2013-9 (Part B)	Amendments to Australian Accounting Standards - Materiality
AASB 2014-1 (Part A)	Amendments to Australian Accounting Standards – Annual Improvements 2010-2012 and 2011-2013 Cycles
AASB 2014-1 (Part C)	Amendments to Australian Accounting Standards - Materiality

2. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Construction contracts

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

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

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

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

Where the outcome of a contract cannot be reliably estimated;

(a) Revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and

(b) Contract costs incurred shall be recognised as an expense in the period in which they are incurred.

An expected loss on a contract is recognised as an expense immediately.

As noted in the results for the half year and review of operations above the Company cannot reliably estimate the outcome of the Roy Hill Rail contract and accordingly has recognised revenue to the extent of contract costs incurred.

Goodwill impairment

Determining whether goodwill is impaired requires an estimation of the inputs of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. In this regard the future cash flows are estimated based on business plans relating to the cash-generating units.

The carrying amount of goodwill at 31 December 2014 was $Nil (30 June 2014: $19.6 million). The Directors determined an impairment of goodwill during the current period of $19.6 million (2014: $4.8 million). Details of the recoverable value assessment and relevant assumptions can be found at Note 5.

Employee entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

(i) future increases in wages and salaries;

(ii) future on cost rates; and

(iii) employee departures and period of service.

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The effective lives are based on intended utilisation and working conditions. Also demand for specific plant and equipment will affect the plant modelling giving rise to a certain degree of fluctuations and subjectiveness.

Provision for warranties

The Group recognises provisions for warranties for obligations in relation to specific construction contracts. The future outflow of cash has been estimated at the best estimate of the expenditure required to settle the Group's obligation and history of warranty claims.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty continued…

Property, Plant and Equipment Impairment

During the period to 31 December 2014 the Group reviewed the carrying value of its property, plant and equipment in light of the plant and equipment utilisation level and reduced market demand. In determining the appropriate recoverable value the Group has considered the fair value less costs of disposal of the property, plant and equipment and value in use of the respective cash generating unit (CGU). Refer note 7.

3. Segment Information

(a) Reportable segments

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

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

(b) Segment Revenues and Profit

	Segment Revenue Half-year ended		**Segment Profit (Loss) Half-year ended**	
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
	$'000	*$'000*	*$'000*	*$'000*
NRW Civil & Mining	525,257	467,001	(131,622)	36,573
Action Drill and Blast	49,222	52,012	2,824	383
AES Equipment Solutions	9,664	15,590	(21,269)	(5,134)
Eliminations	(13,724)	(13,672)	-	-
Total for continuing operations	**570,419**	**520,931**	**(150,067)**	**31,822**
Unallocated expenses			(7,112)	3,323
Net finance costs			(6,080)	(7,517)
Income tax benefit / (expense)			42,627	(5,252)
(Loss) / Profit for the period			**(120,632)**	**22,376**

The basis of preparation differs from that used in disclosing the same information reported for the half-year ended 31 December 2013. Comparative disclosures have been amended to be consistent with the information presented for the half-year ended 31 December 2014.

The Segment result above includes Impairment expenses of $105.9 million for NRW Civil & Mining, $0.2 million for Action Drill & Blast, $21.3 million (2013: $4.8 million) for AES Equipment Solutions and $7.5 million in Unallocated representing corporate assets.

(c) Segment Assets

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

4. Taxation

A reconciliation of tax expense applicable to accounting profit/ (loss) before tax at the statutory income tax rate to tax expense at the Group's effective tax rate for the period ended 31 December 2014 and 2013 as follows:

	Consolidated half-year ended 31 December 2014 $'000	Consolidated half-year ended 31 December 2013 $'000
Accounting profit/(loss) before tax	(163,258)	27,628
At the statutory income tax rate of 30% (2013: 30%)	**(48,978)**	**8,288**
Prior year permanent under/overs	(231)	(3,947)
Current year non-allowable expenditure	265	313
Current year non-allowable impairment	6,200	598
Current year non-allowable Guinea loss	118	-
Income Tax Benefit / (Expense)	**(42,626)**	**5,252**
Effective tax rate	26.11%	19.01%
Tax benefit / (expense) reported in Income Statement	42,626	(5,252)

5. Goodwill

The carrying amount of goodwill is tested for impairment annually or whenever there is an indicator of impairment. The group assesses the recoverable amount of the cash generating unit to which the goodwill is allocated (AES) based on the value in use calculation. Key assumptions used in this methodology include:

- Projected cash flows
  The assets recoverable amount is calculated using approved business plans and expected future inflows over a 5 year period and terminal value.
- Estimated Rate of Growth
  The estimated rate of growth is was 3.0%.
- Weighted Average cost of capital
  The weighted average cost of capital including a risk margin was set at a post-tax discount rate of 12.5%.

The AES business has been impacted by the current state of the Mining services sector to the extent that the business reported a break even result for the first half of FY15. Given the medium term outlook remains subdued the Directors determined having carried out a number of assessments based on the assumptions outlined above that the carrying value of the goodwill could no longer be supported. Consequently an Impairment of $19.6 million (2013: $4.8 million) was recognised in the half year.

Carrying Value

	Consolidated Half-year ended 31 December 2014 *$'000*	Consolidated Full-year ended 30 June 2014 *$'000*
Balance at beginning of the period	19,617	24,417
Impairment losses recognised during the period	(19,617)	(4,800)
Balance at the end of the financial period	**-**	**(19,617)**

The carrying value of the AES Equipment Solutions CGU post impairment of goodwill was $8.6 million as at 31st December 2014. In determining the recoverable amount based on the assumptions noted above the Company considered various sensitivities including flexing the growth rate to 2.5% and WACC to 14.5%.

6. Inventory

During the year the directors have reviewed the carrying amount of the Group's inventory. As a result of reduced mining activity and market deterioration, a particular batch of tyres was written down to their recoverable value. These tyres were not considered obsolete but the assessment found the original cost compared to net realisable value required adjustment. In this determination market pricing, selling costs and physical location were considered.

	Consolidated Half-year ended 31 December 2014 *$'000*	**Consolidated Full-year ended 30 June 2014** *$'000*
Raw Materials and Consumables	28,628	34,139
Net realisable value expense	(1,597)	-
Work In Progress	2,915	2,551
Balance at end of the year	**29,946**	**36,690**

7. Impairment

	Impairment Classification	
	31 Dec 2014	**30 June 2014**
	$'000	*$'000*
Property Plant and Equipment	109,232	-
Goodwill (note 5)	19,617	4,800
Inventory (note 6)	1,597	-
Intangibles	4,422	-
	134,868	**4,800**

Property, Plant and Equipment

During the half year to 31 December 2014, the directors determined that an impairment expense for certain property plant and equipment and intangible assets was required to bring the carrying values in line with the recoverable amount.

Plant and equipment utilisation and reduced market demand has placed pressure on the value of certain plant and equipment held by the Group. Accordingly the Group performed a review of its Civil & Mining property plant and equipment determining the recoverable value based on fair value less costs of disposal.

The assessment of fair value has been based on a combination of values observable in the market for the type of property, plant and equipment held by the company, other unobservable inputs and the Company's historic experience in the disposal of such assets. The Company obtained certain values from third parties operating in the market for the disposal of the assets. Where no external input was obtained an internal assessment was made in relation to those assets forming part of the assessment of the fair value.

Cash Generating Units (CGU's)

In addition to the specific review of property, plant and equipment referred to the Company identified indicators of impairment for each of the three Cash Generating Units (CGUs) – Civil & Mining, Action Drill & Blast (ADB) and Action Equipment Services (AES) and accordingly assessed the recoverable value of each of those CGUs on a value in use basis to determine the estimated recoverable amount. The estimated recoverable amount was then compared to the carrying value of the CGUs post the impairment of property, plant and equipment referred to above.

The assumptions used in assessing the recoverable amount of the AES CGU are set out in note 5.

Impairment continued…

Value in Use Assumptions

EBIT and growth assumptions

The value in use assessments for Civil & Mining and ADB were based on current and forecast performance to the end of the current financial year, internal business forecasts prepared for FY16 and future growth assumptions of 3% per annum for future years including the terminal value.

Discount rate assumptions

A post tax discount rate of 12.5% including a risk margin was applied to the cash flows within each of the CGU's.

Working capital and CAPEX assumptions

Working capital has been adjusted to return to and reflect what would be considered a normal operating level to support the underlying business.

Capital expenditure has been kept to a minimum in the early years of the forecast cashflows to account for idle fleet in that period. Capital expenditure has been forecast to return to normal levels and assumes replacement of equipment in the terminal year and has been assessed in line with the level of forecast depreciation.

The recoverable values determined for Civil & Mining and Action Drill & Blast were in excess of the carrying values as at 31 December 2014 and accordingly no impairment of the CGUs was required.

Sensitivity Analysis

The Company undertook sensitivity analysis with regard to the terminal value growth rate (reducing it to 2.5%) and the discount rate (increasing to 14.5%). These sensitivities did not result in recoverable values lower than the carrying value of the CGUs as at 31 December 2014.

The Company considers that there is no reasonable change in a key assumption used in the assessment of recoverable value that could cause the CGUs carrying value to exceed its recoverable amount.

Property Plant and Equipment

	31 Dec 2014	30 June 2014
	$'000	*$'000*
Property Plant and Equipment – at cost	576,130	576,763
Accumulated depreciation	(240,416)	(222,005)
Accumulated impairment	(109,232)	-
	226,482	**354,758**

Reconciliation – Property Plant and Equipment

	31 Dec 2014	30 June 2014
	$'000	*$'000*
Carrying amount at the beginning of the period	354,758	387,696
Additions / Transfers	4,255	21,820
Disposals	(635)	(5,104)
Depreciation expense	(22,664)	(49,654)
Impairment expense	(109,232)	-
	226,482	**354,758**

Intangibles

	31 Dec 2014	30 June 2014
	$'000	*$'000*
Intangibles – at cost	21,490	21,492
Accumulated depreciation	(11,104)	(8,729)
Accumulated impairment	(4,422)	-
	5,964	**12,763**

Impairment continued…

Reconciliation - Intangibles

	31 Dec 2014	30 June 2014
	$'000	*$'000*
Carrying amount at the beginning of the period	12,763	8,126
Additions / Transfers	-	7,736
Depreciation expense	(2,377)	(3,099)
Impairment expense	(4,422)	-
	5,964	**12,763**

8. Contributed equity

		Consolidated Half-year ended 31 December 2014		Consolidated Full-year ended 30 June 2014
Ordinary shares	***No.***	***$'000***	***No.***	***$'000***
Balance at the beginning of the period	278,877,219	156,432	278,877,219	156,432
Acquisition of treasury shares	-	-	(146,011)	(231)
Transfer to contributed equity	-	-	146,011	231
Balance at the end of the period	**278,877,219**	**156,432**	**278,877,219**	**156,432**

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

9. Reserves

	Consolidated Half-year ended 31 December 2014 *$'000*	Consolidated Full-year ended 30 June 2014 *$'000*
Share based payment reserve	2,987	2,987
Foreign currency reserve	(184)	(215)
Total reserves	**2,803**	**2,772**

	Consolidated Half-year ended 31 December 2014 *$'000*	Consolidated Full-year ended 30 June 2014 *$'000*
Share based payment reserve		
Balance at the beginning of the financial year	2,987	2,992
Shares issued for vested rights	-	(231)
Share based payments	-	226
Balance at the end of the financial year	**2,987**	**2,987**

Reserves continued…

	Consolidated Half-year ended 31 December 2014 *$'000*	Consolidated Full-year ended 30 June 2014 *$'000*
Foreign currency translation reserve		
Balance at the beginning of the financial year	(216)	(214)
Exchange differences arising on translation of foreign operations	32	(1)
Balance at the end of the financial year	**(184)**	**(215)**

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

10. Retained Earnings

	Notes	Consolidated Half-year ended 31 December 2014 *$'000*	Consolidated Full-year ended 30 June 2014 *$'000*
Balance at the beginning of the period		212,798	193,661
Net profit attributable to members of the parent entity		(120,632)	44,236
Dividends paid	*11*	(13,944)	(25,099)
Balance at the end of the period		**78,222**	**212,798**

11. Dividends

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

		Consolidated Half-year ended 31 December 2014		Consolidated Half-year ended 31 December 2013
	Cents per share	*$'000*	*Cents per share*	*$'000*
Fully paid ordinary shares				
Final dividend	5.0	13,944	5.0	13,944

The directors have determined that no dividend will be paid out of retained profits at 31 December 2014 (2013 – 5.0 cents fully franked).

12. Borrowings

The Group provided an operating update to the market in November 2014 which indicated that the result for the six month period to 31 December 2014 was expected to be a loss due to the accounting treatment for the Roy Hill Rail Contract and impairment expense.

As a consequence the Group informed its financiers that it would not meet all of the covenants under its banking facilities ("facilities") as at 31 December 2014. The Group and the financiers have been working together to agree a reduction in unutilised facilities and changes to the covenants in place.

The Group obtained confirmation from the financiers subsequent to 31 December 2014 of a revision to its covenant reporting requirements as at the 31st December 2014. As at the date of signing the half year report the Group is in compliance with its obligations under its facilities. As confirmation was received after the balance sheet date all long term borrowings have been classified as current. There have been no changes to previously agreed loan repayment obligations.

Borrowings continued…

Following the revision to the banking facilities referred to above the group has agreed Bank Guarantee facilities of $35 million of which $27.3 million was drawn at the balance sheet date. Working Capital facilities have been reduced to nil recognising current cash holdings of $138.9 million. Asset financing facilities which are provided by a number of banks the value of which are in negotiation have been reduced to between $170 million to $180 million of which $164.8 million was drawn at the balance sheet date.

The Group currently has the ongoing support of its financiers particularly in the light of the extension to the Middlemount contract as announced on the 27th February 2015 as the Group's equipment deployed on that project supports around $90 million of the Group's borrowings.

The Group expects that the covenants under the facilities will be amended by 31 March 2015 such that the Group will continue to be in full compliance with its obligations under its finance facilities.

13. Investments

During the half year (24th November 2014) the Company acquired a 20% stake in NewGen Drilling Pty Ltd. The cost of acquiring 6,257,623 fully paid ordinary shares in NewGen Drilling Pty Ltd was $6,423,917.

Summarised financial information in respect of NewGen Drilling Pty Ltd has not been presented as the result for the period from acquisition of the interest by the Company to 31 December 2014 was immaterial. The Company assessed the recoverable value of the involvement as at 31 December 2014 and concluded the carrying value was appropriate.

14. Subsequent Events

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

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

We have reviewed the accompanying half-year financial report of NRW Holdings Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended 31 December 2014, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 21.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of NRW Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

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Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A Richards

AT Richards
Partner
Chartered Accountants
Perth, 26 February 2015