









#### **ABOUT RCR**

# **Solving Complex Challenges**

## through

RCR is a diversified engineering and infrastructure company, working with some of the world's leading organisations to provide **intelligent engineering solutions** to the infrastructure, energy and resources sectors.



From our origins in 1898, RCR has grown to become one of Australia's most diversified engineering and infrastructure companies, using in-house expertise to provide a comprehensive range of solutions for our customers.

Our priorities are the successful delivery of innovative and cost effective solutions that meet our clients' needs.

#### E.I. Engineering Intelligence. That's What We Do.

Delivered through our three business streams, Infrastructure I Energy I Resources, we employ over 3,400 people supporting major projects across our extensive network of operations in Australia, New Zealand and SE Asia.

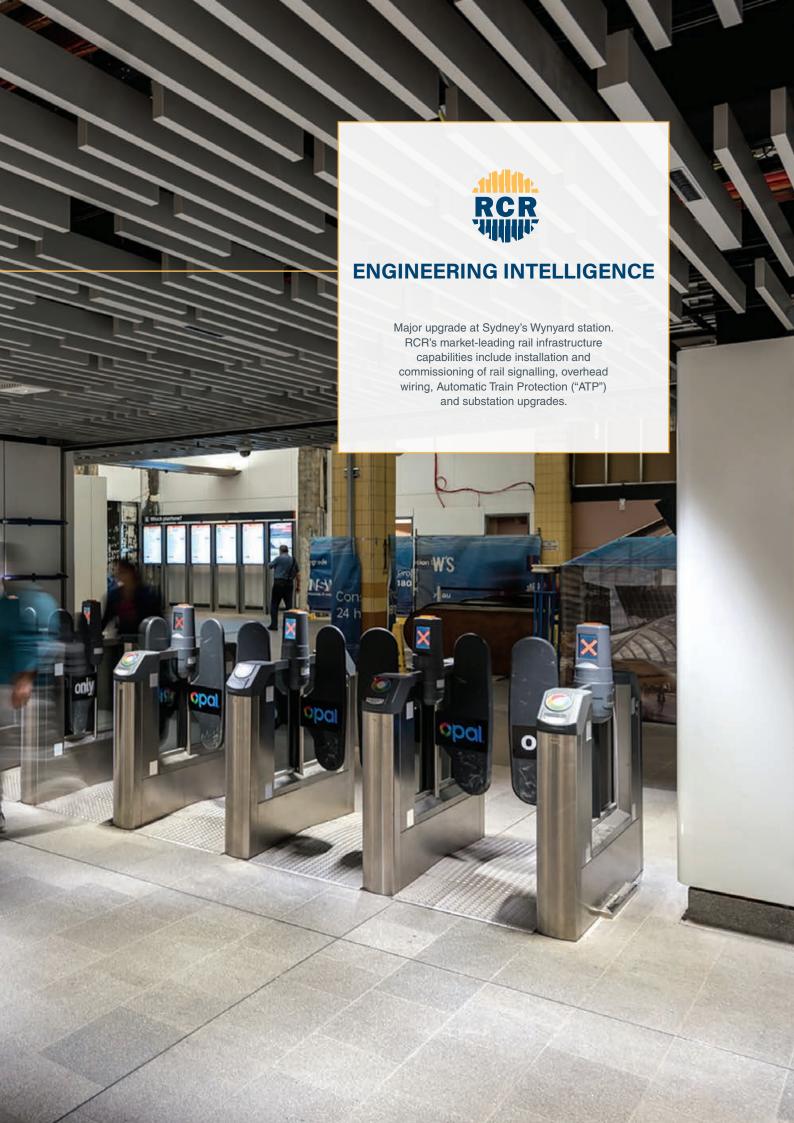
RCR's core capabilities encompass; development, engineering, procurement, construction ("EPC"), operation and maintenance of major infrastructure and resource projects. These include power generation plants (using a wide range of fuels; solar, wind, battery and hydro), water and waste treatment systems, rail and road tunnel infrastructure, rail signalling and overhead wiring systems, mineral processing and material handling plants, integrated oil & gas services (both onshore and offshore), supply of RCR proprietary materials handling and process equipment, and property services including facilities management, HVAC and electrical services.

We self-perform services for our clients, from the commencement of a project through to commissioning, handover, operation and maintenance. Early involvement allows for the identification and successful management of project risks, as well as outcomes. This ensures both RCR and our clients are working together, towards a common goal.

We apply Engineering Intelligence to every aspect of our projects and adapt to the changing needs of the sectors in which we operate. Using leading edge technology, processes, systems and initiatives we have been able to create and maintain a significant competitive advantage.

RCR is a company built on integrity with an absolute commitment to safety, performance excellence and developing productive, sustainable, mutually beneficial partnerships with our clients and the wider community.





### **OUR BUSINESS**

# **Delivering Smarter Solutions**

# through

#### Infrastructure

Leading provider of renewable energy, rail, transport, telecommunication, water, electrical and instrumentation, HVAC, property services and facilities management solutions

# Renewables - Solar, Wind, Battery and Hydro

Design and construction of large-scale renewable energy (solar, wind, battery and hydro) generation assets

#### Rail and Transport

Specialist services in rail signalling design and installation, overhead wiring systems, computer-based interlocking systems and ATP

#### Water

Extensive design, civil, mechanical and electrical experience across water treatment plants, waste water treatment facilities, pipelines, and pump stations and controls

# Electrical & Instrumentation ("E&I"), HVAC, Communications and Facilities Management

End-to-end solutions for the design, fabrication, construction, installation and maintenance of HV electrical and instrumentation systems, communication and data networks, HVAC, and Facilities Management

# Energy

Technology leader in power generation and energy plants

#### **Power Generation**

Design, manufacture and installation of integrated solutions for power generation and thermal energy plants for open and combined cycle gas turbine power plants - including proprietary Heat Recovery Steam Generators, reciprocating engines and power generation plants using advanced technologies for a range of conventional and renewable fuels, including biomass

#### Service and Maintenance

Shutdowns, planned maintenance and plant refurbishment to major utility power assets, supported by 24/7 service, maintenance and repairs

#### Advanced Laser Cutting Solutions

Australia's largest laser-cutting supplier to the manufacturing, fabrication and engineering sectors



#### **ENGINEERING INTELLIGENCE**

RCR is a diversified engineering and infrastructure company providing intelligent engineering solutions to the infrastructure, energy and resources sectors.

#### Resources

Engineering, procurement, construction and maintenance expertise for the mining, oil & gas and industrial sectors. Technology leader for surface mining and bulk materials handling

#### Engineering, Procurement, Construction and Design & Construction

Minerals processing including innovative modular construction solutions and integrated structural, mechanical, piping, electrical and instrumentation ("SMP/E&I") capabilities. Complete process EPC capability with process design

#### **Innovative Mining Technologies**

Design and manufacture of innovative, awardwinning solutions, including fully track-mounted in-pit mining units, switchboards, apron and belt feeders, conveyors, stackers and bucket-wheel excavators as well as development of materials handling solutions for rail and rail ore wagons through strategic partnerships

#### Oil & Gas - Onshore and Offshore

Fully integrated offering providing construction, brownfield modification and asset lifecycle support services to both onshore and offshore facilities

#### Major Maintenance and Asset Management

Major maintenance, asset management and repair services and supported through a network of facilities and personnel specialising in onsite and offsite plant and heavy engineering repairs and fabrication



# **HIGHLIGHTS**

\$3.0B

97%

Current Order Book of \$1.4 billion and Preferred Contractor Status<sup>1</sup> of \$1.6 billion

\$1.4B

40%

Current Order Book of \$1.4 billion

\$1.3B

45%

Revenue of \$1.3 billion

\$35.2M

179%

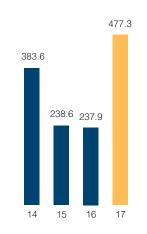
EBIT of \$35.2 million

LTIFR 0.78

Lost Time Injury Frequency Rate ("LTIFR")

currently at a historic low of 0.78

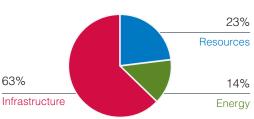
#### Market Capitalisation - \$M



Market Cap Increased

101%





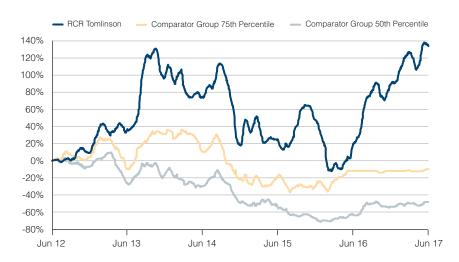
<sup>&</sup>lt;sup>1</sup> Preferred Contractor Status: Where RCR refers to Preferred Contractor Status, RCR cannot guarantee that this status will convert to a contract and therefore may not be an indicator of future earnings.





^ FY16 & FY15 comparatives are from continuing operations

RCR Total Shareholder Returns ("TSR") June 12 - June 17 (5 Year)







# CHAIRMAN'S REPORT

# Leveraging Our Engineering Intelligence

This past year has provided RCR with great opportunity and great stimulus.

The opportunities have seen us yet again demonstrate RCR's ability to innovate, to adapt, to evolve and importantly to lead.

It is clear that RCR's future continues to be built on the same principles that have driven our success throughout this company's long and proud history - a deep commitment to evolving through intelligent application of engineering.

RCR's ability to adapt to market conditions and position ourselves effectively in new sectors sets us apart. We have and will continue to diversify our business and broaden our engineering led activities to leverage our strengths and enhance our offerings in the infrastructure, energy and resources markets.

We have made substantial progress during the year on our near-term priorities. Having continued with our disciplined approach to strategy, we identified significant emerging growth opportunities in renewable energy, rail and water, and I am pleased to report that we have successfully secured significant new business in these areas.

Our steadfast determination and commitment to the delivery of Engineering Intelligence and lower cost solutions for our clients has ensured that RCR is now the market leader in the design and construction of large scale solar farms in the rapidly evolving renewable energy sector.

We continue to leverage our **Engineering Intelligence** and to **expand** into growing markets.

Our forward pipeline of renewable energy projects is indeed significant.

We have also been awarded a number of new rail projects, and are well positioned for future opportunities being driven by increased spending in rail infrastructure.

In our traditional markets, where RCR continues to show leadership, our edge in innovative design saw RCR being awarded a number of large EPC projects in the resources sector. These projects demonstrate the application of our Engineering Intelligence to materials handling across a range of minerals including iron ore, gold, lead/zinc and lithium.

As in past years, we continue to see significant opportunities in technology partnerships. Our agreements with Kiruna Wagons and Deakin University are a testament to this, and we continue to extend our capability.

#### Our Commitment to Safety

We continue with our unwavering commitment to safety and to a culture that actively encourages all of our employees to take individual responsibility for their safety, as well as the safety of those around them as they carry out their daily activities.

We have introduced a new safety initiative, "R u Safe". This initiative will build on the good work that has been delivered by our successful Safety Mates program.

The underlying philosophy of this initiative is to recognise that our employees' safety is dependent on their ability to make sound and informed decisions regarding any hazards that they may encounter and to encourage and ensure that they do so.

#### Our Performance

Looking back on the past year's performance, we delivered a Net Profit After Tax of \$25.7 million, which exceeded market expectations. The business generated strong cash flows and ended the year with a record Order Book and stronger pipeline of opportunities.

#### Positioned for Strong Growth

We believe our intelligent engineering approach strengthens RCR's position in the marketplace as a high quality, forward-thinking company, delivering large scale engineering projects. This view is robustly and tangibly supported by a forward Order Book of \$1.4 billion and Preferred Contractor Status of \$1.6 billion.

We will continue to evaluate acquisition opportunities that increase our existing scale and expand into new markets or geographies.

#### Conclusion

In his eighth year at the helm of RCR, Dr Dalgleish continues to ensure that RCR is constantly evolving and relentlessly competitive in business.

The talent and unwavering dedication of our employees have been key ingredients in enabling RCR to achieve even greater success this year.

I would like to thank each and every employee for their contribution.

As always, I would like to thank you, our shareholders, for supporting RCR's vision and operational ambitions. I hope you will continue to do so.

Roderick Brown Chairman





# MANAGING DIRECTOR'S REPORT

#### Our Engineering Intelligence Approach Strengthens Our Forward Order Book

Over this past year we have achieved significant growth in revenue and earnings that is expected to continue into FY18. We believe that our strategic position as market leader in the renewable energy sector will see our business enjoy significant growth opportunities over the next decade from new, large-scale, solar, wind and storage power projects.

In recent months RCR has secured over \$0.7 billion in new and extended contracts bringing our current Order Book to \$1.4 billion underpinning our FY18 revenue. In addition, RCR is the Preferred Contractor for over \$1.6 billion in new projects, either currently under development or under an early contractor involvement ("ECI") process.

We have secured our stronger Order Book from leveraging our smart engineering, which provided market leading solutions for customers.

Recent major project wins include Darling Downs 110MWac Solar Farm, the 150MWac Daydream and 50MWac Hayman Solar Farms and Pilbara Minerals' Lithium Plant. We work as a team using Engineering Intelligence to create a better, more productive place for people to live.

We continue to see significant opportunities across all three of our businesses and a focused approach, using our Engineering Intelligence, has positioned us for a sustainable future from significant market growth in these sectors. For example, market forecasts for renewable investment in Australia alone would sustain RCR's growth for over a decade.

In addition to our current near-term pipeline, valued at over \$14 billion, we are working on further diversification through SE Asia, growth in our transport business and technology development thorough technology partnerships such as with Kiruna Wagons, Rhomberg Rail, Deakin University, Tesla and BAE Systems.

# Growth in Renewable Energy Set for the Next Decade

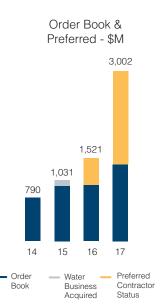
We continue to identify opportunities in the rapidly evolving renewable energy sector which will see a significant number of new projects developed in Australia over the next decade, including an estimated 12.7GWac of new projects over the coming years. Our strength in engineering and project delivery, which has stood us in good stead in servicing the traditional energy markets, has been readily translatable to the new and emerging renewable energy market, and this has enabled us to position RCR as a market leader in the design and construction of large scale utility photovoltaic solar, wind and battery storage projects and benefit from the rapid growth in renewable energy infrastructure.

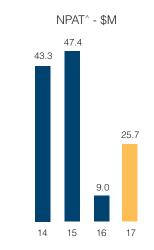
Our success in this sector has been enviable, and during this past year we have secured over 600MWac of projects which are under construction and over 1GWac have confirmed RCR as the preferred contractor, with contract conversion anticipated within the next six months. Whilst conversion of these renewable energy projects into contracted revenues is dependent upon financial investment decision and in some cases project funding, we are confident of the significant growth area for our Infrastructure business.

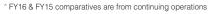
Major renewable energy projects secured in the past year include two of Australia's largest solar farms currently under construction being a 125MWac Solar Farm for Sun Metals and the 110MWac Darling Downs (stage 1) Solar Farm for APA Group. Other projects currently under construction include the Gannawarra, Manildra, Longreach, Oakey, Swan Hill, Daydream and Hayman Solar Farms and the balance of plant for the Yaloak Wind Farm

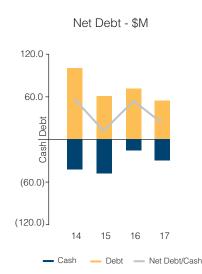
Notwithstanding the growth in renewable energy projects, we continue to build our strategy around other growing markets and are ideally positioned in rail and road transport, water and defence.

We also continue to invest in the broadening our engineering led offerings, growth into SE Asia, developing partnerships with technology leaders and continuing our focus on creating innovative solutions that will enhance shareholder value.











#### Strong Safety Performance

RCR's safety performance demonstrates that our ongoing focus on a strong safety culture and robust safety management systems continues to deliver results.

The commitment of our employees has again seen our LTIFR improve by 56% to 0.78 per million man hours.

Our focus for the coming year will again target our key objectives of reducing our lagging indicators while continuing to focus on proactive leading behaviours that develop a strong safety culture that ultimately keeps our employees safe in our workplaces.

Having introduced a new safety initiative "R u Safe" we will continue to promote the importance of this and the underlying principles as we continue in our pursuit of zero harm. An example of this in action has seen unprecedented safety performance on our Silvergrass project where we have so far not had a recordable injury.

# Stronger Earnings from Infrastructure

The Company recorded Net Profit After Tax ("NPAT") of \$25.7 million, up from \$9.0 million from continuing operations for the prior comparative period.

The strong financial result reflects the growth of our Infrastructure business and solid performance from our Resources business and recurring revenue base. The record Order Book of \$1.4 billion provides us with confidence of continued growth in FY18.

Revenue for the year was \$1.3 billion, of which over 75% of our revenues and earnings have been generated from our Infrastructure and Energy businesses.

At year end RCR finished in a stronger financial position with Net Debt of \$25.2 million, gearing of 7.5%, and undrawn funding capacity of over \$314.7 million.

In preparation for our forecast growth, in Q4 2016 RCR successfully secured the early renewal of a new three year banking facility, continuing our long-term partnership with the CBA (\$286.25 million). In Q2 2017 we elected to further expand the renewed facility (\$50 million). In total facilities available to RCR now include bank facilities of \$326.25 million, supported by an additional \$200 million in insurance bonding.

The early refinancing of the facility provides RCR with no material debt maturities until FY20 and aims to ensure the majority of our debt remains noncurrent. The subsequent increase to the facility was to provide larger bank guarantee capacity which we consider appropriate to support our forecast growth.

We were pleased to continue our long-term relationship with the Commonwealth Bank of Australia and to welcome new syndicate members as participants of the facility. The extension of the facility demonstrated to us that this syndicate of financiers clearly understands our business, the sectors in which we operate, and supports the strategic and organic growth of our business.

The current strength of RCR's balance sheet allows us to continue to evaluate investments or acquisition opportunities and invest in longer term growth opportunities to increase our existing scale or expand in new markets or geographies.

Further details on our financial results and performance are set out in the Operating and Financial Review on page 30.

Financial Results		FY17	FY16 <sup>^</sup>
Key Metrics			
Revenue	\$M	1,292.0	890.5
EBITDA	\$M	55.3	33.7
EBIT	\$M	35.2	12.6
EBIT Margin	%	2.7	1.4
NPAT	\$M	25.7	9.0
Order Book and Preferred Contractor Status	\$M	3,001.6	1,521.1
Operating Cash Flow (adjusted)	\$M	49.9	45.2
Total Assets	\$M	775.9	544.4
Net Debt	\$M	25.2	55.6
Total Cash / Funding Facilities Available	\$M	314.7	216.3
Cash Conversion of EBITDA	%	90.2	91.9
Effective Tax Rate	%	17.7	(4.2)
Gearing	%	7.5	16.2
Total Shareholder Returns - 5 years	%	134.3	21.5
Earnings per Share	Cents	18.3	6.4
Dividends Declared	Cents	6.0	1.75

 $<sup>{}^{\</sup>wedge}$  FY16 comparatives are from continuing operations.



#### Infrastructure

During the year, the Infrastructure business generated revenues of \$819 million (FY16: \$540 million), and was awarded a number of major new contracts in the renewable energy, rail and water sectors across Australia.

The business continues to strengthen its backlog and is well-positioned to capitalise on emerging opportunities in the infrastructure sector, which include opportunities for rail and transport, renewable energy (solar, wind, battery and hydro), infrastructure telecommunications, power transmission and distribution, water, defence, and commercial property. We expect the infrastructure business to provide the strongest and most predictable path for growth over the next decade.

#### Energy

The Energy business generated revenues of \$188 million (FY16: \$160 million), continues to increase its profile and has a strong pipeline of opportunities for gas-fired power plants and biomass fired boilers in Australia, New Zealand, Thailand and Indonesia.

The business retains its Preferred Contractor Status on a proposed new 100MW open cycle power station and a number of significant new tenders for gas-fired power stations were submitted during the year reflecting the Government's drive for increased base load in SA and QLD. We are confident that some of these tenders will be converted into contracted revenue in future periods.

The Energy Service, Upgrades & Maintenance and Laser divisions also continue to make positive contributions to performance.

#### Resources

The Resources business generated revenues of \$304 million (FY16: \$244 million).

RCR continues to show leadership in the Resources sector and our competitive edge and point of difference with Engineering Intelligence and innovative design have seen RCR awarded the EPC contract for the lithium-tantalum processing facility for Pilbara Minerals' Pilgangoora Mine. Construction is set to begin in August 2017.

Work on the MMG Dugald River lead/ zinc project has progressed well and we are making significant progress on Rio Tinto's Silvergrass Mine. These projects demonstrate the application of our Engineering Intelligence to materials handling across a range of minerals.

Our Oil & Gas division continues to develop and build momentum and work was successfully completed in the first half at the Gorgon Project for Chevron. We will further invest in this business as we target larger opportunities.

The Resources business has a solid pipeline of opportunities and by using our intellectual property to develop innovative solutions we will continue to drive down production costs and reduce risk for our clients.

#### Our People

As always, our success is dependent on the effort, capability and commitment of our employees. Their commitment and support enables us to continue to deliver smart, innovative solutions across our diverse sectors.

We continue to invest in the growth, development, education and training of young graduates, apprentices and trainees.

We currently support the career ambitions of 132 apprentices and trainees and continue to construct the strong foundations of our future skilled tradespeople.

#### Committed to Delivering Stronger Growth and Performance

We are experiencing considerable growth in our development pipeline, in particular the renewable energy sector which includes solar, wind, battery and hydro and in large rail opportunities.

In the coming year we will continue to work diligently to convert our significant preferred status of opportunities generated from increases in renewable energy, gas-fired power, rail and general infrastructure spending in Australia and New Zealand and new power projects in SE Asia. A significant portion of our pipeline is backed by sole source early contractor agreements which have a conversion rate to Order Book of over

We will also continue to lead the resources sector on individual project opportunities that enable us to provide cost effective and intelligent engineering solutions for customers across a variety of commodities in both green and brown field environments

As we look forward, with a combined Order Book and Preferred Contractor Status of \$3.0 billion (up 97% from 30 June 2016). RCR is positioned for revenue and earnings growth in FY18 with a number of contracts flowing through into FY19.



Dr Paul Dalgleish Managing Director & CEO



# **REVIEW OF OPERATIONS**

# **Improving Client Performance**

through

#### Infrastructure

Leading provider of renewable energy, rail, transport, telecommunication, water, electrical and instrumentation, HVAC, property services and facilities management solutions

#### Resources

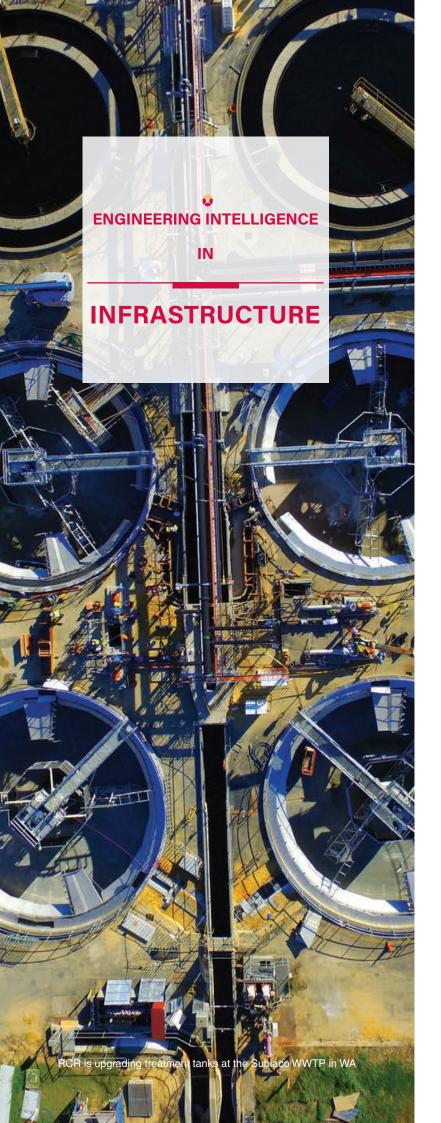
Engineering, procurement, construction and maintenance expertise for the mining and oil & gas sectors. Technology leader for surface mining and bulk materials handling

# Energy

Technology leader in power generation and energy plants







#### Our Business

RCR's Infrastructure business operates through its key brands of RCR, O'Donnell Griffin, Haden and Resolve FM and provides engineering services throughout Australia, New Zealand and SE Asia.

The businesses core capabilities encompass; design and construction of renewable energy systems (solar, wind, battery and hydro); electrical and instrumentation services; railway signalling and overhead wiring systems; power generation, transmission and distribution systems and generator maintenance; high voltage cabling; switchboards and process control instrumentation; fire and data communications systems; engineering, installation and maintenance of mechanical systems and HVAC; facilities management services; and water treatment systems and technologies. The business operates in Australia, New Zealand and SE Asia.

#### The Year in Brief

The Infrastructure business, with exposure to diverse markets, and major projects in rail and transport, renewable energy (solar, wind, battery and hydro); water and waste water and E&I projects, continues to contribute significantly to RCR's earnings and future growth prospects.

The business delivered revenues of \$819 million at an EBIT margin of 4.1% for FY17.

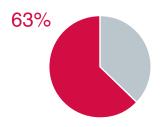
#### **REVENUE**

\$819M

#### **EBIT**

\$33.5M

#### REVENUE CONTRIBUTION



During the year, RCR extended its market leading position in the EPC of large scale photovoltaic solar farm projects.

The business continued its strong safety track record and secured a number of major new contracts and contract renewals across all lines of business.

Major project activity during the year included:

- Renewable Energy -
  - Commencement of a number of new EPC renewable projects including the 110MWac Darling Downs Solar Farm; 125MWac Sun Metals Solar Farm; 50MWac Gannawarra Solar Farm; 48MWac Manildra Solar Farm; Oakey 25MWac and Longreach 17MWac and the balance of works for the 30MW Yaloak Wind Farm.
- Rail and Transport Completion of a major upgrade to Wynyard Station under the Novo Rail Alliance. Critical power supply upgrades (OHW and DC Feeders) for forthcoming Sydney Trains timetable changes, track layout remodelling at Hornsby Junction, and stabling yard works for Sydney Train's new intercity fleet.

- Water Various water projects for Sydney Water under a Panel Agreement, including the commencement of a major upgrade to the Picton Waste Water Facility in NSW, and continuation of major upgrade works at the Subiaco WWTP in WA.
- Property HVAC maintenance services on various telecommunication exchange networks under a five year maintenance contract for Visionstream. Facilities Management for Victorian Department of Health and Human Services and for a number of blue chip clients in Vietnam including Colliers International.

During the year the business significantly extended its market leading position in the renewable energy sector, securing in excess of 600MWac of new EPC renewables projects across Australia and building a strong pipeline of renewable projects (solar, wind, hydro and storage) with near term opportunities of in excess of 1GWac.

In the longer term, the business sees a very active marketplace for renewable energy and has geared itself to take full advantage of its successes.

Subsequent to the end of the financial year, the Company secured a number of additional new large-scale utility solar projects.

#### **Prospects**

The business is well placed to capitalise on emerging and larger opportunities in the infrastructure sector in Australia, New Zealand and Asia Pacific region, which include major project opportunities for rail and transport, renewable energy, water, telecommunications, power transmission and distribution, defence, facilities management and commercial property.

With record levels of investment in rail, transport and renewable energy sectors, the business has an unprecedented pipeline of opportunities.

The Property business which includes facilities management, hard (HVAC and electrical) and soft services will continue to focus on opportunities for recurring long-term contracts in Australia, New Zealand and SE Asia.

Our Infrastructure business is a leading provider of engineering services to the rail and transport, renewable energy, water, telecommunications and property sectors in the Asia-Pacific region.

#### PROJECT EXPERIENCE



PROJECT Darling Downs Solar Farm

CLIENT APA Group

LOCATION Dalby, QLD

RCR is designing, constructing and commissioning the 110MWac Darling Downs Solar Farm which will include in excess of 400,000 photovoltaic modules.



PROJECT Rail Infrastructure Works Program

CLIENT Transport for New South Wales

LOCATION Sydney Metro Area, NSW

RCR is a member of the Novo Rail Alliance, working collaboratively to deliver large scale rail infrastructure upgrades across the Sydney rail network for the past nine years.



PROJECT Yaloak Wind Farm

CLIENT Pacific Hydro

LOCATION Mount Wallace, VIC

RCR is completing EPC and commissioning of the balance of plant works for Yaloak Wind Farm.



#### Our Business

RCR's Energy business is a technology leader in power generation and energy plants.

Utilising advanced technologies for a range of conventional and renewable fuels, RCR Energy delivers power stations (gas, biomass or conventional fuels) and steam generation plants through turnkey EPC projects across a diverse range of industries including infrastructure, oil & gas and mining.

The business provides shut down, planned maintenance and plant refurbishment services to major utility power stations as well as process industries and oil & gas producers.

Additional capabilities include the provision of advanced, high-precision laser cutting technologies. These services are supported by a network of service centres and facilities across Australia, New Zealand and SE Asia.

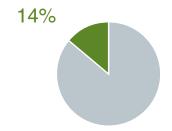
#### **REVENUE**

\$188M

**EBIT** 

\$0.5M

#### **REVENUE CONTRIBUTION**



#### The Year in Brief

The Energy business operates as one of the largest power station construction, maintenance and shutdown contractors in Australia and New Zealand and has expanded into SE Asia.

The business delivered revenues of \$188 million in FY17.

Major project activity during the year included:

- Rio Tinto's Cape Lambert Power Station - The scope of work includes overall project management, construction, commissioning and performance testing of an 80MWe Gas Turbine based Open Cycle Power Plant.
- Red Stag Timber Construction of a new 10MW superheated steam boiler fired on mixed wood biomass fuels, complete with related ancillary plant.
- Mataura Valley Milk Construction of 20MW steam-powered boiler.

- South32's Worsley Alumina RCR also commenced a contract to design, manufacture and deliver two large gas fired boilers for South32's Worsley Alumina operations, each providing 125 tonnes per hour steam. Gas fired and weighing around 180 tonnes each, they are the largest B&W FM® models yet supplied by RCR.
- PT Chandra Asri Petrochemical Indonesia - Provision of 120tph multi-fuel boiler.
- Power Station Upgrades Provision of maintenance services at Origin's Eraring Power Station and AGL's Liddell Power Station.

The Energy Service, Upgrades & Maintenance and Laser divisions also continue to make positive contributions to performance.

#### **Prospects**

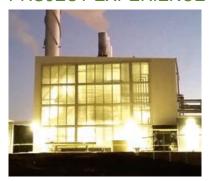
The business continues to target projects where its in-house technology provides a significant advantage in the core markets of Australia, New Zealand and SF Asia

The Energy business has an emerging pipeline of opportunities with a range of turnkey power projects, opportunities to close the steam cycle on existing power plants, and upgrade and maintenance works.

Significantly, we continue to increase the capacity and diversity of capability at our SE Asian engineering office for power generation and water solutions.

RCR Energy is uniquely placed in Australia, New Zealand and SE Asia as a leading provider of power generation projects.

#### PROJECT EXPERIENCE



PROJECT Design and supply of 53MW Gas-Fired Boiler

CLIENT Fonterra LOCATION Lichfield, NZ

Design, supply, erection supervision and site commissioning of a 53MW gas-fired boiler for Fonterra's milk processing plant expansion in Lichfield, New Zealand



PROJECT Cape Lambert Power Station

CLIENT Rio Tinto LOCATION Pilbara, WA

RCR is constructing an 80MWe gas turbine power station for Rio Tinto. The scope includes construction and commissioning works. Rio Tinto elected to design and procure the major equipment items for the power station.



PROJECT Thai Oil Refinery - Heat Recovery Steam Generators

CTCI Corporation/Thai Oil CLIENT LOCATION Sriracha, Thailand

Design, supply and commissioning of Heat Recovery Steam Generators for the combined cycle co-generation plant at the Thai Oil Refinery Power Station.



#### Our Business

RCR's Resources business is a leading provider of engineering, construction, maintenance and shutdown services (above and below ground) to the mining, resources, oil & gas and Liquefied Natural Gas sectors.

RCR's integrated EPC model allows us to deliver full lifecycle services supported by in-house construction expertise with SMP/E&I, fabrication and commissioning capabilities.

The business also provides turnkey material handling solutions from design and manufacture, to specialist shutdown and heat treatment services and off-site repairs and maintenance of heavy engineering equipment. The business operates a number of regional workshops throughout Australia, with facilities in WA (including the Pilbara region), SA, QLD and NSW.

The business also offers a range of specialised surface mining and bulk materials handing technologies. RCR's extensive range of technology solutions includes apron and belt feeders, conveyors, bucket wheel excavators, stackers, reclaimers, spreaders, sizers, scrubbers, screens, mobile In-Pit Crushing and Conveying and other continuous mobile mining solutions and car dumpers.

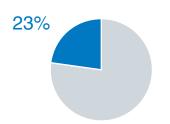
#### **REVENUE**

\$304M

**EBIT** 

\$10.5M

#### **REVENUE CONTRIBUTION**



#### The Year in Brief

The business generated revenues of \$304 million and achieved an EBIT margin of 3.5% for FY17.

The business secured a number of new contracts during the year and also continued to maintain its strong track record in safety.

The business continues to generate solid recurring revenues through its heavy engineering, off-site repair and asset maintenance services.

Major project activity during the year included:

- Newcrest's Cadia East Operation -SMP/E&I installation works at Con 1 & 2 and Fluoride treatment in Orange in NSW.
- MMG Dugald River SMP/E&I for lead/zinc processing facility in northern QLD.
- Fortescue Metals Design and supply of a crushing plant, which was fabricated and built at RCR's heavy engineering workshop in WA.

- Rio Tinto Silvergrass East Project
- EPC of a new primary crusher, 9km of overland conveyor and associated 33kV power line at Rio Tinto's Silvergrass East mine in the Pilbara region in WA.
- Pilbara Minerals Pilgangoora Lithium/Tantalum Project -Commencement of Stage 1, Front-End Engineering Design ("FEED"), for the proposed 2Mtpa lithium processing plant at the Pilgangoora mine. In August 2017, work commenced on Stage 2 being the construction and commissioning of the processing plant.
- MSP Kwinana Lithium Refinery expansion - Installation of rotating equipment package including the new kilns.
- BHP Commencement of five year asset maintenance agreement with BHP's Pilbara Iron Ore operations in WA.

#### **Prospects**

The business continues to focus on new and emerging natural resources projects in Australia and overseas and is using its intellectual property to develop innovative surface mining and materials handling solutions to drive down production costs.

The core strategy of the business is to continue to expand its integrated EPC service offering across its market segment, with an engineering-led approach to solution generation coupled with a continued focus on innovative solutions and construction productivity improvements.

As a key growth target, oil & gas sector work continues to develop, with repeat business and new prospects and clients being added to the portfolio.

With a healthy forward pipeline of opportunities, the business will continue to have a solid recurring revenue base for engineering, SMP/E&I construction, off site repairs and heat-treatment services.

RCR Resources is a market-leader in turnkey EPC expertise to the minerals, mining and oil & gas sectors and a provider of innovative materials handling solutions.

#### PROJECT EXPERIENCE



**PROJECT** Silvergrass Ore Processing Facility

CLIENT Rio Tinto **LOCATION** Pilbara, WA

RCR is providing EPC of a new primary crusher, 9km of overland conveyor and associated 33kV power line at Rio Tinto's Silvergrass East mine.



**PROJECT** Pilgangoora Lithium **Processing Facility** 

CLIENT Pilbara Minerals

**LOCATION** Pilbara, WA

EPC of a 2Mtpa lithium-tantalum processing plant for the Pilgangoora mine



**PROJECT** Dugald River Mineral **Processing Facility** 

CLIENT MMG

**LOCATION** Cloncurry, QLD

RCR is delivering project management, fabrication and supply of various structural steel, mechanical and E&I components, construction and commissioning support for a zinc and lead concentrator and associated plant.



## **SUSTAINABILITY**

#### Environment

RCR's operations are subject to various Commonwealth and State laws governing the protection of the environment. There have been no material breaches of the Company's licenses and all activities have been undertaken in compliance with the relevant environmental regulations.

#### Carbon and Energy Emissions

The Company is registered under the National Environment Protection (National Pollutant Inventory) Measure 1998 ("NPI") and National Greenhouse and Energy Reporting Act 2007 ("NGER Act"). The Company reports on nine of the listed substances under NPI and its energy consumption and carbon emissions under the NGER Act. The Company is currently below the threshold for reporting on carbon emissions.

#### Quality and Management System

RCR has a robust Integrated Management System ("IMS") that has been designed to support the development of our business, providing increased transparency and compliance functionality.

We recognise that our people operate in a variety of environments and have varying needs to access and utilise these systems in order to effectively manage our business processes. RCR will continue to support and continually improve its Management System Improvement Project that was launched late 2016 with an objective to maintain commitment to Engineering Intelligence and the delivery of best practice outcomes.

In the coming year, RCR will also continue to promote, and monitor compliance to, RCR's IMS policies and procedures, and will maintain its AS/NZS ISO 9001:2008 quality system certifications, inclusive of appropriate industry specific accreditation schemes. Compliance to IMS requirements is validated by our commitment to support an audit framework that includes regular internal and external system audits that are supplemented by formal work activity based quality control processes.

Rail Accreditation - Authorised Engineering Organisation ("AEO")

RCR's rail business, operated through O'Donnell Griffin and the Novo Rail Alliance, continues to meet the requirements of the industry's Authorised Engineering Organisation status. The AEO program is intended to improve the ability of the public and private sector to collaboratively deliver and maintain the NSW rail network assets safely and more efficiently. RCR is proud to be one of only a small number of companies with AEO accreditation.

#### Oil & Gas Certifications

RCR has continued in its commitment to deliver high quality solutions to the oil & gas industry, successfully maintaining its Achilles accreditation in FY17 for a further two years.

RCR also continues to hold certifications to ISO 29001:2010 for oil & gas services and certification to API Spec 7-1, and as a supplier member to the Achilles/FPS Oil & Gas Asia Pacific panel we recognise that this commitment to quality is fundamental to our ability to access customers in the oil and gas sector and sustain growth in our Resources business.

#### NABERS 5 and 6 Star Accreditations

The Haden business continues to develop and execute leading edge commercial building HVAC solutions and to provide intelligent engineering solutions that uphold our reputation for excellence, with achievements ranging from large, technologically advanced Green Star and 5 and 6 Star NABERS rated buildings to less complex solutions.









We continue our unwavering commitment to a culture that actively encourages all of our employees to take individual responsibility for their safety.



#### Safety

At RCR, our ultimate goal is to create a safe working environment where everyone strives for zero harm.

To help achieve this, we remain focused on the crucial objectives of reducing our lagging indicators, while continuing to encourage proactive leading behaviours which foster a strong safety culture; ultimately keeping our employees safe throughout our workplaces. This is supported by workplace health and safety management processes that promote and focus on risk/hazard assessments, and strict implementation of risk mitigation controls.

The introduction of our new safety initiative, "R u Safe" has been pivotal in our effort to actively encourage all of our people to take individual responsibility for their safety. The foundation of this initiative is to recognise that our peoples' safety is dependent on their ability to make sound and informed decisions regarding any hazards that they may encounter, and to acknowledge that it is crucial for us to encourage them and ensure that they do so. We will continue to promote the importance of this program and its underlying principles as we continue in our pursuit of zero harm.

This culture of accountability is helping to deliver results: RCR's LTIFR improved by 56% in FY17 from 1.77 to 0.78.

RCR maintained AS/NZS4801 certification and will continue working to further improve our safety management systems, including enhancements to automation of incident reporting.

Federal Safety Commission ("FSC")
Accreditation

FSC accreditation was successfully granted to O'Donnell Griffin and Resolve FM, which were accredited for a further three years; and following year-end RCR Resources received joint accreditation. The FSC accreditation enables RCR to work as a prime contractor with Federal Government Organisations such as Defence and ARENA.

#### Safety Indicators

- 619,054 Take 5 actions completed
- 37,676 Tool Box & Pre-start meetings conducted
- 22,859 Safe Acts Observations conducted32,106 Job Safety Hazard
- Analyses completed

#### Safety Highlights

# 19 years

RCR Heat Treatment, Welshpool, WA

# 13 years

LTI free RCR Energy Service, Notting Hill, VIC

# 12 years

LTI free RCR Laser Welshpool, WA

# 9 years

LTI free RCR Energy, New Zealand







# **PEOPLE & SOCIAL RESPONSIBILITY**

#### People

At RCR we have long understood that in our formula for success, the solution is realised through the effort, innovation, capability and commitment of our people. Sustained support, development and coaching of our people, enables us to continually deliver smart innovative solutions across diverse sectors.

RCR strives to maintain a stable workforce and to maintain our competitive advantage by self-performing delivery and developing and retaining talent. RCR has a culture of rewarding merit and a commitment to delivering on promises and advocating innovation.

Apprentices, Traineeships and Graduates

The RCR approach to a longstanding and well-developed apprentice program supports the career ambitions of 132 apprentices and trainees throughout Australia and New Zealand.

These apprenticeships and traineeships are embedded in all aspects of our business. This investment in our future generation of employees represents the foundation and future of RCR's skilled and stable workforce and key supervision.

Our graduate program supports those in varying engineering disciplines who require operational "hands on" experience in some of the most exciting projects in our industry. Their development, in addition to that of our apprentices and trainees, allows us to develop the talent of the future.

#### Diversity

RCR has people from diverse cultures, ethnicities, ages, gender, religious beliefs, abilities and experiences.

RCR's commitment to diversity extends to all areas of our business including attraction and retention, skills development, and flexible working arrangements to accommodate the diverse range of cultures and family responsibilities of our employees.

RCR's diversity policies aim to foster an environment of inclusion.

Our commitment is to:

- maintain and facilitate a broadly diverse workforce.
- promote a diverse workplace in the attraction, recruitment, engagement and retention of RCR employees.
- build a culture that respects and celebrates difference.
- provide opportunities for flexible work practices that support our employees across different stages of their career and life.



#### We value our people and actively encourage





#### Indigenous Participation

RCR promotes indigenous participation in the workforce. We respect and value Indigenous Australians and aim to increase and retain our indigenous workforce.

Demonstrating our commitment to the creation of economic opportunities for indigenous Australians, RCR has partnered with indigenous organisations to increase indigenous participation rates in our industry sectors.

Ochre Workforce Solutions is a full service recruitment and labour hire company which specialises in Indigenous employment. Ochre is also certified as a Registered Training Organisation which allows it to offer a range of nationally accredited training. Ochre is a 100% indigenous owned business which is certified by Supply Nation.

#### Social Responsibility

Fundamentals embedded in every aspect of RCR's operations and our employees' behaviours are set out in the Company's Code of Conduct, and through our policies on Risk Management, Safety, Diversity, Anti-Bribery and Corruption, Whistleblowers and Environment.

These fundamentals are underpinned by a delegation of authority framework and the Company's core value 'to act with integrity in all aspects of our business'.

#### Community

It is RCR's firm belief that long-term relationships with local communities are essential to business success. With operations at more than 100 locations, the communities in which we operate are many and varied.

RCR advocates active participation in these communities and we aim to provide tangible benefits and positive outcomes.

With RCR's growth and expansion in the renewable energy sector, we conducted a number of community engagement sessions in QLD to provide project information and to encourage local business participation in the construction of utility-scale solar farms.

We supported a variety of local charities and educational and sporting programs. Many of these programs allow our employees to participate and raise money for worthwhile organisations including the Royal Flying Doctors Service, Police and Community Youth Centres and the Activ Foundation.

Internationally, RCR continues its support of WaterAid, a global charity whose activities are focused on improving access to safe water, hygiene and sanitation for communities, offering the chance to support a tangible, lifechanging initiative for those in need.

# BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT





Mr Roderick Brown,

AWASM, MAICD, AusIMM



Dr Paul Dalgleish, DBA, MA, BEng (Hons), FIEAust, MAICD



Ms Eva Skira, BA (Hons), MBA, SF Fin (Life Member), FAICD, FAIM, FGIA



Mr Paul Dippie, NZCE, MAICD

# Independent Non-Executive Director and Chairman

SKILLS AND EXPERIENCE

Mr Brown is an engineer by profession and has extensive experience in marketing and general management.

He has held various senior management positions, including Managing
Director, with companies involved in the engineering, mining, and industrial service sectors in Australia, USA and Europe and has over 20 years experience as a Company Director.

# Managing Director and Chief Executive Officer

SKILLS AND EXPERIENCE

Dr Dalgleish is a professional engineer, holding a Doctorate in Business and an Honours Degree in Engineering.

Dr Dalgleish has over
20 years experience in
Executive Management
roles, including service as
Chief Executive of United
Group Ltd, Infrastructure,
Managing Director,
Montgomery Watson
Constructors - Asia, and
Executive roles with Thames
Water International and
Thames Water Asia Pacific
Pty Ltd.

#### Independent Non-Executive Director

SKILLS AND EXPERIENCE

Ms Skira has a background in banking, capital markets, stock broking and financial markets, previously holding Executive positions at Commonwealth Bank in the Corporate Banking/Capital Markets divisions, and later with stockbroker Barclays de Zoete Wedd.

Ms Skira has served on a number of Boards across a range of industries. Ms Skira is currently, a Non-Executive Director of Macmahon Holdings Limited and Chairman of Trustees of St John of God Healthcare Inc.

#### Independent Non-Executive Director

SKILLS AND EXPERIENCE

Mr Dippie is an engineer by profession. He is the former principal and Managing Director of Easteel Industries Ltd prior to its acquisition by RCR in 2005.

Mr Dippie has extensive experience in international marketing and procurement and a wide understanding of the markets and customers in the energy and resources industries.

He is a Director of a number of New Zealand based private companies related to his private interests.



Mr Lloyd Jones, BEng, MBA, GAICD



Mr Bruce James, BEng (Civil), MAICD



Ms Sue Palmer, BCom, CA, FAICD



Andrew Phipps, CPA, MAICD

#### Independent Non-Executive Director

SKILLS AND EXPERIENCE

Mr Jones is an engineer with significant experience in mining, energy, construction, heavy industrial operations, finance and mergers & acquisitions.

During his 25 year career at Alcoa, Mr Jones held CEO and senior management roles in Australia, USA, Japan, China and Hong Kong.

Most recently, he served as President of Cerberus Capital Management's Asia Advisory Unit and as Deputy Chairman of Doric Group. Mr Jones is presently a Non-Executive Director of BlueScope Steel Limited and an advisory Director at Deutsche Bank of Australia.

He is also a member of the advisory committee to the Dean of Engineering and Mathematical Sciences at the University of Western Australia.

#### Independent Non-Executive Director

SKILLS AND EXPERIENCE

Mr James is an engineer with experience in infrastructure, resources, oil & gas, defence and energy operations in Australia and New Zealand.

During a 35 year career at Transfield Construction Pty Ltd and Transfield Services Limited, Mr James held a number of Executive Management roles including Chief Executive Officer Transfield Services, Australia and New Zealand and Chief Executive Resources and Energy.

#### Independent Non-Executive Director

SKILLS AND EXPERIENCE

Ms Palmer is a Chartered Accountant by profession and has held senior financial and commercial roles across a range of industry sectors - construction, mining, infrastructure, energy and agriculture - with her last executive role being as CFO of Thiess.

With more than 15 years experience as a company director, Ms Palmer currently sits on the boards of New Hope Corporation, Charter Hall Retail REIT and Brisbane Grammar School.

#### Chief Financial Officer

SKILLS AND EXPERIENCE

Mr Phipps has over 20 years experience in large contracting and engineering companies with complex infrastructure, resources and energy portfolios.

Mr Phipps has a strong financial and operational background and has been Chief Financial Officer of RCR Tomlinson for four years.

Prior to this, recent roles have included Executive General Manager Finance at United Group Ltd's Engineering business, and prior to that he held the position of Executive General Manager Finance with United Group Ltd's Infrastructure and Rail business





# Directors' Report

The Directors of RCR Tomlinson Ltd ("RCR" or "the Company") present their Directors' Report (including the Remuneration Report) together with the Financial Report of the Company for the year ended 30 June 2017 ("FY17").

The Company is an entity limited by shares that is incorporated and domiciled in Australia.

#### **Board of Directors**

The qualifications of the Directors are set out on pages 26 and 27.

Role	Director and Qualification	Term of Office	Interest in Ordinary Shares	Interest in Performance Rights	Australian Listed Company Directorships	Former Australian Listed Company Directorships Over the Past 3 Years
Chairman and Independent Non-Executive Director	Mr Roderick Brown AWASM, MAICD, AusIMM	Director since 18 October 2005 Chairman since January 2008	141,500	Nil	No Directorships held in other listed companies	Nil
Managing Director and Chief Executive Officer	Dr Paul Dalgleish DBA, MA, BEng (Hons), FIEAust, MAICD	Chief Executive Officer since 25 May 2009 Managing Director since 20 October 2011	6,327,867²	1,835,660	No Directorships held in other listed companies	Nil
Independent Non-Executive Director	Ms Eva Skira BA (Hons), MBA, SF Fin (Life Member) FAICD, FAIM, FGIA	Director since 26 May 2008 ,	Nil	Nil	Macmahon Holdings Limited: Non-Executive Director since 26 September 2011	Nil
Independent Non-Executive Director	Mr Paul Dippie NZCE, MAICD	Director since 23 March 2007	600,000	Nil	No Directorships held in other listed companies	Nil
Independent Non-Executive Director	Mr Lloyd Jones BEng, MBA, GAICD	Director since 20 November 2013	29,292	Nil	BlueScope Steel Limited: Non-Executive Director since 29 September 2013	Nil
Independent Non-Executive Director	Mr Bruce James BEng (Civil), MAICD	Director since 28 January 2014	10,000	Nil	No Directorships held in other listed companies	Nil
Independent Non-Executive Director	Ms Sue Palmer BCom, CA, FAICD	Director since 21 August 2014	Nil	Nil	New Hope Corporation Limited: Non-Executive Director since 1 November 2011 Charter Hall Retail Management Limited: Non-Executive Director, since 10 November 2015	Nil

<sup>&</sup>lt;sup>1</sup> Securities Interest in RCR - Detail on the relevant interests in RCR are as at the date of this Report and as notified by the Directors to the Australian Securities Exchange ("ASX") in accordance with s.205G(1) of the *Corporations Act 2001*.

<sup>&</sup>lt;sup>2</sup> Dr Paul Dalgleish's relevant interests include 79,556 ordinary shares which are classified under the Company's Short-Term Incentive Plan as STI Deferred Shares (as set out in Table 8 in the Remuneration Report) and are held by CPU Share Plans Pty Ltd in trust for Dr Dalgleish. These STI Deferred shares are subject to trading restrictions until 31 August 2017.

#### **Board Meeting Attendance**

The number of meetings of the Board of Directors of the Company and each Board committee of Directors held and attended by each Director during the financial year are set out below.

Directors in Office and Attendance at Board and Board Committee Meetings During the Year

	Board M	leetings	Aud Risk Co		Remuneration & Nomination Committee		
Director	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	
Roderick Brown	11	11	3 <sup>1</sup>	-	11	11	
Paul Dalgleish	11	11	41	-	21	-	
Eva Skira	11	11	3 <sup>1</sup>	-	11	11	
Paul Dippie	11	11	4	4	-	-	
Lloyd Jones	11	11	11	-	11	11	
Bruce James	11	11	4	4	-	-	
Sue Palmer	11	11	4	4	-	-	

<sup>1</sup> Indicates that a Director attended some meetings by invitation whilst not being a member of a specific committee.

#### Operating and Financial Review ("OFR")

The information reported in this OFR should be read in conjunction with the Review of Operations on pages 14 to 21.

The OFR sets out, in the opinion of Directors and at the date of this Report, the information that shareholders would reasonably require to assess the Company's operations, financial position, business strategies and prospects for future financial years.

The information reported in this OFR contains non-IFRS financial indicators to assist in understanding the Company's performance.

#### **Principal Activities**

RCR is one of the leading diversified engineering and infrastructure companies in Australia, providing turnkey integrated solutions to clients in the infrastructure, resources and energy sectors. RCR's operations are strategically located in key markets across Australia, New Zealand and Asia.

RCR operated through three business units during FY17 - Infrastructure, Energy and Resources. Commentary on the financial performance of each business unit is provided below and in the Review of Operations.

Infrastructure is a leading provider of rail and transport, renewable energy, water, electrical, HVAC, oil & gas and technical facilities management services. The business operates through the key brands of RCR, O'Donnell Griffin, Haden and Resolve FM.

The core capabilities of the business encompass; design and construction of renewable systems (solar, wind, battery and hydro); electrical and instrumentation services; railway signalling and overhead wiring systems; power generation, transmission and distribution systems and generator maintenance; high voltage cabling; switchboards and process control instrumentation; fire and data communications systems; engineering, installation and maintenance of mechanical systems and HVAC; facilities management services; and water treatment systems and technologies. The business operates in Australia, New Zealand and Vietnam.

Energy is a technology leader in power generation and energy plants. Utilising advanced technologies for a range of conventional and renewable fuels, RCR Energy delivers power stations and steam generation plants through turnkey engineering, procurement and construction projects across a diverse range of industries including infrastructure, oil & gas and mining. The business provides ongoing maintenance and shutdown services to power stations across Australia and New Zealand. RCR Energy operates with key offices in Australia, SE Asia and New Zealand.

Resources is a leading provider of engineering, construction, maintenance and shutdown services (above and below ground) to the mining, resources, oil & gas and Liquefied Natural Gas ("LNG") sectors.

The business also provides turnkey material handling solutions from design and manufacture, specialist shutdown and heat treatment services to off-site repairs and maintenance of heavy engineering equipment. The business in Australia operates a number of regional workshops in WA (including the Pilbara region), SA, QLD and NSW.



#### Review of Group Performance

Summary of the Company's operating and financial performance for the year ended 30 June 2017:

- Lost Time injury Frequency Rate ("LTIFR") of 0.78.
- Order Book¹ at \$1,361 million (June 2016: \$971 million).
- Preferred Contractor Status<sup>2</sup> of approximately \$1,641 million.
- Revenues of \$1,292 million (FY16: \$891 million from continuing operations).
- Statutory NPAT of \$25.7 million (FY16 Statutory Loss<sup>3</sup> \$16.2 million).
- EBIT of \$35.2 million (FY16: \$12.6 million from continuing operations and underlying EBIT of \$28.1 million).
- NPAT of \$25.7 million (FY16: \$9.0 million from continuing operations and underlying NPAT of \$20.1 million).
- Net Debt of \$25.2 million (June 2016: \$55.6 million), representing gearing (Net Debt/(Net Debt + Equity)) of 7.5% (June 2016: 16.2%).
- Five year Total Shareholder Returns ("TSR") of 134.26%
- 1 FY17 Order Book includes Daydream and Hayman Solar Farm Projects as announced to the market on 11 August 2017.
- Where RCR refers to Preferred Contractor or Preferred Contractor Status, RCR cannot guarantee that this status will convert to a contract and therefore may not be an indicator of future earnings.
- 3 In FY16 the Company closed a number of operations which resulted in a loss. The FY16 statutory loss includes discontinued operations and non-recurring items.

#### Summary of Results

Over this past year, RCR has achieved significant growth in revenue and earnings. The strong financial result reflects the growth of the Infrastructure business and solid performance from RCR's recurring revenue base.

Revenue for the year was \$1,292 million. Over 75% of RCR's revenues and earnings were generated from the Infrastructure and Energy businesses.

RCR recorded Statutory NPAT of \$25.7 million, up from \$16.2 million loss for the prior comparative period.

Further detail is set out in the Managing Director's Report on pages 10 to 13 and in the Review of Operations on pages 14 to 21.

#### Summary of Results

	FY17	FY16 <sup>^</sup>
	\$M	\$M
Revenue	1,292.0	890.5
EBITDA	55.3	33.7
Depreciation	(12.4)	(13.0)
Amortisation	(7.7)	(8.1)
EBIT	35.2	12.6
EBIT Margin	2.7%	1.4%
Net Finance Costs	(4.0)	(4.0)
Profit Before Income Tax	31.2	8.6
Income Tax (Expense)/Benefit	(5.5)	0.4
	(* 1)	
Profit Attributable to Members of RCR Tomlinson Ltd*	25.7	9.0

(Non IFRS information, unaudited)

<sup>\*</sup> As per the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

<sup>^</sup> FY16 comparatives are from continuing operations.

#### **Business Unit Performance**

During the year, RCR operated its business in three core units, namely Infrastructure, Energy and Resources.

The results of each business for the year are summarised below and in the Review of Operations on pages 14 to 21.

	Reven	ue	EB	IT	EBIT M	1argin
Business Unit	FY17 \$M	FY16 \$M	FY17 \$M	FY16 \$M	FY17 %	FY16 %
Infrastructure	819.0	539.7	33.5	24.3	4.1%	4.5%
Energy	187.8	159.5	0.5	1.5	0.3%	0.9%
Resources	304.0	244.4	10.5	12.5	3.5%	5.1%
Corporate (Including Elim.)	(18.8)	(53.1)	(9.3)	(10.2)	-	-
Non-Recurring Items	-	-	-	(15.5)	-	-
Revenue and EBIT	1,292.0	890.5	35.2	12.6	2.7%	1.4%

#### Operating Cash Flow

The below table summarises the movements from operating cash flow to adjusted operating cash flow:

	FY17	FY16
	\$M	\$M
EBIT <sup>^</sup>	35.2	12.6
Add: Depreciation and Amortisation	20.1	21.1
Add: Restructuring Costs	-	9.7
Add: Legacy Legal and Claim Costs	-	4.6
Add: Transaction Costs	-	1.2
EBITDA	55.3	49.2
Operating Cash Flow*	45.2	13.2
Add: Interest Paid	4.3	4.1
Add: Tax Paid	0.4	0.9
Add: Acquisition Working Capital	-	3.2
Add: Restructure costs	-	11.1
Add: Legacy Legal and Claim Costs	-	1.9
Add: Transaction Costs	-	1.2
Add: Other working capital movements	-	9.6
Adjusted Operating Cash Flow	49.9	45.2
EBITDA conversion	90.2%	91.9%

(Non IFRS information, unaudited)

#### Net Assets

Net assets increased to \$311.6 million (June 2016: \$288.0 million) mainly as a result of RCR's NPAT of \$25.7 million.

#### Share Capital

At 30 June 2017, there were 139,963,412 (FY16: 139,963,412) fully paid ordinary shares and 5,464,960 (FY16: 4,124,920) performance rights on issue.

<sup>^</sup> FY16 EBIT comparative represents continuing operations.

<sup>\*</sup> FY16 Operating Cash Flow comparative represents continuing operations.



#### Net Debt and Liquidity

At 30 June 2017 Net Debt decreased to \$25.2 million (30 June 2016: \$55.6 million), with gearing of 7.5% (30 June 2016: 16.2%). Net Debt at 30 June 2017 consists of \$29.7 million cash in hand and \$54.9 million in bank borrowings.

Key Ratios	Measure	FY17	FY16
Net Debt	\$M	25.2	55.6
Available Cash	\$M	104.7	85.6
Gearing	%	7.5	16.2

#### Banking Facilities, Insurance Bonding Facilities and Capital Structure

The Directors determine the appropriate capital structure of RCR Tomlinson, specifically, how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Company's activities both now and in the future. The Directors consider the Company's capital structure and dividend policy at least annually and do so in the context of its ability to continue as a going concern, to execute the strategy and to deliver its business plan.

The Company has financing arrangements in place with the Commonwealth Bank of Australia Limited and other syndicated financiers. The Banking Facility has a term of three years and expires on 14 December 2019.

The Banking Facility, together with Insurance Bonding Facilities, provides RCR with access to ongoing working capital for RCR's operations.

The Banking Facility at 30 June 2017 comprises:

- a senior debt facility of \$56.25 million;
- a multi option facility of \$75 million, for working capital, which includes overdraft, cash advance and business card facilities; and
- a multicurrency contingent instrument facility of \$195 million, which includes trade finance and bank guarantee facilities.

The Company also has insurance bonding facilities totalling \$200 million.

At 30 June 2017 the Company has access to \$314.7 million of cash and funding facilities.

	FY17	FY16
Funding Summary	\$M	\$M
Senior Debt and Working Capital	326.3	236.3
Insurance Bonding Facilities	200.0	150.0
Total Facilities	526.3	386.3
Less: Senior Debt Utilised	56.3	41.3
Less: Cash Advance Utilised	-	30.0
Less: Non-cash Facilities Utilised	185.0	114.3
Available Facilities	285.0	200.7
Add: Cash	29.7	15.6
Total Cash/Funding Facilities Available	314.7	216.3
Facility Utilisation	45.8%	48.0%

Given the significant growth in Order Book and Preferred Contractor Status, RCR will continue to assess the most appropriate capital structure for the business.

#### Dividends

In respect of FY17, the Directors declared the payment of a Final Dividend of 6.0 cents per share unfranked to the holders of fully paid ordinary shares on the Company's register at 21 September 2017 with payment to be made on 5 October 2017 (FY16: No final dividend declared).

The amount of the Final Dividend is \$8.4 million. No provision has been made for the Final Dividend in the Financial Statements as the final dividend was not declared or determined by the Directors on or before the end of the financial year.

Details on dividends paid in FY17 and FY16 are as follows:

Interim Dividend for FY16 of 1.75 cents per share unfranked and paid on 6 April 2016	-	2.5
Final Dividend for FY15 of 7.50 cents per share franked at 20% and paid on 8 October 2015	-	10.5
Total	-	13.0

#### Business Strategies and Prospects for Future Financial Years

In line with previous years, the Company has developed a five year strategy at an overall group level and for each of its three core businesses. The strategic plan is reviewed annually by the Board and is continuously updated and adjusted, taking into account changes in the competitive landscape and for significant changes in the business.

The fundamental objective of the strategic plan is to deliver value to customers and returns to shareholders.

The Company's overall strategy is to increase its position as a leading engineering and infrastructure services company, focusing on providing turnkey engineering solutions and self-perform end-to-end services in infrastructure, energy and resources markets in Australia, New Zealand and Asia.

The Company's strategy is focused on both organic and acquisition opportunities. The Board regularly reviews potential acquisition targets which have the ability to create value for shareholders.

The Company sees opportunities in the large infrastructure markets, particularly in rail, renewable energy (solar, wind, battery and hydro), water and transport. These markets include engineering, procurement and construction across new capital projects, maintenance, and operational support services.

The Company's strategy includes:

Strategic Objective		Strategic Priority
	•	Introduce advanced processes, systems, technology, plant and materials.
E.I. Engineering Intelligence		Partner with businesses that have proven and innovative engineering solutions.
		Potential for M&A to provide IP in the form of innovation.
Integration of capabilities across the		Build on experience gained from previous large, complex turnkey EPC projects.
Group - end to end service provision		Expand FEED, commissioning, asset management and service solutions.
Geographical diversification		Build on SE Asian footprint using RCR's existing hub in Malaysia.
		Pursue potential acquisition opportunities with a solid SE Asian footprint.
New market sectors		Focus on rail, transport, renewable energy, power infrastructure and water.
		Use defence relationships as an entry point to expand RCR's offering.

To support RCR's strategic objectives, RCR seeks to continually improve its safety performance to achieve its goal of an injury free workplace.

#### **Prospects**

Whilst recognising the specific challenges in the markets in which the Company operates, the Company expects its diversification across sectors (infrastructure, energy and resources) and geographic regions (Australia, New Zealand and SE Asia) will enable it to capitalise on any future emerging opportunities.

The Company's growth strategy also includes targeting growth through acquisition opportunities that provide value for shareholders.

The Company's short-term focus is on conversion of Preferred Contractor Status to contracted revenue for future periods and continuing to drive down costs through improved project execution.



### Material Risks

Effective risk management anticipates and evaluates uncertainties that could impact the Company's business objectives. By recognising and managing risk, the Company is able to make the most out of opportunities to create shareholder value and deliver on commitments to our employees, customers, the environment and the community. The Company has defined five discrete risk environments, being: Strategic, Operational, Project, Financial and Compliance.

The Company has a risk management policy and internal controls to enable the identification, assessment and mitigation of material business and project risks. Key processes include tender, contracting and project management, treasury and credit risks. Project risks are evaluated as a potential barrier to delivering contracted scopes against cost, time and technical performance targets, while maintaining health, safety and environmental performance at acceptable levels. RCR's risk management framework sets the minimum required standard for project management in the delivery of major projects. Major project risk management activities include contracting principles, project reviews, identification, analysis and control risks and opportunities, risk registers and monthly project reporting.

The Company's financial position and performance may be adversely affected, sometimes materially, by a number of risk factors, some of which are beyond the control of RCR. The Company manages risk as an intrinsic part of its business and is committed to conducting business activities in a way that is aimed at achieving continued growth of shareholder value in a sustainable manner. To the extent that it is within the Company's control, risks deemed unacceptable are transferred (through contractual arrangements or insurance), reduced by mitigation action or avoided.

Material risks are those risks that could, individually or collectively, have a material adverse effect on achievement of the Company's short-term, medium and long-term business plans. The risks are not set out in any particular order and do not comprise every risk that the Company and its subsidiaries face in conducting its affairs. The following risks are considered the more significant risks that, in the opinion of the Board, should be specifically monitored and managed by the Company, and should be considered by investors before investing in RCR. Additional risks and uncertainties that the Company is unaware of, or that it currently considers to be immaterial, may also become important factors that may adversely affect the Company's financial position and performance.

Risk Category	Risk Description
	Ineffective implementation of strategy and strategic objectives, including the effective integration of new business acquisitions.
	Inability to maintain a strong balance sheet to support strategy.
	Subdued demand for RCR's goods and services due to a variety of market conditions or competition.
	Lack of diversification that exposes RCR to cyclical trends.
Strategic Risks	RCR has highly concentrated market share and exposure to a range of risks and opportunities associated with large-scale solar projects, which is a new sector experiencing rapid growth.
Chalogie Filolo	This exposes RCR to a range of risks and opportunities including energy regulations and standards, capital investment, increased competition, and associated EPC activity risks.
	RCR's current Order Book¹ and Preferred Contractor Status (and therefore future revenues and earnings) are weighted to EPC contracts for new, large-scale solar farms.
	RCR relies on the strength of its reputation to help win and retain work and attract and retain employees.
	Any damage to RCR's reputation or brands could adversely affect the business.
	The introduction of new technologies or failure by RCR to provide innovative engineering solutions to customers.
Financial Risks	Reduced access to funding, liquidity and financial credit or capital. (See also Section 5.3 Financial Risk Management in the notes to the Financial Statements).
	Breach of covenants, under Banking Facilities, if cash flows and profitability are not achieved.
	Inability to secure new work to sustain or grow RCR's Order Book <sup>1</sup> and Preferred Contactor Status.
	Inability to recruit, retain or the loss of personnel with critical skills, business knowledge and experience required to bid and win new work, to deliver projects and to grow the business as planned.
Operational Risks	Loss of intellectual capital, licences, corporate memory and know-how of RCR's engineering, design, construction and manufacturing processes.
	Failure to maintain adequate internal control systems and procedures to manage RCR's activities, the expectations of stakeholders and accreditations.
	Breach of data and IT security, including cyber-crime and breaches of privacy.
	Operating in foreign jurisdictions may expose RCR to adverse changes in local conditions.
1 O   -                                       -       -         -     -     -	

Order Book: RCR's Order Book and backlog comprise certain estimates, are unaudited, and vary from time to time due to the impact of project delays or cancellations. The Order Book also includes amounts expected or anticipated under contracts, current work programs, maintenance arrangements and framework arrangements. The Order Book includes amounts which cover multiple financial periods. Accordingly, RCR's Order Book at any particular date remains subject to change and is therefore an uncertain indicator of future earnings.

### Risk Category

### Risk Description

Engineering, Procurement and Construction Activity Risks - RCR's ability to achieve its operating and financial performance objectives is influenced by its ability to complete complex projects which involve EPC, and operation and maintenance activities.

The execution and delivery of projects and supply of RCR proprietary equipment involves professional judgment across a range of activities.

These projects may also occur over extended time periods and may be impacted or delayed due engineering design changes, supplier events, performance of supplier and sub-contractors, regulatory requirements and a wide variety of other events.

Cash flows and earnings could adversely be affected if RCR miscalculates the resources, cost or time needed to complete a project, fails to meet contractual obligations, or encounters delays due to varying conditions. In addition, some projects may require payment of liquidated damages if RCR does not meet project deadlines or performance guarantees.

Client and Contract Risks - RCR's businesses rely on the ability to secure new customers, new contracts and maintain business relationships.

There is a risk that RCR's customers may terminate their contracts with RCR for any reason, not renew those contracts, or renew those contracts on less favourable terms.

In addition, there is a risk that RCR's customers may be late or default on their contractual obligations including payment default or delays, or fail to assess RCR's contractual claims in a timely manner.

This risk should be read in conjunction with the Financial Statements, specifically Section 4.1 Trade and Other Receivables.

Actual and Potential Disputes - Due to the contractual nature of RCR's relationships, RCR is currently and may in the future be subject to claims, disputes or proceedings in the ordinary course of business. As an EPC contractor, RCR must take responsibility in relation to design, procurement, construction and commissioning of the plants which will include design and interface risk, performance and output guarantees and schedule risk.

### Major Projects Risks

The Directors are of the opinion that adequate allowance has been made for these actual and potential disputes in RCR's accounts and that disclosure of any further information about actual or potential claims, disputes or proceedings would be prejudicial to the interests of RCR. Accordingly, any dispute could be costly and damaging to RCR's reputation and business relationships, which in turn could have an adverse effect on RCR, including its operating and financial performance, industry standing and the value of RCR shares.

Contingency and Impairment - Project receivables are subject to the outcome of certain claims which have been made by, or against, RCR and RCR controlled entities. These claims arise out of engineering and construction contracts in the ordinary course of business. Estimates are regularly made in relation to claims and variation positions, and Management assesses the likelihood of recovery prior to recognising any receivable amount in the Financial Statements. Similarly, the Directors assess asset impairment at each reporting date, to ensure adequate allowance has been made in RCR's accounts for actual and potential disputes in connection with its receivables. This opinion is based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that are expected to take place. It is possible that such analysis, and the best estimate assumptions made by RCR, draw conclusions and forecasts which are inaccurate or which may not be realised in due course (whether because of flawed methodology or because of misinterpretation of economic or other circumstances). If this is the case, the actual amount recoverable by RCR may be less than the carrying value of its receivables, which may have an adverse impact of RCR's financial performance and the value of RCR shares.

Contingent Liabilities - RCR may be required to fund payments under bank guarantees, bonds and letters of credit issued in relation to its projects and contracts.

There is a risk that such instruments may cease to be available on commercially acceptable terms. In addition, RCR is, from time to time, required to give advance payment guarantees, performance guarantees and indemnities.

There is a risk that the securities provided by RCR are called upon.

Exposure to loss on fixed price, schedule of rates and lump sum contracts, where the costs exceed the agreed fixed price or rates.

Mismanagement or failure to perform by partners, joint ventures, suppliers and other counterparties.

Serious injury, safety or environmental incident.

### Regulatory Risks

Any non-compliance with laws, regulations and standards, workplace laws, government procurement policy and

Any loss of, failure to comply with or failure to hold required permits, licences, accreditations and certifications.



### **Disclosure Notices**

### Unreasonable Prejudice

As permitted by s.299(3) and s.299A(3) of the *Corporations Act 2001*, the Company has omitted certain information from this Operating and Financial Review in relation to the Company's business strategy, future prospects and likely developments in its operations and the expected results of those operations in future financial years. The Company and Board have done this on the basis that such information, if disclosed, would be likely to result in unreasonable prejudice to the Company (for example, because the information is premature, commercially sensitive, confidential or could give a third party a commercial advantage). The omitted information relates to Company's internal budgets, forecasts and estimates, details of Company's Strategic Plan and any growth initiatives.

### Forward-Looking Statements

This Annual Report may contain forward-looking statements, including statements of current intention, statements of opinion and expectations regarding Company's present and future operations, possible future events and future financial prospects. Such statements are not statements of fact and may be affected by a variety of known and unknown risks, variables and changes in underlying assumptions or strategy which could cause the Company's actual results or performance to differ materially from the results or performance expressed or implied by such statements. There can be no certainty of outcome in relation to the matters to which the statements relate, and the outcomes are not all within the control of the Company.

Further information on some important factors that could cause actual results or performance to differ materially from those projected in such statements is contained in the "Material Risks" Section. The Company makes no representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statement or any outcomes expressed or implied in any forward-looking statement. The forward-looking statements in this Annual Report reflect expectations held at the date of this Report. Except as required by applicable law or the ASX Listing Rules, the Company disclaims any obligation or undertaking to publicly update any forward-looking statements, or discussion of future financial prospects, whether as a result of new information or of future events.

### Significant Changes in the State of Affairs

There were no significant changes during FY17.

### Matters Subsequent to the End of the Financial Year

Since the end of the financial year, the Directors have resolved to pay a final dividend of 6.0 cents per share. In accordance with AASB 137 Provisions, Continent Liabilities and Contingent Assets, the aggregate amount of the final dividend of \$8.4 million is not recognised as a liability as at 30 June 2017.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

### Likely Developments

Other than as disclosed above, information regarding likely developments in the operations of the Company in FY18 and future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

### **Environmental Disclosure**

The Company's operations are subject to various Commonwealth and State laws governing the protection of the environment.

As far as the Directors are aware, there have been no material breaches of the Company's licenses and all activities have been undertaken in compliance with the relevant environmental regulations. RCR uses the international standard ISO14001 for maintaining its environmental management oversight.

### Carbon and Energy Emissions

The Company is registered under the National Environment Protection (National Pollutant Inventory) Measure 1998 ("NPI") and National Greenhouse and Energy Reporting Act 2007 ("NGER Act"). The Company reports its energy consumption and carbon emissions under the NPI and NGER. The Company is below the threshold for reporting on carbon emission.

### Performance Rights Over Unissued Shares

Performance Rights on Issue

As at the date of this Report, there are 5,364,960 performance rights on issue (FY16: 5,155,920). During FY17, 2,826,540 performance rights were granted (FY16: 1,417,220). Since the end of FY17, 100,000 performance rights have vested. Performance rights have no exercise price on vesting.

Details of performance rights granted to Executives as part of their remuneration are set out in the Remuneration Report.

Details of performance rights as at the date of this report are set out below:

Class of Securities	Number	Vesting Date
Unlisted Performance Rights	1,625,540	31 August 2019
Unlisted Performance Rights	1,979,200	31 August 2018
Unlisted Performance Rights	1,165,220	31 August 2017
Unlisted Performance Rights	25,000	28 February 2018
Unlisted Performance Rights	570,000	Various <sup>1</sup>
Total	5,364,960	

<sup>&</sup>lt;sup>1</sup> On 15 September 2017 a total of 570,000 performance rights will lapse on cessation of employment.

Performance Rights, Vested, Forfeited or Lapsed

During FY17, 790,250 performance rights lapsed or were cancelled and 696,250 performance rights vested to employees.

### Company Secretary

Mr Darryl Edwards is the Company Secretary and was appointed on 9 November 2009. Mr Edwards has over 20 years' experience in mining, media, manufacturing, corporate advisory, corporate governance, capital raising, mergers and acquisitions and commercial and legal matters. Mr Edwards is a qualified Company Secretary and a fellow of the Governance Institute of Australia.

### Indemnification and Insurance of Directors and Officers

During the financial year the Company insured the Directors and Officers, including former Directors and Officers of the Company and of any related bodies corporate, against liabilities incurred by a Director or Officer to the extent permitted by the *Corporations Act 2001*.

The Officers of the Company covered by the insurance policy include any person acting in the course of duties for the Company who is, or was, a Director, Executive Officer, Company Secretary or a Senior Manager within the Company.

The liabilities insured relate to:

- legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Officers, in their capacity as Officers of entities in the Company; and
- any other liability that may arise from their position, with the exception of conduct involving a wilful breach of duty or the improper
  use by the Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to
  the Company.

The Company has paid a premium under a contract insuring each Director, Officer, Secretary and employee who is concerned with the management of the Company or its subsidiaries against liability incurred in that capacity. Disclosure of the nature of the liability covered by and the amount of the premium payable for such insurance is subject to a confidentiality clause under the contract of insurance.



### Non-Audit Services

In accordance with the Company's External Audit Policy and Guidelines, the Company may decide to engage the independent auditor on assignments additional to their statutory audit duties where the independent auditor's expertise and experience with the Company is important.

During FY17, the Company's independent auditor, Deloitte Touche Tohmatsu, performed certain other services in addition to its statutory audit duties. The total remuneration for audit and non-audit services provided during FY17 is set out in Section 3.6 of the Financial Report.

The Board has adopted a policy outlining the provision of non-audit services by the independent auditor. The Board has considered the position and, in accordance with advice received from the Audit & Risk Management Committee, is satisfied that the provision of the non-audit services detailed in Section 3.6 of the Financial Report was compatible with the general standards of independence for auditors imposed by the *Corporations Act 2001*.

The Board is also satisfied that the provision of these non-audit services did not compromise the auditor independence requirements of the Corporations Act 2001 because:

- all non-audit services have been reviewed by the Audit & Risk Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES
  110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including
  reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as
  advocate for the Company or jointly sharing economic risks and rewards.

### Auditor's Independence Declaration

Deloitte Touche Tohmatsu continues as independent auditor in accordance with s.327A of the *Corporations Act 2001*. The Auditor's Independence Declaration as required under s.307C of *the Corporations Act 2001* is set out on page 72 and forms part of this Report.

### Deed of Cross Guarantee

The Company and a number of its wholly owned subsidiaries, which are classified as large proprietary companies under the *Corporations Act 2001*, continue to be parties to a Deed of Cross Guarantee ("DCG"). The effect of the DCG is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the Company's subsidiaries who are a party to the DCG, under certain provisions of *the Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full.

Further details on the DCG are set out in Section 6.3 in the Financial Report.

### Remuneration Report

The Remuneration Report is set out on pages 40 to 57 and forms part of this report.

### Rounding of Amounts

The Company is a company of the kind referred to in Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Corporations Instrument, amounts in the Directors' Report (excluding certain remuneration tables in the Remuneration Report) and Financial Statements have been "rounded off" to the nearest thousand, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors,

Roderick J M Brown Chairman 23 August 2017

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## Remuneration Report

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### 1.0 Introduction

This Remuneration Report is prepared in accordance with s.300A of the *Corporations Act 2001*. The information provided in this report has been audited by Deloitte Touche Tohmatsu as required by s.308(3C) of the *Corporations Act 2001*. The Remuneration Report forms part of the Directors' Report.

This report outlines the remuneration strategies and arrangements for RCR's Key Management Personnel ("KMP"), being Executives and Non-Executive Directors, who have the authority and responsibility for planning, directing and controlling the activities of RCR. The names and position of RCR's KMPs are set out in Table 1.

Importantly, this report provides shareholders with the necessary information to clearly establish and demonstrate the link between RCR's strategy, its performance over the short-term and long-term, and the remuneration outcomes for Executives and Non-Executive Directors.

### 1.1 Key Management Personnel

Set out in Table 1 is a list of the Non-Executive Directors and Executives of the Company whose remuneration details are outlined in this Remuneration Report. Except where noted, these Non-Executive Directors and Executives were employed for all of FY17 in the positions noted below. These Non-Executive Directors and Executives comprise the KMPs of the Company for FY17 as defined under Accounting Standards.

Table 1 - Key Management Personnel

Name	Position	Year Joined	Term as KMP	
Non-Executive Directo	prs			
Roderick Brown	Non-Executive Chairman	2005	Full financial year	
Eva Skira	Non-Executive Director	2008	Full financial year	
Paul Dippie	Non-Executive Director	2007	Full financial year	
Lloyd Jones	Non-Executive Director	2013	Full financial year	
Bruce James	Non-Executive Director	2014	Full financial year	
Sue Palmer	Non-Executive Director	2014	Full financial year	
Executives				
Paul Dalgleish	Managing Director and Chief Executive Officer	2009	Full financial year	
Andrew Phipps	Chief Financial Officer	2013	Full financial year	
Conal McCullough	Chief Operating Officer - East 2017 15 February 2017 - 30 Ju		15 February 2017 - 30 June 2017	
Joe Gugliotta	Chief Operating Officer - West	- West 2016 1 July 2016 - 15 March 201		

On 15 February 2017, Mr Conal McCullough was promoted to the role of Chief Operating Officer - East.

The Company has reached agreement with Mr Gugliotta that his services will end on 15 September 2017.



### 1.2 Remuneration Summary

During the year, the Board's Remuneration & Nomination Committee ("RNC") reviewed the Company's Executive remuneration framework to ensure it continues to align with the Company's strategy.

RCR's Executive remuneration framework includes a remuneration mix that places greater emphasis on rewarding long-term performance outcomes. The framework aims to ensure the Managing Director and other Executives are focused on strategic business objectives that enhance shareholder value and grow the business organically and by acquisition.

Remuneration Summ	nary				
	The Company recorded NPAT of \$25.7 million for FY17 compared with a loss of \$16.2 million in FY16.				
Performance for	At the date of this report, the Company had an Order Book of \$1,361 million (up 40% on the previous year) and is also Preferred Contractor on potential new projects, placing it in a strong position to deliver an increase in earnings in FY18.				
FY17 and Strategy	During the year the Board reviewed the Company's long-term strategy and pleasingly, the business continues to diversify and broaden its engineering led activities in the infrastructure, energy and resources markets. Through a disciplined approach to strategy, the Company's Executives have identified significant emerging growth opportunities in rail, water and renewable energy.				
	RCR's delivered a TSR of 34.39% over the past three years and a TSR of 134.26% over the past five years.				
Non-Executive Directors Remuneration	During FY17, there were no changes to fees payable to Non-Executive Directors.				
Total Executive Remuneration	Total reported remuneration in accordance with Accounting Standards, for Executives in FY17 increased to \$3,501,530 from \$3,256,108 in the prior year. Further details on Executive remuneration are set out in Section 3.6 on this report.				
	Dr Dalgleish's total reported remuneration for FY17 was \$1,646,111 (FY16: \$1,467,858). This includes an accounting expense of \$628,475 (FY16: \$450,795) in relation to statutory long service leave, deferred shares and unvested performance rights.				
	Dr Dalgleish's fixed remuneration remained unchanged and no short-term incentives are payable performance in FY17.				
Managing Director's Remuneration	In respect of the long-term incentives for the three year performance period ending 30 June 2017, a total of 235,110 performance rights (out of maximum 470,220) will vest to Dr Dalgleish on or about 31 August 2017. The performance rights will vest on satisfaction of the TSR Hurdle. The performance rights are convertible of the basis of one performance right for 1.08719 shares (this uplift reflects the dividends that would have been paid over the performance period).				
	On this vesting date, the Board has determined, based on Dr Dalgleish's current shareholding of 4.5%, to pay cash rather than issue shares. The cash payment will represent the market value of the shares (based on a five day VWAP) that would have been issued on 31 August 2017.				
	During the year the CFO, Mr Phipps, received an increase of 5% in fixed remuneration.				
Fixed Remuneration	Mr Conal McCullough was promoted to the role of COO - East and received an increase in fixed remuneration commensurate with his new role and responsibilities.				
STI Outcomes	No short-term incentives are payable to the Managing Director and the CFO for FY17, as the Company's performance did not meet the minimum NPAT performance thresholds set by the Board at the beginning of the financial year. However, Mr Conal McCullough (COO - East) will receive a short-term incentive of \$81,370 for his time as a KMP for exceeding the minimum EBIT performance hurdles set for the Infrastructure Business.				
LTI Outcomes	Long-term incentives for the three year performance period 1 July 2014 to 30 June 2017 are subject to two separate performance criteria, being EPS Growth (weighted at 50%) and total TSR (weighted at 50%). Over this performance period:				
	(i) RCR did not deliver the required growth in EPS of 8% to 16% per annum. As a result no performance rights will vest to Executives and other senior managers; and				
	(ii) RCR's three year TSR performance was 34.39%, placing it at the 76th percentile relative to a group of 25 peers. This outcome will result in 100% vesting of 582,610 performance rights to the Executives and other senior managers. The performance rights are convertible on the basis of one performance right for 1.08719 shares (this uplift reflects the dividends that would have been paid over the performance period).				

### 2.0 Executive Remuneration Framework

### 2.1 Executive Remuneration Policy

RCR's Remuneration Policy complements its business strategy by rewarding Executives fairly and responsibly in accordance with the market. The Remuneration Policy ensures that RCR:

- links Executive incentive outcomes to the creation of value for shareholders;
- provides competitive rewards that attract and retain Executives;
- structures fixed remuneration at a level that reflects the Executives' duties and accountabilities;
- sets demanding levels of performance and stretch targets;
- manages risk by measuring performance over different time periods, ensuring reward is contingent on a diversity of hurdles
  aligned with shareholder value. This is done by deferring a proportion of reward and delivering a significant component as equity;
- benchmarks remuneration against appropriate comparator groups; and
- complies with applicable legal requirements and appropriate standards of governance.

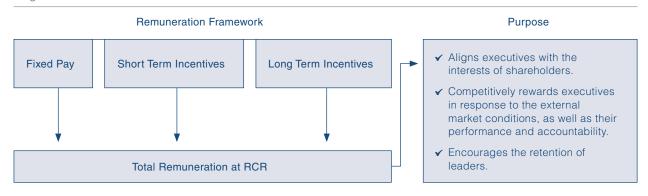
Executive remuneration is reviewed annually, having regard for individual and business performance and relative comparative information.

### 2.2 Executive Remuneration Framework

RCR's remuneration framework for the Managing Director and other Executives has three components - fixed pay, short-term incentives and long-term incentives, two of which vary with performance. The remuneration structure has an appropriate mix of fixed and variable rewards commensurate with the level of accountability for each role within the Company. Executives who have a greater ability to influence outcomes have a greater proportion of overall remuneration 'at risk'.

The Executive remuneration framework rewards performance that exceeds peers and places a greater emphasis on long-term incentives. This framework ensures there is a link to performance outcomes that are designed to deliver value to shareholders through dividends and capital growth. Executive remuneration, including 'at risk' incentives, are benchmarked and reviewed against market data provided by the Company's independent external advisor.

Diagram 1 - Executive Remuneration Overview



In exceptional circumstances, a further element relating to Executive retention may also be applied. No retention awards were made to Executives during FY17.

The mix of total remuneration components differs depending on the employee's role within the Company.

### 2.3 Link to Company Performance

Total remuneration includes Fixed Remuneration, STI and LTI and any other benefits paid to the Executive. The components of total remuneration are designed to ensure that Executives are rewarded at market competitive levels for delivery of RCR's short-term and long-term objectives. Remuneration outcomes are designed to reflect overall business performance and delivery of value to shareholders over time, ensuring alignment to shareholder interests.

A key principle of the approach to Executive remuneration is that a greater portion of the remuneration package is 'at risk' and paid in the form of STI and LTI, with challenging performance measures and targets which should demonstrate strong links to the Company's performance, safety and shareholder returns. Furthermore, the relevant performance measures for 'at risk' rewards ensure that the Managing Director and other Executives are focused on strategic business objectives that enhance shareholder value and grow the business organically and by acquisition.



The short-term incentives recognise the performance of the business during the financial year and include demanding measures that are within the control of management. The delivery of part of the short-term incentives in equity, deferred for two years, encourages the focus on long-term outcomes to operational and strategic decision-making.

The long-term incentives reward Executives only when the Company outperforms the target comparator group over a sustained period on a shareholder return basis and for earnings growth over the long-term.

Table 2 - RCR Financial Performance for the Past Five Years

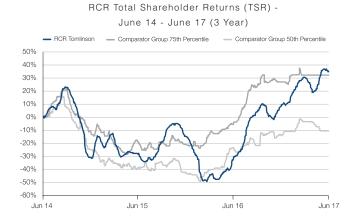
	Measure	FY17	FY16 <sup>1</sup>	FY15 <sup>1</sup>	FY14	FY13
Revenue	\$M	1,292.0	890.5	1,033.6	1,300.5	875.2
EBITDA	\$M	55.3	33.7	83.4	79.6	58.6
EBIT	\$M	35.2	12.6	63.7	57.8	43.8
NPAT	\$M	25.7	9.0	47.4	43.3	37.3
Long-Term Performance Outcomes						
Safety - Total Recordable Injuries	TRIFR	6.37	8.37	10.13	9.37	7.96
Safety - Lost Time Injuries	LTIFR	0.78	1.77	1.10	1.31	0.36
Basic EPS	Cents	18.3	6.4	34.2	31.9	28.3
Interim Dividend	Cents per Share	-	1.75	3.50	3.00	2.50
Final Dividend	Cents per Share	6.0	-	7.50	7.00	5.75
Market Capitalisation	\$M	477.3	237.9	238.6	383.6	305.9
Closing Share Price	\$	3.41	1.70	1.72	2.80	2.31
TSR - 1 Year %		95.4	4.2	(36.3)	26.1	32.8
TSR - 3 Year Rolling	%	34.4	(11.3)	6.1	84.3	197.0
TSR - 5 Year Rolling	%	134.3	21.5	143.1	413.2	232.0

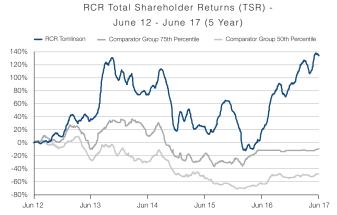
<sup>&</sup>lt;sup>1</sup> FY16 and FY15 results are from continuing operations.

### Long-Term Performance

The graphs below show RCR's relative TSR over the past three and five years, to 30 June 2017. These graphs reflect the performance of RCR relative a peer group of 25 companies (comparator group) over this period.

Chart 1 - RCR's TSR compared with a peer group of 25 companies<sup>1</sup>





Source: Guerdon & Associates

<sup>&</sup>lt;sup>1</sup> Calculated based on the difference in share price over the performance period, plus the value of shares that would have been earned from reinvesting dividends received over the performance period, expressed as a percentage of the share price at the beginning of the performance period. The share price will be averaged over the 30 calendar days preceding the start and end date of the performance period, dividends will be assumed to have been re-invested on the ex-dividend date and tax and any franking credits (or equivalent) will be ignored. It also includes members of the comparator group that have been delisted during the performance period. The members of the comparator group as disclosed in the Company's 2015 Annual Remuneration Report.

### 3.0 Executives Remuneration Outcomes for FY17

### 3.1 Executive Remuneration Structure

Executive Remuneration has a fixed component and an 'at risk' component that varies with performance. The 'at risk' component comprises a short-term incentive and a long-term incentive (refer to Diagram 1).

Total Remuneration outcomes for Executives in FY17 are set out in Section 3.6 of this report.

### 3.2 Total Fixed Remuneration

Links to strategy and performance	Executives receive a fixed annual remuneration which is determined by the scope of their role and the individual's level of knowledge, skill and experience. TFR is set at competitive levels to attract, retain and engage key talent.		
	TFR comprises a salary, superannuation, motor vehicles, allowances, car parking and other fringe benefits.		
Positioning relative to market	Executive's TFR is reviewed annually and benchmarked against appropriate market comparisons using information and advice from external consultants. There is no guarantee of any base pay increases included in any Executive's contract.		

### 3.3 Short-Term Incentives ("STI") Framework and Plan

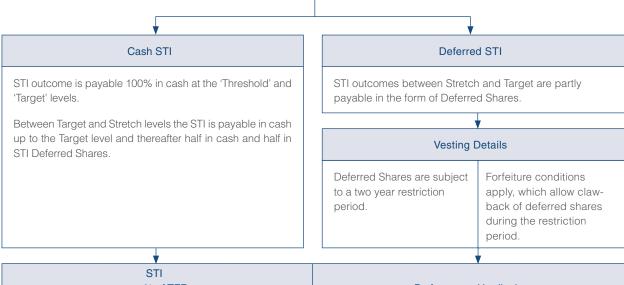
The following summarises the Short-Term Incentive Plan for FY17.

Diagram 2 - STI Framework

### STI Framework

The Company's STI Plan rewards Executives and other participants for meeting or exceeding annual performance targets, whilst at the same time linking their STI rewards to improvement in safety outcomes and shareholder returns.

No STI is paid unless the Threshold hurdle is achieved. The STI payment is also subject to minimum levels of safety performance with up to 15% of the STI payment subject to achievement of a safety hurdle set at the beginning of the year.



	STI as a % of	TFR			Performance Hurdles	
Participant	Threshold	Target	Stretch	Threshold	Target	Stretch
Managing Director	37.5%	60%	150%			120% of budget NPAT
CFO	20%	40%	80%	95% of budget NPAT	100% of budget NPAT	
C00	20%	40%	80%			
				Up to 15% of	the STI navment is su	phiect to safety

Up to 15% of the STI payment is subject to safety performance gates.

<sup>&</sup>lt;sup>1</sup> Performance hurdles for other participants are based on budget EBIT for the relevant line of business (and are triggered if the RCR Group meets its performance hurdles).



### 3.3.1 Key Features of the STI Plan

The following summaries the key features of the STI Plan for applicable for FY17.

STI Plan					
What is the link to strategy	The purpose of the STI Plan is to focus the efforts of Executives on those performance measures and outcomes that are a priority for the Company and to motivate Executives to achieve challenging performance objectives.				
and performance?	The STI is made up of a mix of either NPAT or EBIT (depending on the Executives level in the Company) which should drive dividends and share price growth. It also aligns with material business risks, including order intake, strategy execution and safety.				
Who is eligible to participate in STI awards?	All Executives and certain senior managers participate in the STI Plan.				
What is the STI opportunity?	with refere	nce to			refer to Diagram 2). This percentage is determined the scope of the employee's role, responsibilities
			I that can be earned is carticipants.	appe	ed to minimise excessive risk taking by Executives
			_		hold, Target and Stretch NPAT or EBIT Hurdles that d by reference to Board-approved budgets.
	NPAT and	EBIT a	re based on reported stat	utory	results and are unadjusted.
	The Managing Director, CFO, COOs and other Corporate Executives are measured against NPAT whilst other senior managers are measured against EBIT performance of their relevant business unit.				
What are the performance hurdles?	The philosophy in setting financial hurdles is to establish thresholds that represent the desired minimum outcomes and stretch targets that are realistically achievable for exceptional performance.				
	Category		Hurdle		Rationale
	Financial		Earnings (NPAT or EBIT	)	Reflects the performance of the Company's core business operations and represents a key driver of shareholder value.
	Non-Finan	cial	Safety - LTIFR		The Company is committed to providing a safe workplace for all of its employees and to ensuring its activities are carried out safely.
	STI outcome is 100% payable in cash at the Threshold and Target hurdles. Between Target and Stretch hurdles the STI is payable in cash up to the Target hurdle and thereafter half in cash and half in deferred shares.				
What is the form of payment?	Deferred shares are restricted for two years and are subject to forfeiture conditions. Dividends are payable on deferred shares. The number of deferred shares is calculated by reference to the face value (determined using a five day VWAP) of RCR shares at the time of award.				
	In the event of a change in control, redundancy or death or total and permanent disablement of the Executive, the deferred shares will vest.				
	Deferred s	hares	will be forfeited if, before t	he er	nd of the two year restriction period:
Can any of the STI be	<ul> <li>(a) in the opinion of the Board, there has been a material adverse outcome (including, but no limited to, a material write-down or impairment or a material misstatement in or omission from the Financial Statements of RCR); or</li> </ul>				
clawed back?	(b) the Executive is terminated for cause or because, in the opinion of the Board, the Executive has failed to meet acceptable standards of performance; or				
					the Company or any of its related entities, unless use of special circumstances.
Why does the STI have a safety performance gate?	In order to support the importance that the Board places on safety in the workplace at RCR, the Board determined that for FY17 a safety performance gate would apply to reflect the Company's focus on reducing incidents and injuries. Up to a maximum of 15% of the Executives STI is 'at risk if the relevant safety gates are not achieved.				

### 3.3.2 Short-Term Incentive Outcomes

Following the Board's assessment of the performance outcomes for FY17, no STIs are payable to KMPs (other than Mr McCullough, who will receive \$81,370).

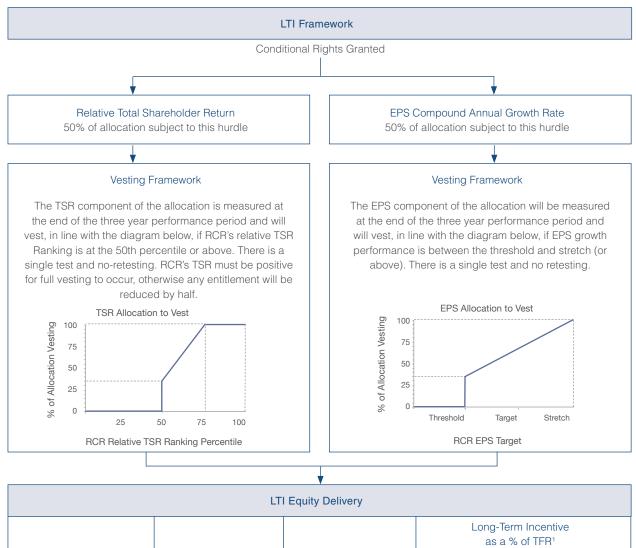
Table 3 - STI Outcomes FY17

		Performance Hurdles			
STI Hurdles for FY17	Actual	Threshold	Target	Stretch	
FY17 NPAT Hurdle	\$25.2M	\$30.6M	\$32.2M	\$38.6M	
Safety - LTIFR	0.78	1.54	1.54	1.54	

### 3.4 Long-Term Incentives ("LTI") Framework and Plan

The following summarises the framework for LTIs which are granted under the Company's Performance Incentive Plan.

Diagram 3 - LTI Framework



LTI Equity Delivery						
				ng-Term Incenti as a % of TFR <sup>1</sup>	ve	
Type of Equity	Equity Plans	Executive	Threshold	Target	Stretch	
Conditional rights - the allocation of conditional rights is based on the face value of RCR shares	Performance Incentive Plan² (as approved by Shareholders on 6 November 2015); or  Long-Term Incentive Plan (as approved by Shareholders on 20 November 2013).	Managing Director	35%	65%	150%	
		Chief Financial Officer	25%	50%	75%	
at the time of grant.		Chief Operating Officer	25%	50%	75%	
Conditional rights may include performance rights, options, shares, deferred shares and		Executive General Manager	12%	23%	35%	
other rights.	rvovember 2013).	Other participants	3% - 10%	5% - 20%	10% - 30%	

<sup>&</sup>lt;sup>1</sup> Based on the equity grants awarded during FY17.

<sup>&</sup>lt;sup>2</sup> For equity grants in FY16 and FY17 the Performance Incentive Plan applied. All equity grants prior to this were granted under the Long-Term Incentive Plan.



### 3.4.1 Performance Incentive Plan

The Performance Incentive Plan was approved by shareholders on 6 November 2015. The Managing Director (subject to shareholder's approval) and other participants receive annual equity-based grants under the Performance Incentive Plan as determined by the Board.

It provides the legal framework for the different types of awards to executives and selected senior managers (as determined by the Board from time to time) and may be used to facilitate the issue of both short-term and long-term incentives.

Non-Executive Directors are not eligible to participate in the Performance Incentive Plan.

### 3.4.2 Key Features of the FY17 Performance Incentive Plan

During the year the RNC completed a review of the performance criteria. This review led to changes to the composition of the comparator group for benchmarking TSR. The changes to the comparator group were necessary as some of the members had come delisted from the ASX.

The following summaries the key features of the Performance Incentive Plan for performance rights granted to Executives during FY17.

Performance Incentive	Plan
What are the links	The Performance Incentive Plan focuses the efforts of Executives on the achievement of sustainable, long-term value creation and success, including appropriate management of business risks. This benefit aligns outcomes for Executives with the long-term interests of shareholders through the use of two performance hurdles, being EPS growth and Relative TSR.
to strategy and performance?	EPS growth was chosen as a performance hurdle as it is a key metric to measure RCR's long-term success as it contains clear links to shareholder value creation.
	Relative TSR was chosen because it provides an external market performance measure having regard to RCR's peers.
What securities are	The Performance Incentive Plan offers conditional rights, which are rights to ordinary fully paid shares or paid as their cash equivalent value (based on a pre-agreed formula).
offered?	Examples of these types of rights include performance rights, share appreciation rights, deferred share rights and options.
What is the LTI opportunity?	The number of conditional rights a participant receives is determined by dividing the dollar value of the maximum LTI award by the market value of RCR shares. The market value is calculated as the VWAP over five trading days following the release of the Company's full year results.
What is the performance period?	The performance period is three years.
	Participants only receive value from their equity-based awards at the end of the performance period and only if the relevant performance hurdles are achieved.
	In FY17, conditional rights were granted and are subject to the following performance hurdles:
	• half of the conditional rights are subject to RCR achieving an EPS Compound Annual Growth Rate ("CAGR") of between 5% and 15% ("EPS hurdle"); and
What are the performance	• half of the conditional rights are subject to RCR's relative TSR performance measured against a comparator group of 25 peer companies at the time of grant ("TSR hurdle").
hurdles?	Together, the use of these two hurdles are intended to provide a balanced view of the Company's performance against strategic objectives and provide alignment with shareholder interests.
	Specifically, the EPS hurdle is a measure of profitability, a direct determinant of dividends and a measure of the Company's long-term success as it contains clear links to shareholder wealth creation. The TSR hurdle allows the Company to benchmark itself against its peers and market performance, directly linking Executive reward to delivering competitive returns for shareholders.

### Performance Incentive Plan

EPS is calculated by dividing NPAT by the weighted average number of ordinary shares of RCR on issue.

In FY17, conditional rights were granted and are subject to the following EPS hurdles over the performance period (1 July 2016 to 30 June 2019):

What are	the	EPS
hurdlos2		

EPS Hurdle	% of Rights that Vest
Less than 5% per annum	0% vesting
Equal to 5% per annum	35% vesting
Between 10% to 15% per annum	straight line vesting between 35% to 100%
Equal to 15% per annum or above	100% vesting

During the year, the Board completed an assessment of EPS Hurdles for new equity-grants and determined that EPS growth rates of between 5% and 15% per annum would apply for the performance period 1 July 2016 to 30 June 2019. EPS growth rates over the performance period 1 July 2016 to 30 June 2019 will be calculated using a base EPS of 23.00 cents per share.

In FY17, conditional rights were granted and subject to the following TSR Hurdles over the performance period (1 July 2016 to 30 June 2019).

Percentile Ranking for TSR Hurdle	% of Rights that Vest
Less than 50th percentile	0% vesting
Equal to 50th percentile	35% vesting
Between the 50th and 75th percentile	straight line vesting between 35% to 100%
Equal to the 75th percentile or above	100% vesting

TSR is calculated as the difference in share price over the performance period, plus the value of shares that would have been earned from reinvesting dividends received over the performance period, expressed as a percentage of the share price at the beginning of the performance period.

If the TSR for each company in the comparator group is ranked from highest to lowest, the mid-point (50th percentile) TSR is the percentage return to shareholders that exceeds the TSR for half of the comparator companies. The 75th percentile TSR is the percentage return required to exceed the TSR for 75% of the comparator companies.

# What are the TSR hurdles?

The TSR component of the performance rights will vest (pro-rata) if RCR's relative TSR performance is between the 50th percentile and 75th percentile of the comparator group of companies, measured over the three year performance period.

It is also a requirement that RCR's relative TSR be positive for full entitlement, otherwise any entitlement will be reduced by half.

The comparator group for conditional rights granted in FY17 comprises:

- Ausdrill
- Global Construction Services
- Programmed Maintenance Services

- Austin Engineering
- Imdex

NRW

- AJ LucasBradken
- LogiCamms
- Service Stream

- BSA
- Lycopodium
- Seymour Whyte

- B5A
- MACA

Southern Cross Electrical

CardnoDecmil Group

GR Engineering

- MacmahonMineral Resources
- SRGWatpac

- Downer
- Monadelphous
- Worley Parsons

# Is there re-testing of performance

hurdles?

There is no re-testing mechanism. Testing is performed at the end of the three year performance period and where the performance hurdles are not achieved, the conditional rights lapse.

Conditional rights will have an exercise process whereby the Participant may exercise the rights up to 15 years after the grant date once they have vested.

# How are vested rights converted to shares or cash?

On exercise, the Board may either, having regard to any election of the participant, issue or procure the transfer of shares or pay a cash amount (net of tax) equivalent to the market price of the shares at the exercise date.

The Board retains the discretion to decide whether to purchase shares on-market or issue new shares on exercise of conditional rights.



### A conditional right granted will lapse if: the participant leaves the Company due to resignation or dismissal, unless the Board in its absolute discretion determines otherwise: or Is there a real risk of if the Board determines (in its absolute discretion) that the employee has acted fraudulently or dishonestly forfeiture? or is in material breach of his/her obligations under the Performance Incentive Plan or to the Company; if the employee purports to transfer, mortgage, charge or otherwise dispose of any right or interest in a conditional right other than in accordance with the terms of the Performance Incentive Plan. Conditional rights will not attract any entitlement to voting, dividends or dividend equivalent payments. What is the treatment Each vested conditional right entitles the participant to one fully paid ordinary share plus an additional for dividends and number of shares calculated on the basis of the dividends that would have been paid in respect of the share voting rights on being reinvested over the performance period. No dividends or resultant rights to shares accrue or are paid performance rights? in respect of conditional rights that lapse. The conditional rights will lapse on cessation of employment or resignation (whichever is the earlier).

What is the treatment of incentives on cessation of employment?

Performance Incentive Plan

In the event death or total and permanent disability, the Board may at its discretion determine that a pro-rata number of unvested conditional rights will lapse, based on the proportion of time remaining in the relevant performance period, while the remaining unvested conditional rights may still vest, subject to satisfaction of the performance hurdles at the end of the performance period.

What happens on a change in control event?

If there is a change of control of RCR the Board may in its discretion determine that all or some Performance Rights vest earlier than the vesting date.

Are there clawback rights?

The terms of the Performance Incentive Plan contain a mechanism for the Board to clawback or adjust the Performance Rights which vest (or may vest) as a result of fraud, dishonesty, breach of obligations or material misstatement in or an omission from the Company's financial statements.

Are there restrictions on hedging?

As part of the Company's Securities Trading Policy, the Company prohibits Executives from entering into arrangements to protect the value of unvested awards. This includes prohibiting Executives from entering into contracts to hedge their exposure to performance rights or shares granted as part of their remuneration package.

Are there Disposal Restrictions?

A participant may not dispose of any shares held under the Plan, until the participant has reached the minimum shareholding criteria or such other minimum criteria as determined by the Board.

Can there be variations to the plan?

The Board may cease, suspend or amend the terms of the Performance Incentive Plan at any time. Any such amendment may not, without the written agreement of a participant, materially reduce or otherwise prejudicially affect the rights attaching to the conditional rights granted or the shares issued or transferred pursuant to and still subject to the Performance Incentive Plan, other than in certain circumstances (for example, if the amendment introduced is primarily for the purpose of complying with the ASX Listing Rules or the *Corporations Act 2001*).

### 3.4.3 Long-Term Incentives Outcomes for FY17

Following the Board's assessment of the performance outcomes for the three year performance period 1 July 2014 to 30 June 2017, the Board approved the vesting of 582,610 performance rights granted to Executives and other senior managers participating in the LTI Plan.

The performance rights were subject to two separate performance measures being EPS compound annual growth rate of 8% to 16% (weighted at 50%) and a relative TSR hurdle (weighted at 50%), measured over the three year performance period (1 July 2014 to 30 June 2017), summarised in Table 4. Where the performance condition is not met then the performance rights will lapse on 31 August 2017. Refer to Table 9 for the vesting of performance rights to Executives.

Table 4 - LTIs Vesting for the Three Year Performance Period Ending 30 June 2017

		Percentile Ranking			
	Outcome	v Comparator	Vested	Vested	Lapsed
Performance Hurdle	(FY15 – FY17)	Group	%	Number <sup>1</sup>	Number
EPS (8% to 16% per annum)	Below threshold	-	0%	Nil	582,610
TSR	above stretch (refer to chart 1)	76th percentile	100%	582,610	Nil

<sup>1</sup> Vested to Executives named in this report (refer to table 9) and other senior managers. The number of rights vesting are convertible on the basis of one performance right is convertible into 1.08719 shares (calculated on the basis of one share for each right plus an additional number of shares calculated on the basis of the dividends that would have been paid in respect of the share being reinvested over the performance period).

### 3.5 Managing Director's Remuneration

Dr Dalgleish's remuneration has a fixed component and an 'at risk' component that varies with performance. The 'at risk' component comprises an STI and an LTI.

The Board has determined that Dr Dalgleish's remuneration package will comprise a high component of 'at risk' long-term incentives to drive a growth strategy that delivers high performance and the creation of shareholder wealth over the long-term. It also encourages a dual focus on both organic and acquisition objectives. Accordingly, the value of Dr Dalgleish's long-term incentives may potentially be higher than some of the Company's peers.

Table 5 reflects the composition of Dr Dalgleish's FY17 remuneration package depending on the outcome of performance of the Company and 'at risk' rewards. There have been no changes to the composition of Dr Dalgleish's remuneration arrangements in FY17.

Table 5 - Composition of Managing Director's Remuneration Package

Component	Thresho	old	Targe	et	Streto	:h
Fixed Remuneration <sup>1</sup>	\$1,000,000	52.6%	\$1,000,000	38.8%	\$1,000,000	25.0%
Short-Term Incentive 'at risk' <sup>2</sup>	\$375,000	19.7%	\$600,000	23.3%	\$1,500,000	37.5%
Long-Term Incentive 'at risk' <sup>3</sup>	\$525,000	27.7%	\$975,668	37.9%	\$1,500,000	37.5%
Total Remuneration	\$1,900,000	100.0%	\$2,575,668	100.0%	\$4,000,000	100.0%

Fixed Remuneration excludes car parking benefit, other benefits and statutory long-services leave provisions.

### FY17 Remuneration in Accordance with Accounting Standards

The reported remuneration for Dr Dalgleish for FY17, in accordance with Accounting Standards, was \$1,646,111 (FY16: \$1,467,858) as set out in Table 7. This includes an accounting expense of \$628,475 (FY16: \$450,795) in relation to statutory long services leave, deferred shares and unvested performance rights granted with approval of shareholders.

The fair value of unvested equity-based incentives is amortised over the performance period, such that total remuneration includes a portion of the fair value of unvested equity-based compensation during the year. The fair value amount is not indicative of the benefit (if any) that Dr Dalgleish may ultimately realise should these equity-based incentives vest.

The following summarises the outcomes for Dr Dalgleish's remuneration for FY17:

Fixed Remuneration	Dr Dalgleish's Fixed Remuneration has remained unchanged at \$1,000,000 (comprising a salary and employer superannuation contributions).
	Dr Dalgleish also receives car parking and other benefits totalling \$17,636.
Short-Term Incentives	Dr Dalgleish did not receive a STI award in FY17 as the Company's performance was below the minimum NPAT hurdle as determined by reference to approved budgets established by the Board at the beginning of the financial year. FY17 NPAT hurdles are detailed in Section 3.3 above.
	On 25 October 2016, Shareholders approved the grant of 588,240 performance rights under the Performance

Incentive Plan to Dr Dalgleish.

The number of performance rights were calculated by dividing the maximum dollar value of Dr Dalgleish's remuneration package allocated to long-term incentives, being \$1,500,000, by the face value of RCR shares. The face value for this grant was \$2.55 per share (being the five day VWAP of RCR shares immediately following the release of the Company's FY16 results on 23 August 2016).

The performance rights are subject to two separate performance hurdles over a three year performance period, being 1 July 2016 to 30 June 2019:

### Long-Term Incentives Granted in FY17

- half of the performance rights are subject to a EPS Hurdle which requires an EPS compound annual growth rate of between 5% and 15% per annum; and
- half of the performance rights are subject to a TSR Hurdle that measures RCR's relative TSR performance against a comparator group of companies. Refer to Section 3.4.2 above which sets out the comparator group. The performance criteria for the TSR Hurdle requires that RCR's relative TSR be positive for full entitlement, otherwise any entitlement will be reduced by half.

There is no re-testing of performance rights after the performance period. Accordingly, if the relevant performance hurdles are not achieved, then the performance rights will lapse. The performance rights are subject to the terms and conditions set out Section 3.4.2 above.

STIs are calculated as a percentage of TFR. STIs are 'at risk' and subject to pre-defined performance hurdles which are set at the beginning of the performance period.

LTI values represent the face value (actual) of unvested equity-based incentives granted (with shareholder approval) and which are subject to a three year performance period. LTIs are 'at risk' and subject to pre-defined performance hurdles set by the Board at the time of grant.



In respect of the three year performance period ending 30 June 2017, Dr Dalgleish holds 470,220 performance rights, which were approved by shareholders at the 2014 Annual General Meeting. These performance rights are subject to two separate performance measures being EPS compound annual growth rate of 8% to 16% per annum (weighted at 50% being 235,100 performance rights) ("EPS Hurdle"), and RCR's relative TSR performance (weighted at 50% being 235,100 performance rights) ("TSR Hurdle"), measured over a three year performance period being 1 July 2014 to 30 June 2017.

For the three year performance period ending 30 June 2017:

- No performance rights will vest in respect of the EPS Hurdle, as EPS for the performance period was below the 8% p.a.; and:
- 235,110 performance rights will vest in respect of the TSR Hurdle, representing a 100% vesting. RCR's TSR for the three year performance period was 34.39% which placed RCR at 76th percentile in the comparator group of 25 entities.

Table 4 above shows the outcomes against the performance criteria for the three year performance period ended on 30 June 2017. Accordingly, a total of 235,110 performance rights will vest to Dr Dalgleish on or before 31 August 2017.

The number of performance rights vesting on 31 August 2017 to Dr Dalgleish (being 235,110 performance rights) are convertible into 255,609 shares (calculated on the basis of one share for each right plus an additional number of shares calculated on the basis of dividends that would have been paid in respect of the shares being reinvested over the performance period). The Board has determined that, given the current level of shareholding held by Dr Dalgleish in the Company, these vested entitlements will be paid in cash which will be equivalent to the market price of the shares at the vesting date.

### Unvested Performance Rights at 30 June 2017 Held by the Managing Director

Table 6 sets out the number of unvested rights granted to Dr Dalgleish and the relevant performance hurdles. Shareholders approved each of the equity grants. These rights are subject to two separate performance measures being EPS Hurdle (weighted at 50%) and TSR Hurdle (weighted at 50%) over the relevant performance period.

Table 6 - Unvested Performance Rights at 30 June 2017

Long-Term Incentives

vesting for the three

year period ending

30 June 2017

Year Granted	Performance Period	Number of Rights	EPS Hurdle	TSR Hurdle
FY15	1 July 2014 to 30 June 2017	470,220 <sup>1</sup>	EPS compound annual growth rate 8% to 16%	RCR's TSR ranking of between 50th percentile and 75th percentile, measured against a peer group of 25 companies.
EV4.0	1 July 2015 to	777.000	EPS compound annual	RCR's TSR ranking of between 50th percentile and 75th percentile, measured against a peer group of 25 companies.
FY16	30 June 2018	777,200	growth rate of 5% to 15%	The performance criteria requires that RCR's relative TSR be positive for full entitlement, otherwise any entitlement will be reduced by half.
E)/4.7	1 July 2016 to	500.040	EPS compound annual	RCR's TSR ranking of between 50th percentile and 75th percentile, measured against a peer group of 25 companies.
FY17	30 June 2019	588,240	growth rate of 5% to 15%	The performance criteria requires that RCR's relative TSR be positive for full entitlement, otherwise any entitlement will be reduced by half.

<sup>1 235,110</sup> performance rights will vest to Dr Dalgleish and 235,110 will lapse on the vesting date of 31 August 2017.

3.6 Executive Remuneration Outcomes FY17 - In Accordance with Accounting Standards

The following table sets out the statutory disclosures required under the Corporations Act 2001 and in accordance with the Australian Accounting Standards.

Table 7 - Remuneration of Executives

		Performance Related %		36%	79%	32%	35%	43%	1	%0	16%		2%	28%	792
		with Accounting F Standards \$		1,646,111	1,467,858	934,949	943,758	373,054	1	547,416	398,596	1	445,896	3,501,530	3,256,108
Share-Based Payments		Fair Value of w Equity Grants <sup>6</sup> \$	Table 9	542,103	296,423	282,525	292,135	79,082	1	(62,472)	62,472	1	16,398	841,238	667,428
Long-Term Benefits		Long Service Leave <sup>5</sup>		36,782	27,034	3,837	4,439	430	1	1,020	217	1	2,650	42,069	34,340
Post- Employment Benefits		Super \$		19,616	19,308	19,616	19,308	7,670	1	19,616	9,495	1	14,587	66,518	62,698
		Other <sup>4</sup>		1	1		1	1		17,332	30,841		,	17,332	30,841
		Non- Monetary³ \$		17,636	17,063	7,766	5,628	4,550	1	41,536	34,599	1	6,445	71,488	63,735
Short-Term Benefits	Fair Value of Deferred Shares/Rights	Under STI Awards² \$	Table 8	49,590	127,338	13,317	37,324	1	1	1	1	1	6,061	62,907	170,723
Short	, or	STI Award¹		1	1	1	1	81,370	1	1	1	1	1	81,370	1
		Salary, Fees and Allowances \$		980,384	980,692	607,888	584,924	199,952	1	530,384	260,972	1	399,755	2,318,608	2,226,343
		a		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
			Reference		raul Daigleisii		Allarew Filipps	Conal McCullough	(from 15 Feb 2017)	1	Joe Gugliotta		סומוו סמונפן	Total	Total

STI amounts represent the STI awards payable in cash in respect of the relevant financial period.

Refer to Table 8 in The expense in FY17 relates to deferred shares issued in prior periods. The fair value represents the market value of RCR shares on the date of award and is expensed over three years.

Non-Monetary benefits reflect the value of allowance and benefits including but not limited to travel, motor vehicle and car parking and applicable fringe benefits.

4 Other benefits represent other short-term employee benefits provided to the KMP.

Long Service Leave represents amounts accrued for long service leave entitlements. Long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by Executives up to the reporting date.

Share-based payments incorporate all equity based plans. In accordance with the requirements of AASB 2 Share-Based Payments, the fair value of rights or options as at their grant date has been determined by applying the Black-Scholes option pricing technique or binomial valuation method. The fair value of rights or options is amortised over the vesting period, such that total remuneration includes a portion of the fair value of unvested equity compensation during the year. The amount is not indicative of the benefit (if any) that individuals may ultimately realise should these equity securities vest. Refer to Table 9 in Section 3.8.



# 3.7 Movement in Short-Term Deferred Shares

Table 8 sets out the movement in deferred shares granted to Executives during FY17. Deferred shares are subject to a two year restriction period and forfeiture conditions.

Table 8 - Movement of Deferred Shares Held by Executives During FY17

				Opening	Granted		Vested	<u>d</u>	Forfeited		Closing	Share Based	Fair Value
	Equity	Grant Date	Grant Date Vesting Date	Balance T	Number	   <del>\$</del>	Number	₩	Number	₩	Balance 30 Jun 17	Expense FY17	per Share
	Ordinary Shares 10 Sep 14 31 Aug 16	10 Sep 14	31 Aug 16	80,429	1	1	(80,429)	(80,429) (233,244)	1	1	1	1	2.90
raul Dalgleisti	Ordinary Shares	10 Sep 15	10 Sep 15 31 Aug 17	79,556	1	1	1	1	1	1	79,556	49,590	1.87
	Ordinary Shares	10 Sep 14	10 Sep 14 31 Aug 16	24,834	1		(24,834)	(24,834) (72,019)	ı	1	•	1	2.90
Alidiew Filipps	Ordinary Shares	10 Sep 15 31 Aug 17	31 Aug 17	21,365	1		1	1	1	1	21,365	13,317	1.87
Total				206,184	1	1	(105,263)	(305,263)	1	1	100,921	62,907	

The value of vested performance rights are calculated as the five day VWAP of RCR shares on ASX on the date of vesting/exercise. This value may be higher or lower than the fair value used for accounting and reporting of remuneration.

# 3.8 Movements in Long-Term Incentives Granted

Table 9 sets out the movement in performance rights shares granted to Executives during FY17.

Table 9 - Movement of Performance Rights Held by Executives During FY17

				Balance of							Balance of Unvested	Based Payment	Fair Value
	Dorforman	- co	Performance	Unvested Equity	Granted <sup>1</sup>	<sup>1</sup> d <sup>2</sup>	Vested <sup>2</sup>	d <sup>2</sup>	Lapsed or Forfeited <sup>3</sup>	orfeited <sup>3</sup>	Equity 30 Jun 17 <sup>4</sup>	Expense FY17 <sup>5</sup>	per Security <sup>1</sup>
	Hurdles	Date	End Date	Number	Number	₩	Number	₩	Number	↔	Number	↔	↔
	EPS	25 Feb 14	30 Jun 16	216,090	1	1	1	1	(216,090)	(615,572)	1	1	3.38
	TSR	25 Feb 14	30 Jun 16	216,090	1	1	(216,090)	(615,572)	1	1	1	34,187	2.34
	EPS	23 Feb 15	30 Jun 17	235,110	1	-1	1	1	1	1	235,110	1	2.46
Paul	TSR	23 Feb 15	30 Jun 17	235,110	1	-	1	1	1	1	235,110	154,381	1.97
Dalgleish	EPS	29 Jun 16	30 Jun 18	388,600	1	1	T.	1	1	1	388,600	1	1.59
	TSR	29 Jun 16	30 Jun 18	388,600	1	-1	1	1	1	1	388,600	135,886	1.05
	EPS	22 Feb 17	30 Jun 19	1	294,120	855,889	1	1	1	1	294,120	1	2.91
	TSR	22 Feb 17	30 Jun 19	1	294,120	652,946	1	1	1	1	294,120	217,649	2.22
Total				1,679,600	588,240	1,508,835	(216,090)	(615,572)	(216,090)	(615,572)	1,835,660	542,103	

Table 9 - Movement of Performance Rights Held by Executives During FY17 (continued)

	Performance	trant	Performance Period	Balance of Unvested Equity	Granted <sup>1</sup>	101	Vested <sup>2</sup>	d²	Lapsed or Forfeited <sup>3</sup>	orfeited <sup>3</sup>	Balance of Unvested Equity 30 Jun 174	Share- Based Payment Expense FY17 <sup>5</sup>	Fair Value per Security <sup>1</sup>
	Hurdles	Date	End Date	Number	Number	\$	Number	€	Number	€	Number	   ₩	€
	Cont. Service	31 Aug 13	1 Jul 16	20,000	1	1	(20,000)	(90,411)	1	1	1	8,514	3.01
	Cont. Service	31 Aug 13	1 Jul 17	50,000	1	1	1	1	1	1	50,000	36,466	2.92
	Cont. Service	25 Feb 14	1 Jul 16	50,000	1	1	(20,000)	(90,411)		1	1	25,158	3.13
	Cont. Service	25 Feb 14	1 Jul 17	50,000	1	1	•	•		1	50,000	53,296	3.04
	EPS	25 Feb 14	30 Jun 16	75,000	1	1			(75,000)	(213,651)		1	3.38
Andrew	TSR	25 Feb 14	30 Jun 16	75,000	1	1	(75,000)	(213,651)	1	1	1	11,866	2.34
Phipps	EPS	12 May 15	30 Jun 17	75,000	1		1		1	ı	75,000	1	2.01
	TSR	12 May 15	30 Jun 17	75,000	1	1		1	1	1	75,000	34,963	1.40
	EPS	29 Jun 16	30 Jun 18	120,000	1	1	1	1	1	1	120,000	1	1.59
	TSR	29 Jun 16	30 Jun 18	120,000		1		•		1	120,000	41,962	1.05
	EPS	22 Feb 17	30 Jun 19	1	95,000	276,450	1	1	1	1	95,000	1	2.91
	TSR	22 Feb 17	30 Jun 19	1	95,000	210,900	1	1	1	1	95,000	70,300	2.22
Total				740,000	190,000	487,350	(175,000)	(394,473)	(75,000)	(213,651)	000'089	282,525	
	EPS	12 Jul 16	30 Jun 18	•	43,000	72,240	1	1	1	1	43,000	1	1.68
Conal	TSR	12 Jul 16	30 Jun 18	•	43,000	48,590		•	1	1	43,000	16,182	1.13
McCullough	h EPS	22 Feb 17	30 Jun 19	•	85,000	247,350	•	1	1	1	85,000	1	2.91
	TSR	22 Feb 17	30 Jun 19	1	85,000	188,700	1	1	1	1	85,000	62,900	2.22
Total				1	256,000	556,880	1	1	1	1	256,000	79,082	
	Cont. Service	12 Feb 16	4 Jan 18	999'99	1	1	1	1	1	1	999'99	(13,535)	1.08
	Cont. Service	12 Feb 16	4 Jan 19	999'99	1	1	•	1	1	1	999'99	(8,233)	1.00
-	Cont. Service	12 Feb 16	4 Jan 20	66,668	1	1	1	1	1	1	66,668	(5,640)	0.92
Joe Giraliotta	EPS	29 Jun 16	30 Jun 18	100,000	1	1	1	1	1	1	100,000	1	1.59
	TSR	29 Jun 16	30 Jun 18	100,000	1	1	1	1	1	1	100,000	(35,064)	1.05
	EPS	22 Feb 17	30 Jun 19	1	85,000	247,350	1	1	1	1	85,000	1	2.91
	TSR	22 Feb 17	30 Jun 19	1	85,000	188,700	1	1	1	1	85,000	1	2.22
Total				400,000	170,000	436,050	1	1	1	1	270,000	(62,472)	
Ē													

The value of the grant is the fair value as calculated in accordance with AASB 2 Share-Based Payments. The performance criteria is described in Section 3.4.2 above.

LTI awards vested in respect of FY16 performance. It also includes 100,000 LTI awards vested to Mr Phipps for continuous service. The value of vested performance rights is calculated per right as the five day volume weighted average prices of RCR shares on ASX on the date of vesting/exercise, less the exercise price (if applicable). The fair value used for accounting expense may be higher or lower

Represents the maximum number of performance rights that would vest if the maximum/stretch performance hurdles were achieved. If the minimum/threshold performance hurdles are not achieved then the performance rights The value of lapsed performance rights is calculated per right as the five day volume weighted average prices of RCR shares on ASX on the date of lapsing.

In accordance with the requirements of AASB 2 Share-Based Payments, the fair value of options and performance rights as at the date of grant has been determined by applying a Black-Scholes option pricing technique or lapse. The last sale price of RCR Shares at 30 June 2017 was \$3.41.

binomial valuation. The fair value of options and performance rights is amortised over the vesting period such that 'total remuneration' includes a portion of the fair value of unvested equity compensation during the year. The amount included in remuneration is not related to or indicative of the benefit (if any) that individual Executives may ultimately realise should these securities vest. The fair value of performance rights granted during the year has been calculated at the date of grant by an independent third party using a Binomial valuation analysis



### 3.9 Equity Grants - Purchased On-Market, New Share Issues or Cash-Settled

During FY17, a total of 87,240 RCR shares were acquired on-market, at a cost of \$240,715 to satisfy the vesting of performance rights.

During FY17, a total of 493,025 performance rights which vested for the performance period 1 July 2013 to 30 June 2016, were settled in cash at market value on 31 August 2016. On 30 June 2017, a further 25,000 continuous service performance rights were settled in cash at market value.

### 4.0 Non-Executive Directors' Remuneration for FY17

### 4.1 Non-Executive Director Remuneration Policy

RCR's Non-Executive Director Remuneration Policy is to provide for remuneration that is sufficient to attract and retain Directors with the experience, knowledge and judgement to oversee the Company's success. Fees are not linked to the financial performance of the Company in order for Non-Executive Directors to be classified as independent.

### 4.2 Non-Executive Directors' Remuneration Structure and Fee Pool

RCR's remuneration structure for Non-Executive Directors consists of a base Director Fee and Committee Fee for participation on nominated Board subcommittees. All fees are inclusive of statutory superannuation. Non-Executive Directors' fees are determined within an aggregated Directors' fee pool limit of \$950,000, which was last approved by shareholders at the 2012 Annual General Meeting.

Director and Committee Fees are benchmarked and reviewed against market data provided by the Company's independent external advisor

Non-Executive Directors are also entitled to reimbursement for business-related expenses, including travel expenses and also receive the benefit of coverage under a Directors and Officer insurance policy.

Table 10 - Annual Board and Committee Fees Payable to Non-Executive Directors

		Audit &	Remuneration &
	Board	Risk Committee	Nomination Committee
Position	\$	\$	\$
Chairman of the Board	208,000	-	-
Non-Executive Director	104,000	-	-
Committee Chairman	-	24,000	20,000
Committee Member	-	12,000	10,000

No retirement benefits are paid other than the statutory superannuation contributions required under Australian superannuation guarantee legislation. Board and committee fees amounts are inclusive of statutory superannuation contributions.

### 4.3 Non-Executive Directors' Remuneration

Table 11 sets out the Non-Executive Directors' Remuneration for FY17.

Table 11 - Remuneration of Non-Executive Directors

		Base Fees	Superannuation \$	Total \$
Roderick Brown	2017	199,087	18,913	218,000
Chairman	2016	198,693	19,308	218,001
Fue China1	2017	113,242	10,758	124,000
Eva Skira <sup>1</sup>	2016	121,672	11,559	133,231
Deat Disease	2017	116,000	-	116,000
Paul Dippie	2016	116,000	-	116,000
	2017	104,110	9,890	114,000
Lloyd Jones	2016	104,110	9,890	114,000
David Lance	2017	105,936	10,064	116,000
Bruce James	2016	105,936	10,064	116,000
0 5 2	2017	116,895	11,105	128,000
Sue Palmer <sup>2</sup>	2016	112,680	10,705	123,385
Total	2017	755,270	60,730	816,000
Total	2016	759,091	61,526	820,617

During FY16, Ms Eva Skira was appointed Chair of the Remuneration & Nomination Committee and ceased to be a member of the Audit & Risk Committee.

<sup>&</sup>lt;sup>2</sup> During FY16, Ms Palmer was appointed as Chair of the Audit & Risk Committee.

### 5.0 Remuneration Governance

### Responsibility for Setting Remuneration

The Board oversees, and is responsible for, remuneration decisions. To assist the Board, governance and oversight of remuneration is delegated to the Remuneration & Nomination Committee.

Members of the Remuneration & Nomination Committee include Ms Eva Skira (Chair of the Committee), Mr Lloyd Jones and Mr Roderick Brown, who is also Chairman of the Board.

The Remuneration & Nomination Committee has responsibility for reviewing the Remuneration Policy and practices applicable to Non-Executive Directors, the Managing Director, CFO, COO and certain other Executives reporting directly to the Managing Director and the COO. The Remuneration & Nomination Committee makes recommendations to the Board on the level and form of remuneration.

From time to time the Remuneration & Nomination Committee seeks independent external advice on the appropriateness of the remuneration framework and remuneration arrangements for Directors and Executives.

The role and responsibilities of the Remuneration & Nomination Committee are set out in the Remuneration & Nomination Committee Charter, which is available on the Company's website at <a href="www.rcrtom.com.au/about-us/corporate-governance">www.rcrtom.com.au/about-us/corporate-governance</a>. The Charter is reviewed annually and was last reviewed in June 2017. Further information on the Remuneration & Nomination Committee is provided in the Corporate Governance Statement.

### 5.2 Use of Remuneration Advisors During the Year

During the year, the Board engaged Guerdon Associates as its independent consultant to provide information on remuneration matters. The Chair of the Remuneration & Nomination Committee oversees the engagement of remuneration services for, and payment of, the independent consultant.

The Board was satisfied that advice received from Guerdon Associates was free from any undue influence by KMPs to whom the advice related, because strict protocols were observed and complied with regarding any interaction between Guerdon Associates and management. All remuneration advice was provided directly to the Chair of the Remuneration & Nomination Committee. No remuneration recommendations as defined under Division 1, Part 1.2.98 (1) of the Corporations Act 2001, were made by Guerdon Associates.

### 5.3 Executives Service Contracts

Remuneration and other terms of employment for Executives are formalised in service agreements. A summary of the key contractual termination provisions for each Executive in office at 30 June 2017 is set out in Table 12.

Table 12 - Key Contractual Provisions for Current Executives

			Termination	Termination
		Contract	Notice Period	Notice Period
Executive	Employing Company	Duration	(Company)	(Employee)
Paul Dalgleish, Managing Director & CEO	RCR Corporate Pty Ltd	No Fixed Term	12 Months	6 Months
Andrew Phipps, CFO	RCR Corporate Pty Ltd	No Fixed Term	6 Months	6 Months
Joe Gugliotta, COO - West	RCR Corporate Pty Ltd	No Fixed Term	6 Months	6 Months
Conal McCullough, COO - East	RCR Corporate Pty Ltd	No Fixed Term	6 Months	6 Months



### 6.0 Directors and Executives Share Ownership

Table 13 sets out the number of shares held directly, indirectly or beneficially by Non-Executive Directors and Executives (including their related parties) as at 30 June 2017.

Table 13 - Directors and Executives Shareholdings

		Opening Balance 1 Jul 16	Granted as Compensation	Purchased	Disposed	Closing Balance 30 Jun 17
		Number	Number	Number	Number	Number
Roderick Brown	Ordinary Shares	136,500	-	5,000	-	141,500
Bruce James	Ordinary Shares	10,000	-	-	-	10,000
Lloyd Jones	Ordinary Shares	20,000	-	9,292	-	29,292
Paul Dippie	Ordinary Shares	600,000	-	-	-	600,000
Sue Palmer	Ordinary Shares	-	-	-	-	-
Eva Skira	Ordinary Shares	-	-	-	-	-
Paul Dalgleish <sup>1</sup>	Ordinary Shares	8,327,867	-	-	(2,000,000)	6,327,867
Andrew Phipps <sup>2</sup>	Ordinary Shares	281,431	100,000	-	(75,000)	306,431
Conal McCullough	Ordinary Shares	-	-	-	-	-
Joe Gugliotta	Ordinary Shares	-	-	-	-	-
Total		9,375,798	100,000	14,292	(2,075,000)	7,415,090

<sup>1</sup> Dr Dalgleish's shareholdings include 79,556 (30 June 2016: 159,985) ordinary shares which are classified under the Company's STI Plan as deferred shares (as set out in Table 8) and are held by CPU Share Plans Pty Ltd in trust for Dr Dalgleish. These deferred shares are subject to trading restrictions until 31 August 2017. It also includes 9,100 Ordinary Shares held in the name of Versailles Pty Ltd, which is controlled by Ms Charmaine Swartz as Trustee and Beneficiary of the Swartz Superannuation Fund. Ms Swartz is the wife of Dr Dalgleish. The total number of shares held by Dr Dalgleish and disclosed above represent 4.5% of the issued capital of the Company.

### Share Trading Restrictions

RCR's Securities Trading Policy reflects the Corporations Act prohibition on key management personnel and their closely related parties entering into any arrangement that would have the effect of limiting the key management personnel's exposure to risk relating to an element of their remuneration that remains subject to restrictions on disposal.

RCR's Securities Trading Policy applies to key management personnel and other nominated personnel ("restricted personnel"). Under the policy, restricted personnel may only deal in RCR securities during any of the following periods and provided that they are not in possession of Inside Information ("Trading Windows"):

- a) the six week period beginning on the day after the ASX Announcement of the Company's half year results;
- b) the six week period beginning on the day after the ASX Announcement of the Company's full year results;
- c) the three week period beginning the day after the Company's Annual General Meeting; or
- d) such other periods advised by the Board or the CEO in writing to restricted personnel.

Restricted personnel and any of their immediate family and/or controlled entities are also required to obtain consent from the RCR's Company Secretary for dealings in RCR's securities. The Company Secretary refers all requests to the Chairman and the Managing Director for approval. Approval from the Chairman is required for requests from RCR Directors. Approval cannot be requested for dealings that are subject to prohibitions under the Corporations Act. The policy is available on the Corporate Governance section of the company's website at <a href="https://www.rcrtom.com.au">www.rcrtom.com.au</a>. Breaches of the policy are subject to disciplinary action, which may include termination of employment.

Mr Andrew Phipps' shareholdings include 21,365 (30 June 2016: 46,199) ordinary shares which are classified under the Company's STI Plan as deferred shares (as set out in Table 8) and are held by CPU Share Plans Pty Ltd in trust for Mr Phipps. These deferred shares are subject to trading restrictions until 31 August 2017. It also includes 235,232 ordinary shares held in the name of Phipps Family Fund Pty Ltd for the Phipps Superannuation Fund, of which Mr Phipps is a beneficiary.

### Corporate Governance

### 1 Corporate Governance at RCR

The Board is ultimately responsible for all corporate governance matters of the Company and is accountable to shareholders for the performance of the Company.

The Board oversees a governance framework which aims to ensure standards of corporate governance are maintained in all parts of the business.

The Board continues to refine and develop its governance policies and practices to meet the needs of the business and the interest of shareholders and other stakeholders.

Details of the Company's Corporate Governance policies can be found on the Company's website, www.rcrtom.com.au.

This statement reports on the Company's key governance framework, principles and practices as at 30 June 2017 and has been approved by the Board.

### 1.1 ASX Principles of Corporate Governance

As a listed entity, the Company must comply with the *Corporations Act 2001*, the Australian Securities Exchange Limited Listing Rules ("ASX Listing Rules") and other laws applicable in Australia and in countries where the Company operates.

ASX Listing Rule 4.10.3 requires ASX listed companies to report on the extent to which they have followed the Corporate Governance Principles and Recommendations 3rd Edition ("ASX Principles") released by the ASX Corporate Governance Council in March 2014. These ASX Principles require the Board to carefully consider the development and adoption of appropriate corporate governance policies and practices founded on the ASX Principles.

The Company's corporate governance practices were in place throughout FY17, unless otherwise stated.

The Company's compliance with the ASX Principles is detailed below. A checklist, cross referencing the ASX Principles to the relevant section of this statement and the Remuneration Report, is provided at pages 69 to 71 of this statement.

### 2 Board of Directors

### 2.1 The Role and Responsibilities of the Board

The Board has adopted a formal Board Charter that sets out the role and responsibilities of the Board, describes the separate functions of Directors and management and matters specifically reserved for the Board and powers delegated to its Committees and to the Managing Director.

The primary role of the Board is to set the Company's strategic direction, report to shareholders and to appoint the Managing Director to oversee the day-to-day management and operations of the Company.

In addition to matters required by law to be approved by the Board, the Board is responsible for:

- strategy approving strategic plans, including acquisitions and disposal or cessation of any significant business of the Company;
- board composition determining the size and composition of the Board as well as recommending to shareholders the appointment and removal of Directors;
- leadership selection the appointment of the Managing Director. Evaluating the performance of the Managing Director and approving the remuneration for the Managing Director and those Executives reporting directly to the Managing Director;
- shareholders equity authorising the issue of shares, equity instruments or other securities, declaration of any dividends, and the implementation of any capital return or buyback program;
- operational budgets approving the Company's annual operating budget;
- borrowings authorising borrowings and the grant of security over undertakings of the Company or any of its assets;
- policies approving policies of general company-wide or general application;
- risk management approving the Company's risk management policy, monitoring systems of risk management and oversight of the internal audit function;
- reporting to shareholders communicating with the Company's shareholders and the investment community; and
- company financial statements authorising the annual and half year financial statements.
- > A copy of the Board Charter is available in the corporate governance section of the Company's website.



### 2.2 Board Composition, Skills and Experience

The Company's Constitution provides that the maximum number of Directors must be no more than seven and no less than three (including the Managing Director).

In assessing the composition of the Board, the Directors have regard to the following policies:

- the Chairman should be an independent, Non-Executive;
- the role of the Chairman and Managing Director should not be filled by the same person;
- the Managing Director should be a full-time employee of the Company;
- the majority of the Board should comprise Directors who are both Non-Executive and independent; and
- the Board should comprise a broad range of qualifications, diversity, experience and expertise.

At the date of this statement, the Board consists of seven Directors, including six Independent Non-Executive Directors and the Managing Director. The details of the composition of the Board are set out in Table 1.

Table 1 - Composition of the Board

Director	Position	Independence	Qualifications	Term in Office
Mr Roderick Brown	Chairman, Non-Executive Director	Independent	AWASM, MAICD, AusIMM	Director since October 2005, Chairman since January 2008
Dr Paul Dalgleish	Managing Director and CEO	Executive	DBA, MA, BEng (Hons), FIEAust, MAICD	CEO since May 2009 Managing Director since October 2011
Ms Eva Skira	Non-Executive Director	Independent	BA (Hons), MBA, SF Fin (Life Member), FAICD, FAIM, FGIA	Director since May 2008
Mr Paul Dippie	Non-Executive Director	Independent	NZCE, MAICD	Director since March 2007
Mr Lloyd Jones	Non-Executive Director	Independent	BEng, MBA, GAICD	Director since November 2013
Mr Bruce James	Non-Executive Director	Independent	BEng (Civil), MAICD	Director since January 2014
Ms Sue Palmer	Non-Executive Director	Independent	BCom, CA, FAICD	Director since August 2014

Details on each of the Directors' backgrounds including experience, knowledge, skills and their status as an Independent Non-Executive Director are set out on pages 26 to 27 of this Report.

Where a casual vacancy arises, the Board will seek to appoint a Non-Executive Director with requisite skills and experience in the industry.

Where a Director is seeking election or re-election, details on the Directors skills, experience and qualifications are given in the notice of meeting.

The Board, through the Chairman, reviews the composition of the Board and succession planning for Non-Executive Directors.

The Board uses the skills matrix below to guide its assessment of the skills and experience of the current Non-Executive Directors and the future needs of the Board.

Table 2 - Areas of Competence and Skills of the Board

Area	Competence
Leadership	Business and Executive Leadership; Public Company Experience; Commercial Acumen Corporate Governance; Health & Safety; Industrial Relations; Government Relations.
Strategy, Business and Finance	Accounting qualifications; Business Strategy; Mergers & Acquisition; Financial Literacy; Understanding of Risk Management.
Technical and Projects	Engineering qualifications; Experience in construction and maintenance, oil & gas, water, energy, mining and infrastructure sectors; Large contract management experience.
International	Experience with businesses in New Zealand, Asia and other countries.

### 2.3 Chairman Responsibilities

The Chairman of the Board, Mr Roderick Brown is an independent, Non-Executive Director.

The Chairman is responsible for leadership of the Board, for the efficient running of the organisation and conduct of the Board's function and for the promotion of relations between Board members and management that are open, cordial and conducive to productive co-operation. The Chairman's responsibilities are set out in more detail in the Terms of Reference for the Chairman.

Key responsibilities include:

- Leading the Board in its duties;
- Facilitating effective Board meeting discussion; and
- Overseeing the process to evaluate the performance of the Board and individual Directors.

Mr Brown is also Chairman of Immersive Technologies Pty Ltd. The Board considers that neither his role as Chairman of Immersive Technologies, nor any of his other commitments interfere with the discharge of his duties to the Company. The Board is satisfied that Mr Brown commits the time necessary to discharge his role effectively.

### 2.4 Director Independence

The independence of a Director is assessed by determining whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

The test of whether a relationship or business is material is based on the nature of the relationship or business and on the circumstances and activities of the Director. Materiality is considered from the perspective of the Company, the persons or organisations with which the Director has an affiliation and from the perspective of the Director. Materiality thresholds are considered by the Board from time to time.

Relationships that Board take into consideration when assessing independence are whether a Director:

- is not a substantial holder (i.e. 5% or more of the voting stock) of the Company or any subsidiary or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not been employed in an executive capacity by the Company or any subsidiary within the last three years, or been a Director after ceasing to hold any such employment;
- has not been a principal of a material professional adviser or a material consultant to the Company or any subsidiary within the last three years, or an employee materially associated with the service provided;
- is not a material customer of the Company or any subsidiary who accounts for more than 5% of the Company's consolidated gross revenue;
- is not a supplier to the Company or any subsidiary who accounts for more than 5% of the supplier's gross revenue;
- has no material contractual relationship with the Company or any subsidiary other than as a Director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the Company; and
- has been a Director of the Company for such a period that his/her independence may have been compromised.

During the year the Remuneration & Nomination Committee completed a review of independence of Directors and determined that all Non-Executive Directors are independent. Dr Dalgleish, due to his executive role as Managing Director, is not regarded as independent.

> A copy of the Policy on Independence of Directors is available in the corporate governance section of the Company's website.

### 2.5 Responsibilities of Managing Director

The Managing Director is appointed by the Board under the Company's Constitution. The Managing Director is responsible for the day-to-day management of the Company and his authority is delegated and authorised by the Board. The Managing Director's objective is to direct profitable operation and development of the Company, consistent with the primary objective of enhancing longterm shareholder value.

The Managing Director's services are governed by a written employment agreement, which is regularly reviewed against corporate objectives and other KPI's. The responsibilities of the Managing Director are detailed in the Terms of Reference for the Managing Director and in his Services Agreement. The powers of the Managing Director are set out in the Company's Delegation of Authority.

### 2.6 Board Meetings

The Chairman, in conjunction with the Managing Director sets the agenda for each Board meeting. Any Director may request additional matters be added to the agenda. The Chief Financial Officer and Company Secretary attends meetings of the Board by invitation. Other members of the senior executive team attend Board meetings by invitation.

The Company's Non-Executive Directors confer regularly without management present at various times throughout the year.

Directors are entitled to request additional information where they consider the information is necessary to support informed decision

Particulars of the number of meetings of the Board of Directors and each Board Committee of Directors held and attended by each Director during FY17 are set out in the Directors' Report.



### 2.7 Board Access to Independent Advice

Directors may, in carrying out their company related duties, seek external professional advice. If external professional advice is sought, a Director is entitled to reimbursement of all reasonable costs where such a request for advice is approved by the Chairman. In the case of a request made by the Chairman, approval is required by at least two Board members.

### 2.8 Conflicts of Interest

Directors are required to disclose any actual or potential conflict or material personal interests on appointment as a Director and are required to keep these disclosures up to date.

In the event that there is, or may be, a conflict between the personal or other interests of a Director, then the Director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the Board papers relating to that matter. When the matter comes before the Board for discussion, the Director withdraws from the meeting for the period the matter is considered and takes no part in the discussion or decision making process.

### 2.9 Board Succession Planning

The Board, in conjunction with the Remuneration & Nomination Committee reviews, from time to time, the size and composition of the Board and the mix of existing and desired competencies across members.

The appointment of Directors is governed by the Company's Constitution, the Board Charter and the Remuneration & Nomination Committee Charter. The Remuneration & Nomination Committee is responsible for evaluating Board candidates and recommending individuals for appointment to the Board. The Committee evaluates prospective candidates against a range of criteria including skills, experience, expertise and diversity that will best complement Board effectiveness. The Board may engage an independent recruitment firm to undertake a search for suitable candidates, undertake reference checks and review relevant clearances.

Any Director appointed to fill a casual vacancy since the date of the previous Annual General Meeting must submit themselves to shareholders for election at the next Annual General Meeting.

Directors are appointed for a term of three years. Retiring Directors are not automatically re-appointed. Any Director, who retires at the end of their term, may offer themselves for re-election by shareholders at the next Annual General Meeting.

### 2.10 Directors' Appointment, Induction Training and Continuing Education

All Board candidates are screened by professional recruitment agencies, which undertake the appropriate checks before putting a candidate forward to the Board.

New Directors are provided with a formal letter of appointment setting out the key terms and conditions of the appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work.

A formal induction is provided to all new Directors. It includes comprehensive meetings with the Managing Director, key executives and management, information on key corporate and Board policies and the option to visit some of the Company's primary operations either upon appointment or with the Board during its next site tour.

All Directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education. This includes attending industry seminars, briefings, and approved education courses (e.g. via the Australian Institute of Company Directors education programs). Subject to consultation with the Chairman, the reasonable cost of continuing education and training is met by the Company.

To assist the Directors in maintaining an appropriate level of knowledge of the operations of the Company, the Board receives regular briefings at Board meetings from executives who have responsibility for relevant lines of business and undertakes site visits.

### 2.11 Board Performance Evaluation

The Board undertakes ongoing self-assessment and review of performance of the Board, committees and individual Directors at least every two years. The next Board review will be conducted in August 2017.

The Chairman of the Board is responsible for determining the process for evaluating Board performance. The performance evaluation process includes completion of a formal assessment and questionnaire that has been approved by the Remuneration & Nomination Committee. Responses to the questionnaire and outcomes from the assessment are then tabulated and reported on in a format approved by the Board. A copy of that report is provided to the Chairman and the contents of the report are then discussed by the full Board.

### 2.12 Management Performance

During the year an annual performance review was completed for the Managing Director and for certain other Executives.

### 2.13 Company Secretary

Details on the Company Secretary are set out in the Directors' Report. The appointment and removal of the Company Secretary is a matter for decision by the Board. The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the functioning of the Board. This includes assisting the Board and its Committees with meetings and Directors' duties, advising the Board and Executives on corporate governance matters, recording minutes of Board and Committee meetings and acting as the interface between the Board and Executive. All Directors have access to advice from the Company Secretary.

The Company Secretary is required to be a member of the Governance Institute of Australia. Details regarding the Company Secretary, including his experience and qualifications are set out in the Directors' Report.

### 3 **Board Committees**

### Board Committees, Membership and Charters

The Board has the ability, under the Company's Constitution, to delegate its powers and responsibilities to committees of the Board. This allows the Directors to spend additional and more focused time on specific issues. The Board currently has three standing committees to assist in the discharge of its responsibilities.

Committee members are chosen for the skills, experience and other qualities they bring to the committees. Each committee is chaired by an Independent Non-Executive Director. All committees comprise only Independent Non-Executive Directors.

Table 3 - Board Committees and Membership

Committee	Members	Key Responsibilities	Composition
Audit & Risk Committee	Sue Palmer (Chair) Paul Dippie Bruce James	Monitors the financial reporting process, and external audit functions. It oversees the management of material business risks and the development of corporate governance principles.	At least Three Non-Executive Directors
Remuneration & Nomination Committee	Eva Skira (Chair) Roderick Brown Lloyd Jones	Assists the Board in considering remuneration policies, practices and decisions. Ensures the Board and the Managing Director have the necessary range of skills, expertise and experience to further corporate objectives.	At least Three Non-Executive Directors
Takeover Response Working Group	Eva Skira (Chair) All Directors	Assists the Board to manage and prepare for any unsolicited takeover response.	Such members as the Board determines from time to time

Each committee has a charter, detailing its membership, role, responsibilities and powers where conferred on a committee by the Board. Committee charters are reviewed regularly and updated as required. Prior to the commencement of each year the committees set an annual agenda for the coming year with reference to the committee charter and other issues the committee members or Board considers appropriate for consideration by the committee. Committee charters are review annually to ensure the committee is structured to meet the needs of the organisation.

All papers considered by the standing committees are available to Directors who are not on that committee.

Following each committee meeting, generally at the next Board meeting, the Board is given a verbal update by the Chair of each committee. In addition, minutes of all committee meetings are provided to all Directors.

Executive management attends, by invitation, Board committee meetings and the Company Secretary provides secretariat services for each committee.

Other committees are convened as required to address major transactions or other matters calling for special attention.

During the year the Audit & Risk Committee also conducted a review of its performance with the outcome of the review discussed with the full Board.

> A copy of the Audit & Risk Committee Charter is available in the corporate governance section of the Company's website.



### 3.2 Audit & Risk Committee

The Audit & Risk Committee assists the Board to meet its oversight responsibilities in relation to the Company's financial reporting, external audit function, internal control structure, risk management procedures and the Company's corporate governance system. In doing so, it is the Committee's responsibility to maintain free and open communication between the Committee, the independent auditors and the management of the Company.

The Audit & Risk Committee is required to have a minimum of three members and to be composed of Non-Executive Directors, a majority of which must be independent. The Chair of the Audit & Risk Committee must not be the Chair of the Board and must be an independent Non-Executive Director.

Independent Non-Executive Director, Ms Sue Palmer is the Chair of the Audit & Risk Committee. Ms Palmer is highly experienced in financial management of large engineering and construction companies.

Details of the names and qualifications of those appointed to the Audit & Risk Committee and their attendance at committee meetings are set out in the Directors' Report.

The independent auditor, the Managing Director, and the Chief Financial Officer and Company Secretary regularly attend committee meetings by invitation. The Committee meets at least four times per year.

### 3.3 Remuneration & Nomination Committee

The Board has established a Remuneration & Nomination Committee to assist the Board to review and approve the Company's remuneration policies and practices and the appointment of Non-Executive Directors to the Board.

The Committee's key responsibilities include:

- reviewing Board and Executive performance and succession plans;
- reviewing the Company's remuneration framework and policy, which is used to attract, retain and motivate Directors and Executives to achieve operational excellence and create value for shareholders;
- reviewing incentive schemes for executives, to establish rewards, which are fair and reasonable, having regard to the Company's strategic goals, individual performance and general remuneration conditions;
- approving the annual remuneration report; and
- approving the Company's diversity policy.

The Remuneration & Nomination Committee is required under ASX Principles to have a minimum of three members and to mostly comprise independent Non-Executive Directors.

The Remuneration & Nomination Committee meets between four to six times per year. The Managing Director and Company Secretary attend Committee meetings by invitation. For further information in relation to the remuneration of Directors and Executives, refer to the Remuneration Report.

During the year, the Remuneration & Nomination Committee engaged external independent remuneration consultants, Guerdon Associates, for advice on remuneration matters.

> A copy of the Remuneration & Nomination Committee Charter is available in the corporate governance section of the Company's website.

### 4 Shareholders

### 4.1 Shareholder Communication

The Company is committed to giving all shareholders comprehensive, timely and equal access to information about its activities so that they can make informed decisions. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares in the Company.

A wide range of communication approaches are employed including direct communications with shareholders and presentations to shareholders at the Company's Annual General Meeting ("AGM").

All relevant company information for shareholders and investors is including the Company's Annual Report and available in the Investors and corporate governance sections of the Company's website at <a href="www.rcrtom.com.au">www.rcrtom.com.au</a>. Shareholders are also given the opportunity to receive information in print or electronic format.

The Company also has an investor relations program to facilitate communication of the Company's objectives to investors. This program includes briefings to institutional investors post the release of the Company's half year and full year results and at investor conferences, including ASX investor conferences.

The Company's Shareholder Communication Policy provides that the Company will communicate effectively with its shareholders, give shareholders ready access to balanced and understandable information about the Company and encourages shareholder participation at General Meetings and AGMs. The way it does this includes:

- ensuring that financial reports are prepared in accordance with applicable laws;
- ensuring the disclosure of full and timely information about the Company's activities in accordance with the general and continuous disclosure principles of the ASX Listing Rules and the Corporations Act 2001;
- the Chairman and Managing Director reporting to shareholders at the Company's AGM;
- placing all market announcements (including quarterly reports and financial reports) on the Company's website as soon as practicable following release; and
- ensuring that reports, notices of meeting and other shareholder communications are prepared in a clear and concise manner.
- > A copy of the Shareholder Communication Policy is available in the corporate governance section of the Company's website.

### 4.2 Continuous Disclosure

The Company is committed to maintaining a level of disclosure that meets the standards and provides all investors with timely and equal access to information issued by the Company.

The Company's Continuous Disclosure Policy reinforces its commitment to ASX continuous disclosure requirements and outlines management's accountabilities and the processes to be followed for ensuring compliance. The policy also describes the Company's guiding principles for market communications.

> A copy of the Continuous Disclosure Policy is available in the corporate governance section of the Company's website.

### 5 Promote Responsible and Ethical Decision-Making

5.1 Code of Conduct, Whistleblower and Anti-Bribery and Corruption Policies

### Code of Conduct

The Board has approved a Code of Conduct for Directors and a Code of Conduct for Employees, which describes the standards of ethical behaviour that Directors and employees are required to maintain. Compliance with the Code of Conduct assists the Company to effectively manage its operating risks and meet its legal and compliance obligations, as well as enhance the Company's reputation.

The Code of Conduct describes the Company's requirements on matters such as confidentiality, conflicts of interest, sound employment practices, compliance with laws and regulations, the protection and proper use of company assets and the responsibilities and accountabilities of individuals for reporting and investigating reports of unethical practices.

> A copy of the Company's Employee Code of Conduct is available in the corporate governance section of the Company's website.

### Whistleblower Policy

The Company operates a Whistleblower Policy and is committed to maintaining an open working environment in which employees are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal.

The purpose of the Whistleblower Policy is to:

- help detect and address unacceptable conduct;
- help provide employees with a supportive working environment in which they feel able to raise issues of legitimate concern to them and the Company;
- provide an external confidential helpline which can be used for reporting unacceptable conduct; and
- help people who report unacceptable conduct in good faith.

The Audit & Risk Committee receives regular reports on matters reported under the Whistleblower Policy.

> A copy of the Company's Whistleblower Policy is available in the corporate governance section of the Company's website.

### Anti-Bribery and Corruption Policy

The Company's Anti-Bribery and Corruption Policy, details the Company's commitment to conducting business and associated activities with integrity, free from dishonesty and improper behaviour.

> A copy of the Company's Anti-Bribery and Corruption Policy is available in the corporate governance section of the Company's website.



### 5.2 Securities Trading Policy

The Company's Securities Trading Policy remains in compliance with the ASX Listing Rule requirements.

The Securities Trading Policy is binding on all Directors and employees. The policy provides a brief summary of the law on insider trading and other relevant laws; sets out the restrictions on dealing in securities by people who work for, or are associated with, the Company and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities.

The policy prohibits Directors and employees from dealing in the Company's securities when they are in possession of 'price sensitive information' that is not generally available to the share market. It also prohibits dealings by Directors and certain restricted employees outside defined trading windows, which are set out in the Company's Securities Trading Policy.

Non-Executive Directors and the Managing Director are required to seek the approval of the Chairman before dealing in Company securities or entering into any financial arrangement by which the Company's securities are used as collateral. In the case of the Chairman, the approval from two Directors is required before dealing in Company securities. Restricted employees are required to seek the approval of the Managing Director before dealing in Company securities or entering into any financial arrangement by which the Company's securities are used as collateral.

Directors and restricted employees must also give the Company Secretary notice of trading within two business days after the dealing. Any dealing in the Company's securities by Directors (including the Managing Director) is notified to the ASX within five business days of the dealing.

It is a condition of the Securities Trading Policy that Directors and employees participating in an equity-based incentive plan are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any person the risk of any fluctuation in the value of unvested entitlements in the Company's securities. This prohibition is also contained in the rules of the Long-Term Incentive Plan.

> A copy of the Company's Security Trading Policy is available in the corporate governance section of the Company's website.

### 5.3 Health, Safety and the Environment

The Board has approved a Health and Safety Policy consistent with RCR's commitment to standards of occupational health and safety management at its operations. The health, safety and wellbeing of our people, contractors, suppliers, visitors and local communities are a key value for the Company.

The Company's health, safety and environment systems are regularly reviewed with the objective of ensuring continuing compliance and to improve health, safety and environment practices. The Company's management system includes standards for health, safety and environment, to guide management at operations.

The Company's philosophy is that all personnel share the responsibility for a safe workplace. Safety performance is closely monitored by the Board and is a subject of standing item at all regular Board meetings.

### 6 Risk Management and Internal Controls

### 6.1 Approach to Risk Management

The Board and management recognise that risk management and internal compliance and control are key elements of good corporate governance.

> A copy of the Company's Risk Management Policy is available in the corporate governance section of the Company's website.

### 6.2 Risk Management Roles and Responsibilities

The Board is responsible for approving the Company's Risk Management Policy. The Audit & Risk Committee reviews the Company's Risk Management Framework annually and receives quarterly reports on material risks and is also briefed on any potential fraud, whistleblower matters and internal audit findings. The Company's management is responsible for applying the Risk Management Policy, identification of risks and implementing mitigation measures.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- annual review of the Company's strategic plan;
- implementation of Board approved annual operating budgets and plans, then monitoring of actual progress against those;
- an approved Delegation of Authority, which sets out the financial and non-financial approval limits reserved to the Board and delegated by the Board to the Managing Director, Executive Management and other personnel.
- Board oversight of material tenders and contracts that exceed the delegation of the Managing Director. The Board has reserved
  powers to approve material tenders as defined in the Company's Delegation of Authority;
- the Audit & Risk Committee assisting the Board to fulfilling its governance and oversight responsibilities in relation to financial statements, financial controls and enterprise risk; and
- both Board and Audit & Risk Committee receive quarterly reports on material business risks.

### 6.3 Risk Framework and Material Risks

The Company's risk framework is based on International Standard ISO 31000:2009, Risk Management - Principles and Guidelines and forms the basis of the Company's risk management activities.

During the year, the Audit & Risk Committee undertook a review of the Company's Risk Framework and Risk Management Policy and received regular updates on material risks.

The Directors' Report outlines the Company's performance, the financial position and main business strategies and prospects during the year. It also highlights the material business risks associated with the Company's ongoing business operations and achievement of stated strategies.

### 6.4 Economic, Environmental and Social Sustainability Risks

The Company's operations are largely service based and therefore the Company does not consider it has any material environmental risks. The Company's material economic and social sustainability risks are set out in the Directors' Report, which include:

Risk Type	Identified Material Risk		
Social	Health and Safety		
Social	Reputational Risk		
	Demand Risks		
Egonomia/atratagia	Competition Risks		
Economic/strategic	<ul> <li>Strategic and Operational Risks</li> </ul>		
	<ul> <li>Project Delivery</li> </ul>		

The Company's ability to manage the sustainability of its business is important for its long-term success. The following summarises how the Company manages some of its OH&S and environmental risks. The Company has various OH&S and Environmental Policies that set out the accountabilities of the Company and its employees who are expected to take personal responsibility and be involved in setting and complying with standards and policies.

The Company's OH&S system provides standards and accountabilities to safeguard against hazards and manage risks. In addition to regular audits of its OH&S system, the Directors and Executives undertake site visits to confirm/observe the Company's safety systems are operating soundly. The Company uses Australian Standard AS4801 to maintain the integrity of its OH&S management systems. The Company's health and safety performance is monitored through a number of leading and lagging indicators, including LTIFR and TRIFR.

The Company operates across a diverse range of industries and manages environmental risks through a risk-based approach using AS14001. The Company records all environmental incidents. The Company monitors its impacts on the environment, energy consumption and carbon emissions annually under the National Environment Protection (National Pollutant Inventory) Measure Act 1998 and National Greenhouse and Energy Reporting Act 2007.

### 6.5 CEO and CFO Assurance Declaration

The Company has in place a structure of review and authorisation which independently verifies and safeguards the integrity of its financial reporting.

The Board receives monthly reports about the financial condition and operational results of the Company and its controlled entities.

The Managing Director and Chief Financial Officer provide, at the end of each six monthly period, a formal declaration to the Board confirming that the Company's financial reports present a true and fair view, in all material respects, and the Company's financial condition and operational results have been prepared in accordance with the relevant Accounting Standards.

The statement also confirms that the integrity of the Company's Financial Statements and Sections to the Financial Statements are founded on a sound system of risk management, internal compliance and control which implements the policies approved by the Board, and that the Company's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.



### 6.6 Internal Audit

The internal audit process is independent from business management and is aimed at ensuring that the design and operation of the Company's risk management and internal control system is effective.

The Audit & Risk Committee oversees and monitors internal audit activities and reviews internal audit's activities and reports. It also approves the internal audit program and receives internal audit reports which include management's responses to internal audit reviews. The internal audit is supplemented by external audit and forensic data analytics services.

The internal audit function operates in accordance with International Auditing Standards. The internal auditor has full access to all necessary company information.

Internal audits and external audits are separate and independent of each other.

### 6.7 Other Audits for Accreditations

In addition to internal audit activities, the company is subject to external audits from clients and third parties who seek to verify the Company's compliance for the purposes of various accreditations (i.e. quality, safety and industry accreditations).

### 7 Independent Auditor Relationship

### 7.1 Independent Auditor Relationship

The Board is committed to the basic principles that:

- financial reports represent a true and fair view;
- accounting practices are comprehensive, relevant and comply with applicable Accounting Standards and policies; and
- the external auditor is independent and serves shareholders' interests.

### 7.2 Attendance of Independent Auditors at Annual General Meetings

The lead audit partner attends the Company's annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

### 7.3 Appointment and Rotation of Auditor

The Board has adopted an External Auditor Policy which covers the terms of appointment of the Company's independent auditor. The policy includes provisions to maintain the independence of the independent auditor and to assess whether the provision of any proposed non-audit services by the independent auditor are appropriate. Such provisions are referenced to the Code of Ethics published by the International Federation of Accountants ("IFAC").

> A copy of the External Audit Policy is available in the corporate governance section of the Company's website.

Furthermore, the External Auditor Policy requires rotation of the audit partner at least every five years, prohibits the reinvolvement of a previous audit partner in the audit service for two years following their rotation, and provides that a former partner of the audit firm, or member of the audit team, may only be recruited into a position as a Director or senior employee of the Company after the expiry of at least two years.

The Non-Audit Services Guidelines contain a set of controls which address threats to the independence of the independent auditor including, in particular, any threat which may arise by reason of self-interest, self-review, advocacy, familiarity or intimidation (all terms defined by the IFAC's Code of Ethics). The Non-Audit Services Guidelines classify a range of non-audit services which are considered unacceptable for provision by the independent auditor.

> A copy of the Non-Audit Services Guidelines is available in the corporate governance section of RCR's website.

### 7.4 Independence and Restrictions on the Performance of Non-Audit and Assurance-Related Services

The Company's independent auditor has provided the required independence declaration to the Board for the financial year ended 30 June 2017. The independence declaration forms part of the Directors' Report and is provided in this Annual Report.

The Board has considered the nature of the non-audit and assurance-related services provided by the independent auditor during the year, and has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Details of fees paid (or payable) to the independent auditor for non-audit and assurance-related services provided to the Company in FY17 are set out in Section 3.6 in the Financial Report.

### 8 Diversity Within RCR

The Company recognises that a diverse workforce can be a reflection of the quality and skills of its people. The Company has established a Diversity Policy.

> A copy of the Diversity Policy is available in the corporate governance section of RCR's website.

At 30 June 2017, the gender representation metrics were as follows:

- two of six Non-Executive Directors on the Board are female;
- one female holds an executive role;
- 11% of senior management/professional roles are occupied by females, a decrease of 2% on the prior year; and
- 6% of management and supervisory roles are held by women an increase of 2% on the prior year.

This representation reflects on the industry within which the Company operates.

Proportionally, a significant number of the Company's workforce are blue collar employees with qualifications in trades such as, boiler making, welding, fitters, machinists, mechanical fitters, electricians and trades assistants. The number of qualified female tradespersons in these areas are low across the industry as a whole, and this is reflected in the gender balance of the Company's workforce and industry. Whilst female participation rates are typically higher in functions such as Administration, Legal, HR, Finance, and Project Support, the Company continues to advocate the recruitment of diversity in non-traditional functions.

### Age Diversity

The Company recognises the value of having a multi-generational workforce. This enables the Company to provide high quality, practical services that deliver innovation to our diverse client base by incorporating the breadth of knowledge, skill and expertise of mature age employees and the new ideas and application of new technologies engendered by younger employees. The Company's workforce is balanced at an average of 33% 17-34 years old, 26% 35-44 years old and 41% aged 45 and above.

### Diversity Objectives for FY17

These objectives are reviewed on an annual basis as will any progress made through the year.

Objective	Outcome
Provision and promotion of suitable flexible working arrangements for employees with family responsibilities	The Company has arrangements in place for employees whose family responsibilities require flexibility.
Creation of a diverse workforce	In broad terms, the Company aims to increase all aspects of its diversity profile and improve all aspects of its operations that have the ability to positively influence diversity and inclusion.
Annual remuneration review to ensure gender parity	During the period, an annual remuneration review was undertaken to ensure gender parity.
To promote indigenous employment and supplier participation in the workforce	The Company actively participates in arrangements with indigenous companies to increase indigenous participation on projects awarded to the Company.
Further develop training on Diversity and Inclusion	RCR will provide diversity and inclusion training. All new employees will be invited through the onboarding process to participate via Corporate Induction.
Promotion of trade apprentices to females, indigenous and mature age candidates	RCR actively encourages female, mature age and indigenous candidates to apply for apprenticeships and traineeships.

### Workplace Gender Equality Agency Report

The Company lodged its Workplace Gender Equality Agency ("WGEA") Annual Report on gender equality performance as required under the Workplace Gender Equality Act.



## ASX Corporate Governance Compliance Statement

Principle	ASX Corporate Governance Principles and Best Practice Recommendations	Reference	Compliance
1.0	Lay Solid Foundations for Management and Oversight		
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	2.1, 2.3, 2.5	Comply
1.2	Prior to appointing a Director a company should undertake appropriate checks (e.g. checks as to the person's character, experience, education, criminal record and bankruptcy history) before appointing a person, or putting forward to security holders a candidate for election, as a Director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.	2.10	Comply
1.3	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	2.10, Remuneration Report	Comply
1.4	The company secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	2.13	Comply
1.5	A Listed entity shall have:	8	Comply
	<ul> <li>have a Diversity Policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</li> </ul>		
	b) disclose that policy or a summary of it; and		
	c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:		
	<ul> <li>the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</li> </ul>		
	<ul> <li>if the entity is a "relevant employer" under the WGEA, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</li> </ul>		
1.6	A listed entity should:	2.11	Comply
	a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and		
	b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.		
1.7	A listed entity should have and disclose a process for periodically evaluating the performance of its senior executives; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	2.12	Comply
2.0	Structure the Board to Add Value		
2.1	The Board of a listed entity should have a nomination committee which:	3.1, 3.3,	Comply
	• has at least three members, a majority of whom are independent Directors; and	Directors' Report	
	s chaired by an independent Director,	. 100011	
	and disclose:		
	<ul><li>the charter of the committee;</li></ul>		
	<ul> <li>the members of the committee; and</li> </ul>		
	<ul> <li>as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.</li> </ul>		

rinciple	ASX Corporate Governance Principles and Best Practice Recommendations	Reference	Compliance
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	2.2	Comply
2.3	Disclose:	2.2, 2.4	Comply
	a) the names of the Directors considered by the Board to be independent Directors;		
	b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and		
	c) the length of service of each Director.		
2.4	A majority of the Board of a listed entity should be independent Directors.	2.2, 2.4	Comply
2.5	The chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the Managing Director of the entity.	2.2, 2.3	Comply
2.6	A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.	2.10	Comply
3.0	Promote Ethical and Responsible Decision-Making		
3.1	The Board of a listed entity should have a code of conduct for its Directors, senior executives and employees and disclose that code or a summary of it.	5.1	Comply
4.0	Safeguard Integrity in Corporate Reporting		
4.1	The Board of a listed entity should have an audit committee which:	3.1, 3.2,	Comply
	<ul> <li>has at least three members, all of whom are Non-Executive Directors and a majority of whom are independent Directors; and</li> </ul>	Directors' Report	
	• is chaired by an independent Director, who is not the chair of the board,		
	and disclose:		
	<ul><li>the charter of the committee;</li></ul>		
	• the relevant qualifications and experience of the members of the committee; and		
	<ul> <li>in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.</li> </ul>		
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its Managing Director and Chief Financial Officer a declaration that, in their opinion:	6.5	Comply
	<ul> <li>the financial records of the entity have been properly maintained;</li> </ul>		
	<ul> <li>the financial statements comply with the appropriate Accounting Standards and give a true and fair view of the financial position and performance of the entity;</li> </ul>		
	<ul> <li>the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively; and</li> </ul>		
	<ul> <li>the institution of processes to ensure Managing Director and the Chief Financial Officer declarations are tabled at Board meeting that approve financial statements.</li> </ul>		
4.3	Ensure that its independent auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	7.2	Comply
5.0	Make Timely and Balanced Disclosure		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	4.2	Comply



Principle	ASX Corporate Governance Principles and Best Practice Recommendations	Reference	Compliance
6.0	Respect the Rights of Security Holders		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	4.1, Company Website	Comply
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	4.1, Company Website	Comply
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	4.1	Comply
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	4.1	Comply
7.0	Recognise and Manage Risk		
7.1	The Board of a listed entity should have a committee or committees to oversee risk, each of which:	3.1, 3.2, Directors'	Comply
	• has at least three members, a majority of whom are independent Directors; and	Report	
	<ul> <li>is chaired by an independent Director,</li> </ul>		
	and disclose:		
	<ul><li>the charter of the committee;</li></ul>		
	<ul> <li>the members of the committee; and</li> </ul>		
	<ul> <li>as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.</li> </ul>		
7.2	The Board or a committee of the Board should:	3.2, 6.2, 6.3	Comply
	a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and		
	b) disclose, in relation to each reporting period, whether such a review has taken place.		
7.3	A listed entity should disclose if it has an internal audit function, how the function is structured and what role it performs.	6.6	Comply
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	6.4	Comply
8.0	Remunerate Fairly and Responsibly		
8.1	The Board should establish a Remuneration Committee.	3.1, 3.3	Comply
8.2	The Remuneration Committee should be structured so that it:	3.1, 3.3,	Comply
	• has at least three members, a majority of whom are independent Directors; and	Remuneration Report,	
	s chaired by an independent Director,	Directors'	
	and disclose:	Report	
	the charter of the committee;		
	the members of the committee; and		
	as at the end of each reporting period, the number of times the committee met throughouthe period and the individual attendances of the members at those meetings.	t	
8.3	A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other senior executives.	Remuneration Report	Comply
8.4	A listed entity which has an equity-based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and disclose that policy or a summary of it.	Remuneration Report	Comply

#### Auditor's Independence Declaration

# Deloitte.

23 August 2017

The Board of Directors RCR Tomlinson Limited Level 6, 251 St Georges Terrace Perth WA 6000

Deloitte Touche Tohmatsu A.C.N. 74 490 121 060

Grosvenor Place 225 George Street Sydney NSW 2000 PO Box N250 Grosvenor Place Sydney NSW 1217 Australia

DX 10307SSE Tel: +61 (0) 2 9322 7000 Fax: +61 (0) 2 9322 7001 www.deloitte.com.au

Dear Board Members

#### **RCR Tomlinson 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 RCR Tomlinson Limited.

As lead audit partner for the audit of the financial statements of RCR Tomlinson Limited for the financial year ended 30 June 2017, 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

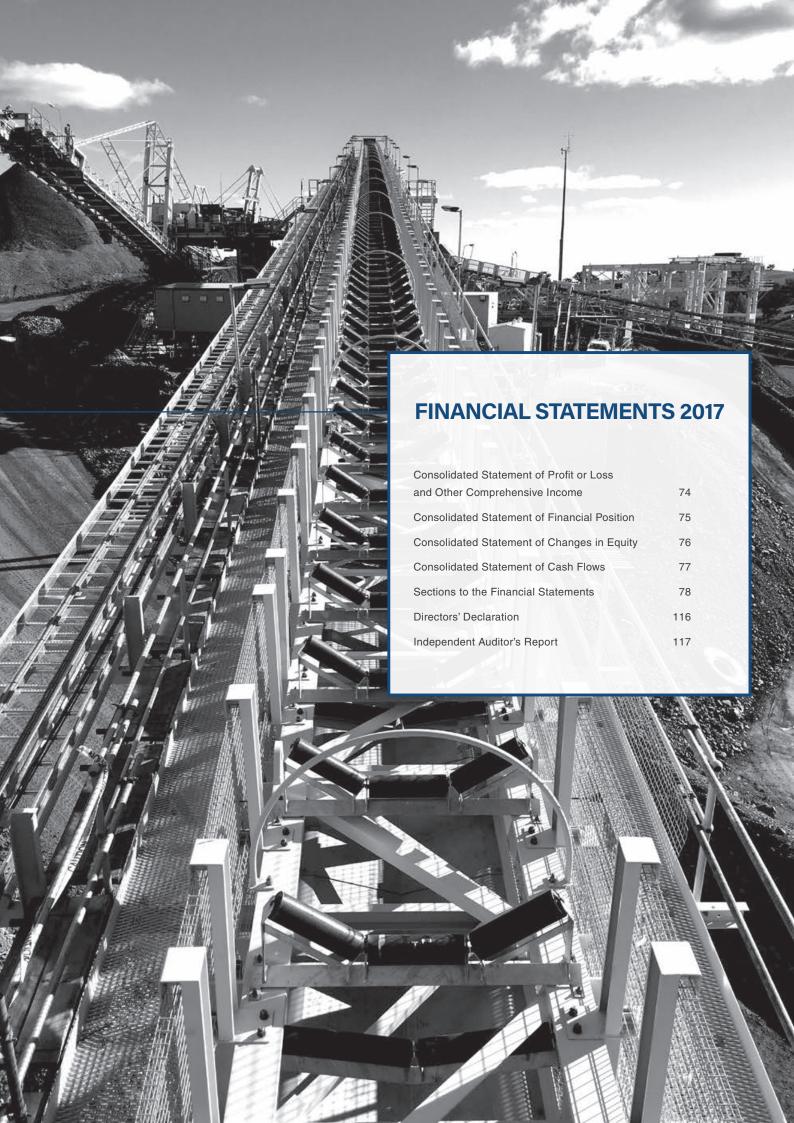
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**DELOITTE TOUCHE TOHMATSU** 



AG Collinson Partner Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation Member of Deloitte Touche Tohmatsu Limited



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2017

	0 11	2017	2016
	Section	\$'000	\$'000
Continuing Operations			
Sales Revenue	3.1(a)	1,292,044	890,529
Cost of Sales	3.3(a)	(1,221,154)	(844,992)
Gross Profit		70,890	45,537
Other Income	3.1(b)	2,636	2,357
Administrative Expenses	3.3(b)	(36,619)	(32,172)
Finance Costs	3.3(c)	(4,019)	(4,145)
Transaction Costs Associated with ECS Acquisition	6.1	-	(1,223)
Other Expenses		(1,681)	(1,737)
		(39,683)	(36,920)
Profit Before Income Tax		31,207	8,617
Income Tax (Expense)/Benefit	3.7.1	(5,531)	366
Profit for the Year from Continuing Operations		25,676	8,983
Discontinued Operations			
Loss for the Year from Discontinued Operations	3.5	-	(25,174)
Profit/(Loss) for the Year		25,676	(16,191)
Other Comprehensive Income, Net of Income Tax			
Items that may be Reclassified Subsequently to Profit or Loss			
Exchange Difference on Translation of Foreign Operations	5.6(b)	634	2,002
Loss on Foreign Exchange Contracts Entered into for FX Hedges	5.6(c)	(1,311)	(191)
Gain on Interest Rate Swap Contracts Entered into for Borrowing Hedges	5.6(c)	-	172
Other Comprehensive (Loss)/Income for the Year, Net of Income Tax		(677)	1,983
Total Comprehensive Income/(Loss) for the Year		24,999	(14,208)
Earnings per Share			
From Continuing and Discontinued Operations			
Basic Earnings per Share (cents per share)	3.8	18.34	(11.59)
Diluted Earnings per Share (cents per share)	3.8	17.80	(11.59)
From Continuing Operations			
Basic Earnings per Share (cents per share)	3.8	18.34	6.43
Diluted Earnings per Share (cents per share)	3.8	17.80	6.25



## Consolidated Statement of Financial Position

As at 30 June 2017

	Section	2017 \$'000	2016 \$'000
	Jection	ΨΟΟΟ	φ 000
Current Assets			
Cash and Cash Equivalents	5.1.1	29,656	15,572
Trade and Other Receivables	4.1	416,472	193,729
Inventories	4.2	14,280	14,410
Current Tax Assets	3.7.2(a)	-	243
Other Current Assets	4.3	9,543	7,873
Total Current Assets		469,951	231,827
Non-Current Assets			
Property, Plant and Equipment	4.4	50,942	47,074
Deferred Tax Assets	3.7.3	47,741	52,053
Goodwill	4.5	141,440	141,440
Other Intangible Assets	4.5	65,814	72,055
Total Non-Current Assets		305,937	312,622
		775,888	544,449
Total 7050t5		173,000	077,770
Current Liabilities			
Trade and Other Payables	4.6	343,522	101,289
Borrowings	5.2.1	19,469	50,000
Current Tax Liabilities	3.7.2(b)	709	-
Provisions	4.8	44,553	49,325
Deferred Revenue	4.7	16,457	26,360
Total Current Liabilities		424,710	226,974
Non-Current Liabilities			
Borrowings	5.2.1	35,342	21,124
Provisions	4.8	4,200	8,379
Total Non-Current Liabilities		39,542	29,503
Total Liabilities		464,252	256,477
Not Aposto		211 626	207.072
Net Assets		311,636	287,972
Equity			
Issued Capital	5.5	136,668	136,488
Reserves	5.6	(12,480)	(10,288)
Retained Earnings		187,448	161,772
Total Equity		311,636	287,972

# Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2017

			Equity- Settled	Foreign			
			Employee	Currency			
		Issued	Benefits	Translation	Other	Retained	
	0 .:	Capital	Reserve	Reserve	Reserves	Earnings	Total
	Section	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Delegee at d. July 2015		104 107	(0.000)	4.4.4	(07)	100.000	010 144
Balance at 1 July 2015		134,127	(9,329)	444	(27)	190,929	316,144
Loss for the Year		-	-		- (40)	(16,191)	(16,191)
Other Comprehensive Income		-	-	2,002	(19)	-	1,983
Total Comprehensive Loss for the Year		-	-	2,002	(19)	(16,191)	(14,208)
Share Buy-Back	5.5(a)	(1,257)	-	-	-	-	(1,257)
Share Buy-Back Costs	5.5(a)	(3)	-	-	-	-	(3)
Tax Effect Relating to Share Costs	5.5(a)	(4)	-	-	-	-	(4)
Acquisition of Treasury Shares - On Market	5.5(b)	(668)	-	-	-	-	(668)
Issue of Treasury Shares to Employees	5.6(a)	4,293	(4,293)	-	-	-	-
Share-Based Payments	5.6(a)	-	1,202	-	-	-	1,202
Tax Effect Relating to Share-Based Payments	5.6(a)	-	1,293	-	-	-	1,293
Cash-Settled Rights	5.6(a)	-	(1,561)	-	-	-	(1,561)
Dividends Paid	5.7	-	-	-	-	(12,966)	(12,966)
Balance at 30 June 2016		136,488	(12,688)	2,446	(46)	161,772	287,972
Balance at 1 July 2016		136,488	(12,688)	2,446	(46)	161,772	287,972
Profit for the Year		-	-	-	-	25,676	25,676
Other Comprehensive Loss		-	-	634	(1,311)	-	(677)
Total Comprehensive Income the Year		-	-	634	(1,311)	25,676	24,999
Tax Effect Relating to Share Costs	5.5(a)	4	-	-	-	-	4
Acquisition of Treasury Shares - On Market	5.5(b)	(240)	-	-	-	-	(240)
Issue of Treasury Shares to Employees	5.6(a)	416	(416)	-	-	-	-
Share-Based Payments	5.6(a)	-	1,406	-	-	-	1,406
Tax Effect Relating to Share-Based Payments	5.6(a)	-	147	-	-	-	147
Cash-Settled Rights	5.6(a)	-	(2,652)	-	_	-	(2,652)
Balance at 30 June 2017		136,668	(14,203)	3,080	(1,357)	187,448	311,636



## Consolidated Statement of Cash Flows

For the Year Ended 30 June 2017

		2017	2016
	Section	\$'000	\$'000
Cash Flows from Operating Activities			
Receipts from Customers		1,179,314	1,045,195
Payments to Suppliers and Employees		(1,130,787)	(1,049,958)
Cash Generated from/(Used in) Operations		48,527	(4,763)
Income Tax Paid		(433)	(864)
Other Income		1,425	1,069
Finance Costs		(4,315)	(4,099)
Net Cash Generated From/(Used in) Operating Activities	5.1.2	45,204	(8,657)
Cash Flows from Investing Activities			
Interest Received	3.1(b)	57	119
Proceeds from Sale of Property, Plant and Equipment	J. I(b)	550	3,180
Purchase of Property, Plant and Equipment	4.4	(16,476)	(13,155)
Payment for Subsidiary and Other Businesses, Net of Cash Acquired	6.1(c)	(10,470)	(10,400)
Net Cash Used in Investing Activities	0.1(0)	(15,869)	(20,256)
Two dain add in invading Addvited		(10,000)	(20,200)
Cash Flows from Financing Activities			
Payment for Buy-Back of Shares	5.5(a)	-	(1,257)
Payment for Share Buy-Back Costs	5.5(a)	-	(3)
Payment for Shares Acquired by RCR Employee Share Trust	5.5(b)	(240)	(668)
Proceeds from Borrowings		35,000	30,000
Repayment of Borrowings		(50,000)	(20,000)
Repayment of Lease Liabilities		-	(216)
Dividends Paid	5.7	-	(12,966)
Net Cash Used in Financing Activities		(15,240)	(5,110)
Net Increase/(Decrease) in Cash and Cash Equivalents		14,095	(34,023)
Cash and Cash Equivalents at the Beginning of the Year		15,572	49,170
Effects of Exchange Rate Changes on Balance of Cash Held in Foreign C	urrencies	(11)	425
Cash and Cash Equivalents at the End of the Year	5.1.1	29,656	15,572
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#### Sections to the Financial Statements

#### Section 1 General Information

#### 1.1 Reporting Entity

RCR is a limited company incorporated in Australia. The addresses of the Company's registered office and principal places of business are disclosed in the Corporate Directory. The principal activities of the Company are described in the Directors' Report.

#### 1.2 Statement of Compliance

These Financial Statements are general purpose Financial Statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The Financial Statements comprise the consolidated Financial Statements of the Company. For the purposes of preparing the consolidated Financial Statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the Financial Statements and Sections comply with International Financial Reporting Standards ("IFRS").

The Financial Statements were authorised for issue by the Directors on 23 August 2017.

#### 1.3 Basis of Preparation

The consolidated Financial Statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars ("AUD"), unless otherwise noted.

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

#### 1.4 Basis of Consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Company accounting policies.

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



#### Section 1 General Information (continued)

#### 1.5 Application of New and Revised Accounting Standards

In the current year, the Company has applied a number of amendments to AASBs and new Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatorily effective for an accounting period that begins on or after 1 July 2016, and therefore relevant for the current year end.

#### Standards Affecting Presentation and Disclosure

The Company has applied these amendments for the first time in the current year.

AASB112 Amendments to Deferred Tax Measurement Relating to Indefinite Life Intangible Assets

In November 2016, the IFRS Interpretations Committee issued its agenda decision related to the expected manner of recovery of indefinite life intangible assets. The Committee was asked to clarify how an entity determines the expected manner of recovery of an intangible asset with an indefinite useful life for deferred tax measurement purposes. The Committee indicated that the fact that an entity does not amortise an indefinite life intangible asset does not necessarily mean that the carrying amount will be recovered only through sale and not use. Therefore the entity should determine the expected manner of recovery of the carrying amount of the intangible asset.

Previously, the Company measured deferred tax liabilities on the assumption of the tax consequences that would arise solely from the sale of the assets. Under its new policy, the Company considers its expected manner of recovery and has implemented this guidance on a retrospective basis as a change in accounting policy to AASB 112 Income Taxes.

The impact of these changes was an increase to goodwill and deferred tax liabilities opening balances by \$13.4 million. Refer to Section 3.7.3(i).

The Company has applied these amendments for the first time in the current year. The amendments impact various Accounting Standards, which are summarised below:

- The amendments to AASB 5 Non-current Assets Held for Sale and Discontinued Operations introduce specific guidance in AASB 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in AASB 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.
- The amendments to AASB 7 Financial Instruments: Disclosures remove the requirement to provide disclosures relating to offsetting financial assets and financial liabilities in interim financial reports and provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures
- required in relation to transferred assets. The amendments to AASB 119 Employee Benefits clarify that the rate used to discount
- post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be
- The amendments to AASB 134 Interim Financial Reporting make provision for disclosures required by the Standard to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The application of these amendments does not have any material impact on the disclosures in the Company's consolidated Financial Statements.

AASB 2015-1 Amendments to Australian Accounting Standards -Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

#### Section 1 General Information (continued)

#### Standards Affecting Presentation and Disclosure

The Company has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an AASB if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in AASB is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

AASB 2014-3 Amendments to Australian Accounting Standards -Accounting for Acquisitions or Interests in Joint Operations

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Company, and should be separated into the share of items that, in accordance with other Accounting Standards:

- (a) Will not be reclassified subsequently to profit or loss.
- (b) Will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments does not have any material impact on the disclosures in the Company's consolidated Financial Statements.

AASB 2014-4 Amendments to Australian Accounting Standards -Clarification of Acceptable Methods of Depreciation and Amortisation The Company has applied these amendments for the first time in the current year. The amendments to AASB 116 Property, Plant and Equipment prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to AASB 138 Intangible Assets introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- (a) When the intangible asset is expressed as a measure of revenue, or
- (b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Company already uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively, the application of these amendments has had no impact on the Company's consolidated financial statements.

AASB 2015-2 Amendments to Australian Accounting Standards -Disclosure Initiative: Amendments to AASB 101 The Company has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an AASB if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in AASB is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Company, and should be separated into the share of items that, in accordance with other Accounting Standards:

- (a) Will not be reclassified subsequently to profit or loss
- (b) Will be reclassified subsequently to profit or loss when specific conditions are met.

The application of these amendments does not have any material impact on the disclosures in the Company's consolidated Financial Statements.



#### Section 1 General Information (continued)

#### 1.6 New and Revised Australian Accounting Standards in Issue but Not Yet Effective

At the date of authorisation of the Financial Statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for Annual Reporting Periods Beginning on or After	Expected to be Initially Applied in the Financial Year Ending
AASB 9 Financial Instruments	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers, 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, 2015-8 Amendments to Australian Accounting Standards - Effective date of AASB 15, 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15*	1 January 2018	30 June 2019
AASB 16 Leases <sup>^</sup>	1 January 2019	30 June 2020
AASB 2015-10 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128	1 January 2018	30 June 2019
AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112)	1 January 2017	30 June 2018
AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128], 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107	1 January 2017	30 June 2018
AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	1 January 2018	30 June 2019
AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle	1 January 2017	30 June 2018
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	30 June 2019

AASB 15 replaces all current guidance on revenue recognition from contracts with customers. It requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services are transferred to the customer. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

AASB 15 also specifies the accounting treatment for costs incurred to obtain and fulfil a contract. Incremental costs are recognised as an asset if the entity expects to recover them. Any capitalised contract costs are amortised on a systematic basis that is consistent with the transfer of the related goods and services

The Company will first apply AASB 15 in the financial year beginning 1 July 2018 and is expected to apply the standard retrospectively, recognising the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings.

We are currently working through the impact of AASB 15 and the impacts this will have on the Company. Any transition adjustment to retained earnings is subject to the revenue streams existing at the date of transition.

AASB 16 replaces the current AASB 117 Leases standard and sets out a comprehensive model for identifying lease arrangements and the subsequent measurement. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time. The majority of leases from the lessee perspective within the scope of AASB 16 will require the recognition of a 'right of use' asset and a related lease liability, being the present value of future lease payments. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and depreciation replacing operating lease expense.

AASB 16 is effective for the Company for the annual periods beginning 1 July 2019 with the option to early adopt in the financial year beginning 1 April 2018.

The Company is expected to apply the standard retrospectively, recognising the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings. Alternative methods of calculating the 'right of use' asset are allowed under AASB 16 which impacts the size of the transition adjustment. The Company is still evaluating which method to apply.

The application of this standard is currently being assessed by the Company. Refer to Section 3.4 for Operating Lease Commitments.

#### 1.7 Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### Rounding of Amounts

The Company has applied the relief available to it under the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument, 2016/191, dated 24 March 2016. Accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

#### Section 2 Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates and Judgements

#### Construction Contracts

When accounting for construction contracts, the contracts are either combined or segregated if this is deemed necessary to reflect the substance of the agreement. Determining the stage of completion requires an estimate of expenses incurred to date as a percentage of total estimated cost. Where variations and claims are made to the contract, assumptions are made regarding the probability that the customer will approve the variations and claims and the amount of revenue that will arise. Changes in these estimation methods could have a material impact on the Financial Statements of RCR. Refer to Section 4.1.1 for further information.

#### Provision for Loss on Long-Term Contracts

The Company has estimated the expected loss from onerous contracts. This estimation has been based upon management's judgement which has been based upon the most up-to-date information at the date of this financial report.

#### **Discontinued Operations**

In FY16, the Company reorganised its business and closed 14 local branches and two international businesses. The loss after tax associated with discontinued operations is disclosed in the Consolidated Statement of Profit or Loss. Refer to Section 3.5 for further information.

#### Impairment

The Directors assess impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Refer to Section 4.4 and 4.5 for further information.

#### Taxation

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are to be recognised in the Consolidated Statement of Financial Position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Refer to Section 3.7 for further information.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in legislation or circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the Consolidated Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustments, resulting in corresponding credit or charge to profit and loss.

#### Long Service Leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows. Refer to Section 4.8 for further information.

#### Share-Based Payments

The Company provides benefits to employees (including Senior Executives) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of equity-settled transactions with employees are measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to the market price of the Company's shares on the ASX. Refer to Section 5.6(a) for further information.



#### Section 3 Results for the Year

This Section focuses on the results and performance of the Company and includes disclosures explaining the Company's results for the year, segment information, capital and leasing commitments, taxation and EPS.

#### 3.1 Revenue

#### **Accounting Policies**

#### Revenue Recognition

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

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

#### Service Contracts

Revenue from the rendering of a service is recognised upon the delivery of the service to customers. Revenue for preventative maintenance contracts is recognised progressively over the contract term.

#### Construction Contracts

Revenue and costs on construction contracts are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. Measurement is based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Revenue arising from fixed price contracts is recognised in accordance with the percentage of completion method. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred plus a percentage of fees earned during the financial year. Variations in contract work and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable. Claims and variations can be both approved and not approved by the customer. Where the claim and/or variation are not approved by the customer, estimates are made in relation to the claim and/or variation position and management assesses the recovery at each reporting period.

Where the outcome of a construction contract cannot be estimated reliably, contract Revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract Revenue, the expected loss is recognised as an expense immediately.

#### Interest Revenue

Interest Revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

#### Other Revenue

Other Revenue is recognised when it is received, or when the right to receive payment is established.

All Revenue is stated net of the amount of Goods and Services Tax ("GST").

The following is an analysis of the Company's revenue and other income for the year:

	2017	2016
3.1(a) Revenue from Operating Activities	\$'000	\$'000
Construction Contracts	934,969	510,195
Service Contracts and Sale of Goods	357,075	380,334
Total Revenue from Operating Activities	1,292,044	890,529
3.1(b) Other Income		
Net Gain on Disposal of Property, Plant and Equipment	347	508
Interest Received	57	119
Other	2,232	1,730
Total Other Income	2,636	2,357

#### 3.2 Operating Segments

#### **Accounting Policies**

#### Segment Reporting

An operating segment is a component of an entity 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 same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

The Company aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services;
- nature of the production process;
- type of class of customers for the products and services; and
- nature of the regulatory environment.

Segment Revenues and expenses are those directly attributable to the segments and include any joint Revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses and provisions. Segment assets and liabilities do not include deferred income taxes.

#### **Operating Segments**

RCR operated through three business units during FY17 - Infrastructure, Energy and Resources. Commentary on the financial performance of each business unit is provided below and in the Review of Operations.

Infrastructure is a leading provider of rail and transport, renewable energy, water, electrical, HVAC, oil & gas and technical facilities management services. The business operates through the key brands of RCR, O'Donnell Griffin, Haden and Resolve FM.

The core capabilities of the business encompass; design and construction of renewable systems (solar, wind, battery and hydro); electrical and instrumentation services; railway signalling and overhead wiring systems; power generation, transmission and distribution systems and generator maintenance; high voltage cabling; switchboards and process control instrumentation; fire and data communications systems; engineering, installation and maintenance of mechanical systems and HVAC; facilities management services; and water treatment systems and technologies. The business operates in Australia, New Zealand and Vietnam.

Energy is a technology leader in power generation and energy plants. Utilising advanced technologies for a range of conventional and renewable fuels, RCR Energy delivers power stations and steam generation plants through turnkey engineering, procurement and construction projects across a diverse range of industries including infrastructure, oil & gas and mining. The business provides ongoing maintenance and shutdown services to power stations across Australia and New Zealand. RCR Energy operates with key offices in Australia, SE Asia and New Zealand.

Resources is a leading provider of engineering, construction, maintenance and shutdown services (above and below ground) to the mining, resources, oil & gas and Liquefied Natural Gas ("LNG") sectors.

The business also provides turnkey material handling solutions from design and manufacture, specialist shutdown and heat treatment services to off-site repairs and maintenance of heavy engineering equipment. The business in Australia operates a number of regional workshops in WA (including the Pilbara region), SA, QLD and NSW.

#### **Discontinued Operations**

The segment information reported below does not include the results for discontinued operations, which are described in more detail in Section 3.5.

#### Intersegment Transfers

Segment Revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's length" basis and are eliminated on consolidation.

#### Allocation Between Segments

For the purposes of monitoring segment performance, all Corporate costs are allocated to reportable segments other than the amounts disclosed below.

		2017	2016
Unallocated Corporate Costs	Section	\$'000	\$'000
Amortisation	4.5	(7,718)	(8,121)
Other Corporate Costs		(1,659)	(2,035)
Total Unallocated Corporate Costs		(9,377)	(10,156)



	Infrastructure	cture	Energy	λk	Resources	ses	Corporate (Incl Elim.)	nol Elim.)	Consolidated Group	Group
•	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
Sales Revenue	819,011	539,695	187,793	159,546	304,013	244,404	(18,773)	(53,116)	1,292,044	890,529
Segment EBIT (Before Transaction Costs and Non-Recurring Items)	33,518	24,297	512	1,514	10,516	12,530	(9,377)	(10,156)	35,169	28,185
Transaction Costs	ı	1	ı	ı	1	,	1	(1,223)	ı	(1,223)
Non-Recurring Items	ı	ı	ı	ı	1	ı	1	(14,319)	1	(14,319)
Segment EBIT	33,518	24,297	512	1,514	10,516	12,530	(9,377)	(25,698)	35,169	12,643
Interest Received	ı	,	ı	ı	1	1	25	119	22	119
Finance Costs	1	1	1	ı	1	1	(4,019)	(4,145)	(4,019)	(4,145)
Profit Before Income Tax	33,518	24,297	512	1,514	10,516	12,530	(13,339)	(29,724)	31,207	8,617
Income Tax (Expense)/Benefit	1	ı	1	ı	1	1	(5,531)	366	(5,531)	366
Profit for the Year from Continuing Operations	33,518	24,297	512	1,514	10,516	12,530	(18,870)	(29,358)	25,676	8,983
Total Assets	486,638	330,165	114,326	109,515	126,985	68,097	47,939	36,672	775,888	544,449
Total Liabilities	280,811	92,473	34,688	25,985	75,932	48,301	72,821	89,718	464,252	256,477

# Major Customers

The Company provides both products and services to a number of customers. The Company supplied a single external customer who accounts for 13% of external revenue (FY16: 14%). No other single customer contributed 10% or more to the Company's revenue for both FY17 and FY16.

Revenue by Geographical Region	\$'000	2016	Non-Current Assets by Geographical Region	\$'000	2016
Revenue attributable to external customers is disclosed below, based on the location of operations:			The location of Non-Current Assets (excluding discontinued operations and deferred taxes) by geographical location is disclosed below:		
Australia	1,202,044	808,572	Australia	250,905	253,474
Overseas	90,000	81,957	Overseas	7,291	7,081
Total Revenue	1,292,044	890,529	Total Non-Current Assets	258,196	260,555

3.3 Operating Costs from Continuing Operations	Section	2017 \$'000	2016 \$'000
(a) Cost of Sales			
Employee Benefits Expense		589,655	550,197
Materials and Third Party Costs Charged to Projects		565,877	243,676
Depreciation of Property, Plant and Equipment	4.4	6,578	6,999
Operating Lease Payments		26,167	29,794
Other		32,877	14,326
Total Cost of Sales		1,221,154	844,992
(b) Administrative Expenses			
Employee Benefits Expense		15,832	13,708
Depreciation of Property, Plant and Equipment	4.4	5,837	5,984
Amortisation of Intangible Assets	4.5	7,718	8,121
Operating Lease Payments		2,619	2,469
Other		4,613	1,890
Total Administrative Expenses		36,619	32,172
(c) Finance Costs			
Interest on Bank Overdrafts and Loans		4,019	4,128
Interest on Obligations Under Finance Leases		-	17
Total Finance Costs		4,019	4,145

#### 3.4 Capital and Leasing Commitments

#### Accounting Policies

#### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense in profit and loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and a reduction of the liability.

#### (a) Non-Cancellable Operating Leases Contracted for but not Capitalised in the Financial Statements

Payable - Minimum Lease Payments not later than 12 months	31,456	29,787
Between 12 months and 5 years	68,101	58,435
Greater than 5 years	26,166	21,513
Total Operating Lease Commitments	125,723	109,735

The Company has various property leases under non-cancellable operating leases expiring within or greater than five years, with rent payable monthly in advance. Contingent rental provisions within the lease agreements require that the minimum lease payments shall be increased by CPI or current market rental on a per annum basis. Options exist to renew the leases at the end of their term for additional periods and conditions.

The leases allow for subletting of all lease areas. Other leases under non-cancellable agreements include vehicle leasing.

#### (b) Capital Expenditure Commitments

\$2,034,836 of commitments for property, plant and equipment expenditure exist at 30 June 2017 (June 2016: \$64,836).



#### 3.5 Discontinued Operations

On 4 April 2016, the Company announced that it had completed a review of its strategy, for current and future markets, in the infrastructure, energy and resources sectors. As a result of the review, it was determined that the continued pressure on some commodity prices and the general slowness in capital spend, in both private and government projects, meant some operations were deemed not economically viable. The Company closed 14 local branches primarily associated with services to the coal sector and two international, unprofitable businesses.

Discontinued operations included in the FY16 results are set out below:

	2017	2016
	\$'000	\$'000
Loss for the Year from Discontinued Operations		
Sales Revenue	-	38,400
Expenses	-	(74,363)
Loss Before Income Tax	-	(35,963)
Attributable Income Tax Benefit	-	10,789
Loss for the Year from Discontinued Operations	-	(25,174)
Cash Flows from Discontinued Operations		
Net Cash Outflows from Operating Activities	-	(21,842)
Net Cash Outflows from Investing Activities	-	(2)
Net Cash Outflows from Financing Activities	-	-
Net Cash Outflows	-	(21,844)

#### 3.6 Auditor's Remuneration

Auditor's Remuneration - Deloitte Touche Tohmatsu	\$	\$
Audit or Review of the Financial Report	605,000	603,574
Other Non-Audit Services	48,755	39,578
Taxation Services	105,015	82,568
Total Auditor's Remuneration	758,770	725,720

#### 3.7 Taxation

#### **Accounting Policies**

#### Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in profit and loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

RCR and its wholly-owned Australian subsidiaries have formed an income tax consolidated group ("the Group") under the tax consolidation regime. Each entity in the Group recognises its own current and deferred tax liabilities, except for any deferred tax balances resulting from unused tax losses and tax credits which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 1 July 2003.

Entities within the tax-consolidated group have entered into a tax sharing agreement with the head entity. Under the terms of the arrangement, RCR 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. In addition, each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the Group.

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.

#### Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

	2017	2016
3.7.1 Income Taxes Relating to Continuing Operations	\$'000	\$'000
(a) The Components of Tax Comprise:		
Current Tax		
In Respect of the Current Year	936	703
In Respect of Prior Years	131	(184)
Total Current Tax	1,067	519
Deferred Tax		
In Respect of the Current Year	5,792	2,286
In Respect of Prior Years	(1,328)	(3,171)
Total Deferred Tax	4,464	(885)
Income Tax Expense/(Benefit) Recognised for Continuing Operations	5,531	(366)



dection of results for the real (continued)		
3.7.1 Income Taxes Relating to Continuing Operations	2017 \$'000	2016 \$'000
		Ψ 000
<ul> <li>(b) Income Tax Expense for the Year can be Reconciled to the Accounting Profit as Follows</li> <li>Profit Before Tax from Continuing Operations</li> </ul>	31,207	8,617
Total Delote Tax ITOTA Continuing Operations	31,207	0,017
Income Tax Expense Calculated at 30% (FY16: 30%)	9,362	2,585
Effect of Non-Deductible Amortisation	383	785
Effect of Other Non-Allowable Items	134	499
Effect of Overseas Tax Differences	24	120
Effect of Adjustments Recognised in Respect of Prior Years	(226)	(712)
Effect of Research and Development Expenses	(4,146)	(3,643)
Income Tax Expense/(Benefit) Recognised for Continuing Operations	5,531	(366)
Applicable Effective Tax Rate	17.7%	(4.2%)
3.7.2 Current Tax Assets and Liabilities		
(a) Current Tax Assets		
Income Tax	-	243
Total Current Tax Assets	-	243
(b) Current Tax Liabilities		
Income Tax	709	-
Total Current Tax Liabilities	709	-
3.7.3 Deferred Tax Balances		
Deferred Tax Assets		
Tax Losses	43,127	47,119
Provisions	9,956	9,510
Onerous Leases	714	2,141
Franking Deficit Tax	4,290	4,290
Other	8,163	9,412
Total Deferred Tax Assets	66,250	72,472
Deferred Tax Liabilities		
Property, Plant and Equipment	20	61
Intangibles	17,092	18,852
Share-Based Payments	1,209	1,506
Other Tatal Deferred Taul inhilities	188	- 00 410
Total Deferred Tax Liabilities	18,509	20,419
Net Deferred Tax Asset	47,741	52,053
(i) Gross Movement		
Opening Balance	52,053	51,600
Change in Accounting Policy for Deferred Tax Measurement Relating to Indefinite Life Intangible Assets  4.5	-	(13,367)
Revised Opening Balance	52,053	38,233
Balances Acquired on Business Combination 6.1	-	858
Movement to Profit and Loss	(4,464)	11,673
Movement to Equity	152	1,289
Net Deferred Tax Asset	47,741	52,053

#### 3.8 Earnings per Share

#### Accounting Policies

#### Basic EPS

Basic EPS 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 during the financial year.

#### Diluted EPS

Diluted EPS 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 and performance rights for the effects of all dilutive potential ordinary shares.

	2017	2016
	Cents Per Share	Cents Per Share
Basic Earnings per Share		
From Continuing Operations	18.34	6.43
Total Basic Earnings per Share	18.34	(11.59)
Diluted Earnings per Share		
From Continuing Operations	17.80	6.25
Total Diluted Earnings per Share	17.80	(11.59)

#### Calculation of Earnings per Share

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

	\$'000	\$'000
Basic Earnings per Share		
Earnings Used to Calculate Basic Earnings per Share	25,676	(16,191)
Loss for the Year from Discontinued Operations Used in the Calculation of Basic Earnings per Share from Discontinued Operations	-	25,174
Earnings Used in the Calculation of Basic Earnings per Share from Continuing Operations	25,676	8,983
Diluted Earnings Per Share		
Earnings Used to Calculate Diluted Earnings per Share	25,676	(16,191)
Loss for the Year from Discontinued Operations Used in the Calculation of Diluted Earnings per Share from Discontinued Operations	-	25,174
Earnings Used in the Calculation of Diluted Earnings per Share from Continuing Operations	25,676	8,983

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	No of Shares '000	No of Shares '000
Weighted Average Number of Ordinary Shares for the Purposes of Basic Earnings per Share	139,967	139,687
Shares Deemed to be Issued for No Considerations in Respect of Performance Rights	4,257	4,013
Weighted Average Number of Ordinary Shares Used to Calculate Diluted Earnings per Share	144,224	143,700



#### Section 4 Assets and Liabilities

This Section shows the assets used to generate the Company's trading performance and the liabilities incurred as a result. Liabilities relating to the Company's financing activities are addressed in Section 5. Current and deferred tax assets and liabilities are shown in Section 3.7.

#### Trade and Other Receivables

#### **Accounting Policies**

Trade receivables are recognised initially at fair value and reduced through the use of a provision for doubtful debts with the amount of the loss recognised in profit and loss.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off against the provision account. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in profit and loss.

Capitalised tender/bid costs are included in the trade and other receivables balance. When it is probable that a contract will be awarded, the expenditure incurred in relation to tender/bid costs is capitalised. Capitalised costs are expensed in accordance with contract accounting principles once the contract is awarded. Where a tender/bid is subsequently unsuccessful, the previously capitalised costs are immediately expensed. Tender/bid costs that have been expensed cannot be recapitalised in the subsequent financial year.

		2017	2016
Trade and Other Receivables	Section	\$'000	\$'000
Trade Receivables		131,940	113,156
Provision for Impairment of Receivables		(854)	(1,232)
Net Trade Receivables		131,086	111,924
Amounts Due from Customers Under Construction Contracts	4.1.1	285,386	81,805
Total Trade and Other Receivables		416,472	193,729

Trade receivables are generally on 30 - 60 day terms from the end of the month. With respect to trade receivables that are neither impaired nor past due, there are no indications as at the reporting date that the debtors will not meet their payment obligations. Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

Amounts due from customers under construction contract increased in FY17 as a result of a large number of projects commencing. The increase in the receivable balance is complemented by an increase in trade and other payables (Refer to Section 4.6). This increase represents the supplier commitments and their progress for the construction of the projects.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Company does not hold any collateral as security.

#### Trade Receivables that are Past Due but not Impaired

61-90 Days	1,677	3,246
91 Days Plus	7,131	9,100
Total	8,808	12,346
(b) Movement in the Provisions for Impairment of Receivables		
Opening Balance	1,232	2,974
Provision Recognised on Receivables During the Year	112	372
Receivables Written Off During the Year as Uncollectible	(481)	(1,483)
Amounts Recovered During the Year	-	(36)
Impairment Loss Reversed	(6)	(593)
Foreign Exchange Translation Losses	(3)	(2)
Closing Balance	854	1,232
The ageing analysis of impaired trade receivables is as follows:		
91 days plus	860	1,082

#### 4.1.1 Amounts Due From Customers Under Construction Contracts

#### Accounting Policies

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

Construction work in progress is valued at cost. Where it is probable that a loss will arise from a construction contract, the excess of total expected contract costs over total expected contract Revenue is recognised immediately as an expense. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Where contract costs incurred to date, plus recognised profits, less recognised losses, exceed progress billings, the surplus is shown as amounts due from customers for contract work. Amounts billed for work performed but not yet paid by the customer are included in the Consolidated Statement of Financial Position under trade and other receivables. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work and are included in the Consolidated Statement of Financial Position under Deferred Revenues.

		2017	2016
Amounts Due from Customers Under Construction Contracts	Section	\$'000	\$'000
		1 000 011	4 444 0 45
Contract Costs Incurred and Profits Recognised		1,868,844	1,444,045
Progress Billings		(1,599,915)	(1,388,600)
Amounts Due from Customers Under Construction Contracts		268,929	55,445
Recognised and Included in the Consolidated Financial Statements as An	nounts Due		
From Customers Under Construction Contracts Included in Trade and			
Other Receivables	4.1	285,386	81,805
To Customers Under Construction Contracts - Deferred Revenue	4.7	(16,457)	(26,360)
Amounts Due from Customers Under Construction Contracts		268,929	55,445

Included within Section 4.1 are project receivables associated with RCR delivering large scale construction projects. Project receivables are amounts due to RCR from customers that have not been invoiced. Some of these project receivables are made up of claims and variations, both approved and not approved by the customer. Estimates are made in relation to claim and variation positions and Management assesses the recovery prior to recognising the amount in the Financial Statements.

#### 4.2 Inventories

#### **Accounting Policies**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

#### Inventories

Raw Materials	8,061	9,985
Finished Goods	6,219	4,425
Total Inventories	14,280	14,410

#### Other Current Assets

#### Other Current Assets

Prepayments	3,068	2,514
Other	6,475	5,359
Total Other Current Assets	9,543	7,873



#### 4.4 Property, Plant and Equipment

#### Accounting Policies

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

#### Property

Land and buildings within property, plant and equipment are measured under the cost model, as allowed by AASB 116 Property, Plant and Equipment. Freehold land is not depreciated.

#### Plant and Equipment

Plant and equipment are measured on a cost basis. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

#### Leasehold Improvements

Leasehold improvements are measured on a cost basis. Leasehold improvements are depreciated over the term of the applicable

#### Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5% - 4.0%
Plant and Equipment	5.0% - 40.0%
Leased Plant and Equipment	5.0% - 40.0%

Leasehold Improvements are depreciated over the life of the applicable lease, or the estimated useful lives of the improvements.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit and loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. 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.

Property, Plant and Equipment	2017 \$'000	2016 \$'000
Carrying Amounts of:		
Leasehold Improvements	2,570	2,865
Plant and Equipment	48,372	44,209
Total Property, Plant and Equipment	50,942	47,074

#### Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are as follows:

	Section	Freehold Land \$'000	Buildings \$'000	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2015		28	824	3,824	44,917	49,593
Assets Recognised on Business Combination		-	-	-	1,904	1,904
Additions		-	-	669	12,486	13,155
Disposals		(28)	(800)	(203)	(1,628)	(2,659)
Depreciation Expense	3.3	-	(24)	(1,308)	(11,651)	(12,983)
Impairment Expense Associated with Discontinued Operations		-	-	(117)	(1,858)	(1,975)
Foreign Currency Exchange		-	-	-	39	39
Balance at 30 June 2016		-	-	2,865	44,209	47,074
Balance at 1 July 2016		-	-	2,865	44,209	47,074
Additions		-	-	312	16,164	16,476
Disposals		-	-	(168)	(3)	(171)
Depreciation Expense	3.3	-	-	(436)	(11,979)	(12,415)
Foreign Currency Exchange		-	-	(3)	(19)	(22)
Balance at 30 June 2017		-	-	2,570	48,372	50,942

#### 4.5 Intangible Assets

#### **Accounting Policies**

#### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Company's cashgenerating units that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

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

#### **Brand Names**

Brand names recognised by the Company 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 in accordance with the policy stated below under "Impairment of Assets".



#### Customer Relationships and Order Book

Customer Relationships and Order Book are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Customer Relationships and Order Book have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. They are amortised over their useful life ranging from 5 to 20 years.

#### Technology

Technology is recognised at cost of acquisition. Technology has a finite life and is carried at cost less any accumulated amortisation and any impairment losses. Technology is amortised over its useful life ranging from 4 to 10 years.

#### Patents and Trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 2 to 20 years.

#### Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared with the asset's carrying value. Any excess of the assets' carrying value over its recoverable amount is expensed to profit and loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

	2017	2016
Goodwill and Other Intangibles	\$'000	\$'000
Goodwill Carrying Amount	141,440	141,440
Carrying Amounts of:		
Brands Book Carrying Value	44,557	44,557
Customer Relationships and Order Book Carrying Value	11,750	16,004
Technology Carrying Value	6,902	8,019
Patents and Other Rights Carrying Value	2,605	3,475
Other Intangibles	65,814	72,055
Carrying Value of Goodwill and Intangibles	207,254	213,495

				Customer		D	
		Goodwill	Brands	Relationships & Order Book	Tachnology	Patents &	Total
Movements in Carrying Amounts	Section	\$'000	\$'000	\$'000	\$'000	Other Rights \$'000	Total \$'000
Balance at 1 July 2015		117,575	44,557	18,907	10,605	5,128	196,772
Deferred Tax Measurement Relating to		,	,007	.0,00.	.0,000	0,.20	100,772
Indefinite Life Intangible Assets	3.7.3(i)	13,367	-	-	-	-	13,367
Revised Opening Balance		130,942	44,557	18,907	10,605	5,128	210,139
Recognised from Business Combinations	6.1	10,498	-	1,570	-	-	12,068
Amortisation Expense		-	-	(4,473)	(2,333)	(1,315)	(8,121)
Impairment Expense related to Discontinued Operations		-	-	-	(254)	(345)	(599)
Foreign Currency Exchange		-	-	-	1	7	8
Balance at 30 June 2016		141,440	44,557	16,004	8,019	3,475	213,495
Balance at 1 July 2016		141,440	44,557	16,004	8,019	3,475	213,495
Additions Recognised		-	-	-	1,500	-	1,500
Amortisation Expense		-	-	(4,253)	(2,617)	(848)	(7,718)
Foreign Currency Exchange		-	-	-	-	(23)	(23)
Balance at 30 June 2017		141,440	44,557	11,751	6,902	2,604	207,254

#### Allocation of Goodwill to Cash Generating Units

Goodwill is allocated to the Company's cash generating units identified according to operating segment. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment. The carrying amount of goodwill was allocated to cash generating units as follows:

		2017	2016
	Section	\$'000	\$'000
RCR Infrastructure		112,053	112,053
RCR Energy		18,693	18,693
RCR Resources		10,694	10,694
Goodwill Carrying Amount		141,440	141,440

#### Impairment Test for Goodwill

The recoverable amount of the goodwill in each cash generating unit is based on value in use calculations. These calculations use cash flow projections based on the following year's budget and increased for growth at 2.5% for the forecast period being five years.

The key assumptions used in the value in use calculations as at 30 June 2017 and 30 June 2016 were as follows:

- growth rate used to extrapolate cash flows beyond the forecast period: 2.5% (2016: 2.5%);
- pre-tax discount rate: 13.64% (2016: 13.64%); and
- divisional Revenue, EBIT, working capital adjustments and maintenance capital expenditure.

#### Impairment Test for Other Intangibles

Other intangibles including technology, patents & other rights and development costs are allocated to Cash Generating Units where relevant and included in the value in use calculations using the assumptions outlined above. The impairment expense incurred during FY16 related to the discontinued operations.

#### 4.6 Trade and Other Payables

#### Accounting Policies

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which were unpaid at the end of the financial year. The amounts are unsecured and are usually paid within 30 days of recognition or to agreed terms.

	2017	2016
Trade and Other Payables	\$'000	\$'000
Trade Payables	91,454	59,785
Accrued Expenses	245,006	36,466
Sundry Payables	7,062	5,038
Total Trade and Other Payables	343,522	101,289

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

#### 4.7 Deferred Revenue

#### Deferred Revenue



#### 4.8 Provisions

#### Accounting Policies

#### **Employee Benefits**

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

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

#### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 obligation, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

#### Warranties

Provision is made in respect of the Company's estimated liability on all products and services under warranty at balance date. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the Company's history of warranty claims.

#### Provision for Claims

Where it is probable that a claim will arise on a long-term contract, the excess of total expected contract costs over total contract Revenue is recognised as an expense immediately and a provision is raised.

#### Onerous Leases

The provision for onerous lease contracts represents the present value of the future lease payments that the Company is presently obligated to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired terms of the leases range from two to five years.

		2017	2016
Provisions	Section	\$'000	\$'000
Employee Benefits		35,715	39,227
Other Provisions	4.8(a)	13,038	18,477
Total Provisions		48,753	57,704
Current		44,553	49,325
Non-Current		4,200	8,379
Total Provisions		48,753	57,704

The provision for employee benefits represents annual leave, long service leave, and other site specific leave entitlements accrued by employees.

(a) Other Provisions	Warranties <sup>(i)</sup> \$'000	Provision for Claims \$'000	Onerous Leases <sup>(ii)</sup> \$'000	Other <sup>(iii)</sup> \$'000	Total \$'000
Balance at 1 July 2015	1,872	4,300	-	4,179	10,351
Provisions Recognised on Business Combination	-	-	-	118	118
Additional Provisions Recognised	1,434	-	7,525	5,338	14,297
Transfers	-	-	198	(198)	-
Reductions from Payments	(1,048)	-	(615)	(1,945)	(3,608)
Reductions Arising from Re-Measurement	(1,116)	-	-	(1,565)	(2,681)
Balance at 30 June 2016	1,142	4,300	7,108	5,927	18,477
Balance at 1 July 2016	1,142	4,300	7,108	5,927	18,477
Additional Provisions Recognised	2,633	-	98	1,693	4,424
Transfers	(49)	-	-	49	-
Reductions from Payments	(876)	-	(2,100)	(3,180)	(6,156)
Reductions Arising from Re-Measurement	(186)	-	(2,725)	(796)	(3,707)
Balance at 30 June 2017	2,664	4,300	2,381	3,693	13,038

<sup>(</sup>i) The provision for warranty claims represents the present value of the future outflow of economic benefits that will be required under the Company's obligations.

#### Section 5 Capital Structure and Financing Costs

This Section outlines how the Company manages its capital structure, including its balance sheet liquidity and access to capital markets.

The Directors determine the appropriate capital structure of RCR Tomlinson, specifically, how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Company's activities both now and in the future. The Directors consider the Company's capital structure and dividend policy at least annually and do so in the context of its ability to continue as a going concern, to execute the strategy and to deliver its business plan.

During FY17, the Company complied with all the financial covenants of its borrowing facilities.

#### 5.1 Cash and Cash Equivalents

#### Accounting Policies

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, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the Consolidated Statement of Financial Position.

	2017	2016
5.1.1 Cash and Cash Equivalents	\$'000	\$'000
Cash at Bank and In Hand	29,656	15,572
Total Cash and Cash Equivalents	29,656	15,572

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts.

<sup>(</sup>ii) The provision for onerous leases relate to a number of properties associated with discontinued operations. The unexpired term of the leases range from two to five years.

<sup>(</sup>iii) The other provision balance comprises redundancy, property make good and other provisions.



5.1.2 Cash Flow Information	Section	2017 \$'000	2016 \$'000
(a) Reconciliation of Cash Flows from Operating Activities with P		<b>V</b> 000	
Profit/(Loss) After Income Tax		25,676	(16,191)
Non-Cash Flows in Profit			
Depreciation	4.4	12,415	12,983
Impairment of Property, Plant & Equipment	4.4	-	1,975
Amortisation	4.5	7,718	8,121
Impairment of Intangibles	4.5	-	599
Net Gain on Disposal of Property, Plant and Equipment		(376)	(521)
Net Foreign Exchange Gain		(107)	(179)
Share-Based Payment Expense	5.6(a)	1,406	1,202
Total Non-Cash Flows in Profit		21,056	24,180
Movements in Working Capital			
(Increase)/Decrease in Trade and Term Receivables		(222,801)	19,359
(Increase)/Decrease in Other Debtors		(3,169)	771
Decrease in Inventories		130	3,146
Increase/(Decrease) in Trade Payables and Accruals		237,899	(25,433)
Decrease in Deferred Revenue		(9,903)	(6,549)
Increase/(Decrease) in Income Taxes Payable		952	(446)
Increase/(Decrease) in Deferred Taxes Payable		4,313	(12,492)
(Decrease)/Increase in Provisions		(8,949)	4,998
Total Working Capital Movements		(1,528)	(16,646)
Net Cash Increase/(Decrease) from Operating Activities		45,204	(8,657)

#### 5.1.3 Non-Cash Financing and Investing Activities

#### Shares Issued

During FY17, 178,225 performance rights vested to KMPs and other Executives for no consideration (FY16: 2,242,414 performance rights). On vesting, the performance rights converted into ordinary fully paid shares.

#### Banking Facility

The Company has financing arrangements in place with the Commonwealth Bank of Australia Limited and other syndicated financiers. The Banking Facility has a term of three years and expires on 14 December 2019.

The Banking Facility, together with Insurance Bonding Facilities, provides RCR with access to ongoing working capital for RCR's operations.

The Banking Facility at 30 June 2017 comprises:

- a senior debt facility of \$56.25 million;
- a multi option facility of \$75 million, for working capital, which includes overdraft, cash advance and business card facilities; and
- a multicurrency contingent instrument facility of \$195 million, which includes trade finance and bank guarantee facilities.

The Company had borrowings totalling \$54.8 million at the end of the financial year (30 June 2016: \$71.3 million).

#### Insurance Bonding Facilities

The Company also has insurance bonding facilities totalling \$200 million.

#### 5.2 Interest Bearing Loans and Borrowings

#### Accounting Polices

#### Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable fees, premiums paid and transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur.

		2017	2016
5.2.1 Borrowings	Section	\$'000	\$'000
Bank Loans		56,250	41,250
Cash Advances		-	30,000
Facility Costs and Prepayments		(1,439)	(126)
Total Borrowings		54,811	71,124
Current		19,469	50,000
Non-Current		35,342	21,124
Total Borrowings		54,811	71,124

#### 5.2.2 Financing Arrangements

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Bank Overdraft, Bank Guarantees, Trade Finance Facility and Insurance Bonding	470,000	315,000
Cash Advances	-	30,000
Bank Loans	56,250	41,250
Total Bank Facilities	526,250	386,250
Used		
Bank Overdraft, Bank Guarantees, Trade Finance Facility and Insurance Bonding 6.5	184,964	114,328
Cash Advances	-	30,000
Bank Loans	56,250	41,250
Total Used	241,214	185,578
Unused		
Bank Overdraft, Bank Guarantees, Trade Finance Facility and Insurance Bonding	285,036	200,672
Bank Loans	-	-
Total Unused	285,036	200,672

The Australian and New Zealand entities within the Company are jointly and severally liable for the above facilities and the facilities are secured by charges on the assets of the Australian and New Zealand entities within the Company. The fair value of borrowings (current and non-current) approximates their book value.

Details of the Company's exposure to risk arising from current and non-current borrowings are set out in Section 5.3.



#### 5.3 Financial Risk Management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the business. The Company uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates, foreign exchange and other price risks and ageing analysis for credit risk.

Financial risk management is carried out by the finance function under policies approved by the Board of Directors. The finance function identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides principles for overall risk management and the finance function monitors and actions activities to ensure compliance with these policies.

#### Market Risk

#### Foreign Exchange Risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the NZD and to a lesser extent other currencies.

The Company also undertakes transactions denominated in foreign currencies, primarily with respect to the USD and Euro. Consequently, exposures to exchange rate fluctuations arise. These exchange rate exposures are managed using forward foreign exchange contracts designated as cash flow hedges. Refer to Section 5.4.1 Derivative Financial Instruments which details outstanding cash flow hedges at reporting date.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the parent entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The AUD is the functional currency for most of the entities in the Company and business activities.

Management has instituted a policy requiring entities in the Company to manage their foreign exchange risk against their functional currency.

Had the AUD appreciated by 10%, Equity would have been \$1.9 million lower (2016: \$1.8 million lower). Had the AUD depreciated by 10%, the effect on Equity would be an increase of \$2.4 million (2016: \$2.2 million increase). Equity is impacted by the translation of financial assets and liabilities of entities in the Company where the NZD, MYR, VND and THB are their functional currencies.

#### Cash Flow and Fair Value Interest Rate Risk

The Company's main interest rate risk arises from short and long-term borrowings and interest bearing assets. Borrowings at variable rates expose the Company to cash flow interest rate risk and borrowings at fixed interest rates expose the Company to fair value interest rate risk. The Company's bank borrowings are in AUD at variable interest rates primarily tied to the bank bill swap bid rate.

The Company analyses its interest rate exposure regularly. Various interest rate shifts are simulated, taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these interest rate shifts, the Company calculates the impact on profit and loss. The interest rate shift scenario is run only for liabilities and assets that represent the major interest-bearing positions. Based on the simulations performed at 30 June 2017, if interest rates had changed by -/+ 100 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been \$0.5 million higher/lower (2016: \$0.4 million higher/lower).

#### Summarised Sensitivity Analysis

The following table summarises the sensitivity of the Company's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

			Interest F	Rate Risk		Foreign Exchange Risk				
		Rate Changes by		Rate Changes by		AUD Depreciates		AUD Appreciates		
	Carrying		-100bps		+100bps		by 10%		by 10%	
00 1 0047	Amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	
30 June 2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Financial Assets										
Cash and Cash Equivalents	29,656	(297)	-	297	-	-	1,142	-	(935)	
Trade and Other Receivables	416,472	-	-	-	-	-	3,158	-	(2,584)	
Financial Liabilities										
Trade and Other Payables	343,522	-	-	-	-	-	(1,926)	-	1,576	
Short-Term Borrowings	19,469	-	-	-	-	-	-	-	-	
Long-Term Borrowings	35,342	748	-	(748)	-	-	-	-	-	
Total Increase/(Decrease)		451	-	(451)	-		2,374	-	(1,943)	
30 June 2016										
Financial Assets						-				
Cash and Cash Equivalents	15,572	(156)	-	156	-	-	666	-	(545)	
Trade and Other Receivables	193,729	-	-	-	-	-	2,410	-	(1,972)	
Financial Liabilities										
Trade and Other Payables	101,289	-	-	-	-	-	(863)	-	706	
Short-Term Borrowings	50,000	-	-	-	-	-	-	-	-	
Long-Term Borrowings	21,124	528	-	(528)	-	_	-	-	-	
Total Increase/(Decrease)		372	-	(372)	-	-	2,213	-	(1,811)	

#### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or contract, leading to a financial loss. Credit risk is co-operatively managed by the finance function and the operating units for customers, including outstanding receivables and committed transactions and at the consolidated level for credit risk arising from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. For banks and financial institutions, only reputable institutions with sound financial positions are dealt with.

Individual risk exposures are set for customers in accordance with specified limits established by the Board of Directors based on independent credit reports, financial information obtained, credit references, and the Company's credit and trading history with the customer. Outstanding customer receivables are regularly monitored and any credit concerns highlighted to senior management. High risk projects or shipments for customers are generally covered by letters of credit or other forms of guarantee.

#### Liquidity and Capital Risk

Management controls the capital of the Company in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern. The Company's debt and capital includes ordinary share capital and financial liabilities and is supported by financial assets.

The Company's Net Cash/Debt position is defined as total borrowings less cash and cash equivalents. The Company was in a \$25.2 million Net Debt position as at 30 June 2017 (June 2016: \$55.6 million Net Debt).

The Company does not have a fixed target debt/equity ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of investment opportunities when they arise.

As at 30 June 2017, the Company maintains backup liquidity for its operations and maturing debts through a combination of bank overdrafts, bank guarantees and trade finance and cash advance facilities. Refer to Section 5.1.3 for details on the facilities.

The Company must maintain six covenants relating to the debt drawn under the bank's credit facilities, for which a compliance certificate must be produced attesting to certain ratios for interest cover, leverage, gearing and guarantor group testing. The Company's policy is to centralise debt and surplus cash balances whenever possible.



The table below analyses the Company's financial instruments into maturity groupings based on the remaining period from the balance date to the contractual maturity date.

	Within 1 year		Between 1 a	ind 5 years	After 5 years	
	2017 201		2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Cash and Cash Equivalents	29,656	15,572	-	-	-	-
Trade and Other Receivables	416,472	193,729	-	-	-	-
Financial Liabilities						
Trade and Other Payables	(359,979)	(127,649)	-	-	-	-
Borrowings	(19,469)	(50,000)	(35,342)	(21,124)	-	-
Total	66,680	31,652	(35,342)	(21,124)	-	-

The financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, bank loans and leases.

#### 5.4 Financial Instruments

#### **Accounting Polices**

#### Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

#### Financial Assets at Fair Value Through Profit and Loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains or losses arising from changes in the fair value of these assets are included in profit and loss in the period in which they arise.

#### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

#### Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

#### Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

#### De-recognition

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are de-recognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

#### Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit and loss.

#### Derivative Financial Instruments

The Company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. These derivative financial instruments are initially recognised at fair value at the date the contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

#### Foreign Currency Transactions and Balances

#### Functional and Presentation Currency

The functional currency of each of the entities in the Company is measured using the currency of the primary economic environment in which that entity operates. The Consolidated Financial Statements are presented in AUD which is the parent entity's functional and presentation currency.

#### Transaction and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit and loss except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in profit and loss.

#### **Foreign Operations**

The financial transactions of foreign operations whose functional currency is different from the presentation currency are translated at the exchange rates prevailing at the date of the transaction. At the end of the reporting period, assets and liabilities are re-translated at the rates prevailing at that date. Income and expenses are re-translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency translation reserve in the Consolidated Statement of Financial Position. These differences are recognised in profit and loss in the period in which the operation is disposed.



#### 5.4.1 Derivative Financial Instruments

#### Forward Foreign Exchange Contracts

The Company has a number of outstanding contracts with supplier's that trade in various foreign currencies. The Company has entered into forward foreign exchange contracts to hedge the exchange rate risk arising from these anticipated future transactions, which are designated as cash flow hedges. The fair value hierarchy has been assessed as level 2.

The valuation technique used was discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. The following table details the cash flow hedges outstanding at 30 June 2017 and 2016:

		Average	Average	Foreign	Foreign	Notional	Notional	Fair	Fair
		Exchange	Exchange	Currency	Currency	Value	Value	Value	Value
Outstanding Cash Flow		Rate	Rate	2017	2016	2017	2016	2017	2016
Hedging Instruments	Months	2017	2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EUR Buy/AUD Sell	Less than 6	0.6720	-	22,099	-	32,884	-	(193)	-
EUR Buy/AUD Sell	More than 6	0.6636	-	631	-	951	-	(2)	-
USD Buy/AUD Sell	Less than 6	0.7520	-	54,191	-	72,059	-	1,418	-
USD Buy/AUD Sell	More than 6	0.7625	0.7073	12,462	130	16,344	184	88	5
USD Buy/NZD Sell	Less than 6	0.6978	-	258	-	370	-	17	-
USD Buy/NZD Sell	More than 6	-	-	-	-	-	-	-	-
AUD Buy/NZD Sell	Less than 6	0.9410	-	175	-	186	-	2	-
AUD Buy/NZD Sell	More than 6	-	-	-	-	-	-	-	-
AUD Buy/THB Sell	Less than 6	-	-	-	-	-	-	-	-
AUD Buy/THB Sell	More than 6	-	0.0367	-	597	-	16,289	-	32
NZD Buy/AUD Sell	Less than 6	1.0432	-	1,200	-	1,150	-	7	-
NZD Buy/AUD Sell	More than 6	-	-	-	-	-	-	-	-
NZD Buy/USD Sell	Less than 6	1.3804	-	642	-	465	-	(7)	-
NZD Buy/USD Sell	More than 6	-	-	-	-	-	-	-	-
THB Buy/NZD Sell	Less than 6	24.6419	-	4,655	-	189	-	2	-
THB Buy/NZD Sell	More than 6	-	-	-	-	-	-	-	
Total				96,313	727	124,598	16,473	1,332	37

#### Equity

#### Accounting Policies

#### Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a sharebased payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

#### **Employee Share Trust**

The Company has established the trust to administer the Company's allocation of shares related to performance rights and options to Executives and employees. This trust forms part of the Company. Shares acquired on-market by the trust, which are yet to vest, are disclosed as treasury shares and deducted from contributed equity.

Issued Capital	Section	No of Shares '000	Shares \$'000
(a) Fully Paid Ordinary Shares			
Balance as at 1 July 2015		138.745	134,227
Issue of Treasury Shares	5.5(b)	1,992	3,706
Tax Effect Relating to Share Costs	( - /	-	(4)
Share Buy-Back		(774)	(1,257)
Share Buy-Back Costs		-	(3)
Balance as at 30 June 2016		139,963	136,669
Tax Effect Relating to Share Costs		-	4
Balance as at 30 June 2017		139,963	136,673
(b) Treasury Shares			
Balance as at 1 July 2015		(44)	(100)
Acquisition of New Shares by the Trust	5.5(a)	(1,992)	(3,706)
Acquisition of On Market Shares by the Trust	0.0(a)	(417)	(668)
Issue of Shares Under the LTI Plan	5.8	2,242	4,093
Issue of Deferred Shares Under the STI Plan		111	200
Balance as at 30 June 2016		(100)	(181)
Acquisition of On Market Shares by the Trust		(87)	(240)
Issue of Shares Under the Performance Incentive Plan	5.8	178	397
Return of Deferred Shares Under the STI Plan		(2)	(6)
Issue of Shares for Dividend Uplift on Vesting of Performance Rights		9	25
Balance as at 30 June 2017		(2)	(5)
Balance of Issued Capital as at 30 June 2016		139,863	136,488
Balance of Issued Capital as at 30 June 2017		139,961	136,668

At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Treasury shares are shares in RCR Tomlinson Ltd that are held by the RCR Employee Share Trust for the purpose of issuing shares under the Long-Term Incentive Plan and the Performance Incentive Plan.

#### Performance Rights

For information relating to performance rights, including details of performance rights issued, exercised and lapsed during the financial year, refer to Section 5.8.

#### Capital Management

Management controls the capital of the Company in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern. The Company's debt and capital includes ordinary share capital and financial liabilities and is supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the Company's capital by assessing the financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

#### 5.6 Reserves

#### **Accounting Policies**

#### Equity-Settled Employee Benefits Reserve

Equity-settled share-based payments to executives and employees are measured at the fair value of the equity instruments at the grant date.

The cost of equity-settled transactions are recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).



#### Section 5 Capital Structure and Financing Costs (continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired, and the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised for the period. No cumulative expense is recognised for awards that ultimately do not vest (in respect of non-market vesting conditions).

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

The Short-Term Incentive Plan, Long-Term Incentive Plan and Performance Incentive Plan is administered by the RCR Employee Share Trust. When the performance rights vest, the trust transfers the appropriate number of shares to the employee, unless the obligation is settled in cash. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

Shares acquired on-market by the trust, which are yet to vest, are disclosed as treasury shares and deducted from contributed equity.

#### Foreign Currency Translation Reserve

Exchange differences arising on translation of foreign controlled operations are taken to the exchange fluctuation reserve. Gains or losses accumulated in equity are recognised in the income statement when a foreign operation is disposed.

		2017	2016
Reserves	Section	\$'000	\$'000
Equity-Settled Employee Benefits Reserve	5.6(a)	(14,203)	(12,688)
Foreign Currency Translation Reserve	5.6(b)	3,080	2,446
Other Reserves	5.6(c)	(1,357)	(46)
Total Reserves		(12,480)	(10,288)
(a) Equity-Settled Employee Benefits Reserve			
Balance at the Beginning of the Year		(12,688)	(9,329)
Issue of Treasury Shares to Employees	5.5(b)	(416)	(4,293)
Recognition of Share-Based Payments	5.1.2	1,406	1,202
Tax Effect Relating to Share-Based Payments		147	1,293
Cash-Settled Rights		(2,652)	(1,561)
Balance at the End of the Year		(14,203)	(12,688)

The equity-settled employee benefits reserve relates to performance rights granted by the Company to its Executives and employees under its employee Long-Term Incentive Plan or Performance Incentive Plan.

(b) Foreign Currency Translation Reserve		
Balance at the Beginning of the Year	2,446	444
Exchange Differences Arising on Translating the Foreign Operations	634	2,002
Balance at the End of the Year	3,080	2,446

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (i.e. AUD) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

(c) Other Reserves		
Balance at the Beginning of the Year	(46)	(27)
Loss on Foreign Exchange Contracts Entered into for FX Hedges	(1,311)	(191)
Gain Arising on Interest Rate Swap Contracts Entered into for Borrowing Hedges	-	172
Balance at the End of the Year	(1,357)	(46)

The other reserves represent the cumulative effective portion of gains or losses arising on changes in fair value of forward foreign exchange contracts entered into for cash flow hedges, and interest rate swaps. The gain or loss that is recognised in the other reserve will be reclassified to profit or loss only when the transaction affects the profit or loss.

#### Section 5 Capital Structure and Financing Costs (continued)

#### 5.7 Dividends

#### **Accounting Policies**

A provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

	2017		2016	
Fully Paid Ordinary Shares	Cents Per Share	\$'000	Cents Per Share	\$'000
Interim Dividend in respect of FY17/FY16	-	-	1.75	2,453
Final Dividend in respect of FY16/FY15	-	-	7.50	10,513
Total	-	-	9.25	12,966

In respect of FY17, the Directors declared the payment of a Final Dividend of 6.0 cents per share unfranked to the holders of fully paid ordinary shares on the Company's register at 21 September 2017 with payment to be made on 5 October 2017 (FY16: No final dividend declared).

The amount of the Final Dividend is \$8.4 million. No provision has been made for the Final Dividend in the Financial Statements as the final dividend was not declared or determined by the Directors on or before the end of the financial year.

At 30 June 2017 the Franking Account Balance was \$0.1 million (June 2016: \$0.1 million).

#### 5.8 Share-Based Compensation

#### Performance Rights

The Company issues performance rights to Senior Executives in accordance with the terms of the Long-Term Incentive Plan and Performance Incentive Plan as approved by shareholders. No performance rights holder has any right under the terms of the performance rights to participate in any other share issue of the Company. When vested, each performance right is converted into one ordinary share for no consideration. Performance rights granted carry no dividend or voting rights.

The following performance rights were granted, vested or expired during the year:

	2017	2016
	Number	Number
Outstanding at the Beginning of the Year	4,124,920	5,429,720
Granted	2,826,540	1,417,200
Vested Through the Trust	(178,225)	(2,242,414)
Cash-Settled	(518,025)	-
Cancelled or Expired	(790,250)	(479,586)
Outstanding at Year End	5,464,960	4,124,920

The fair value of rights granted was calculated using a binomial simulation analysis. The grant date and fair value of unissued performance rights of RCR as at 30 June 2017 are as follows:

ponomiano		2011 410 40 10110110	Grant Date	Expected	Risk Free	Fair
Grant Date	Vesting Date	Number	Share Price \$	Volatility	Interest Rate	Value \$
31 Aug 2013	31 Aug 2017	50,000	3.30	-	-	2.92
25 Feb 2014	31 Aug 2017	50,000	3.38	-	-	3.04
25 Feb 2014	28 Feb 2018	25,000	3.38	-	-	2.99
23 Feb 2015	31 Aug 2017	235,110	2.46	42%	1.88%	1.97
23 Feb 2015	31 Aug 2017	235,110	2.46	42%	1.88%	2.46
12 May 2015	31 Aug 2017	347,500	2.01	42%	2.12%	1.40
12 May 2015	31 Aug 2017	347,500	2.01	42%	2.12%	2.01
29 Jun 2016	31 Aug 2018	388,600	1.59	48%	1.59%	1.05
29 Jun 2016	31 Aug 2018	388,600	1.59	48%	1.59%	1.59
04 Jan 2016	04 Jan 2018	66,666	1.27	-	-	1.08
04 Jan 2016	04 Jan 2019	66,666	1.27	-	-	1.00
04 Jan 2016	04 Jan 2020	66,668	1.27	-	-	0.92
29 Jun 2016	31 Aug 2018	120,000	1.59	48%	1.59%	1.05
29 Jun 2016	31 Aug 2018	120,000	1.59	48%	1.59%	1.59
29 Jun 2016	31 Aug 2018	100,000	1.59	48%	1.59%	1.05
29 Jun 2016	31 Aug 2018	100,000	1.59	48%	1.59%	1.59
12 Jul 2016	31 Aug 2018	481,000	1.68	48%	1.63%	1.68
12 Jul 2016	31 Aug 2018	481,000	1.68	48%	1.63%	1.13
22 Feb 2017	31 Aug 2019	897,770	2.91	48%	1.92%	2.22
22 Feb 2017	31 Aug 2019	897,770	2.91	48%	1.92%	2.91
Total		5,464,960				



#### Section 6 Other

#### **Business Combinations**

#### Accounting Policies

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 assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity instruments 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 disposals Company's) that are classified as held for sale in accordance with AASB 5 'Non-current 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 acquisitiondate amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where 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. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of 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 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 Company 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 as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### Business Combination - Water Corporation ECS Business

On 14 August 2015, RCR announced that it acquired the ECS business from Water Corporation of WA for a purchase price of \$10.4 million. The acquisition was completed on 31 August 2015. The acquisition of ECS further expanded RCR's Infrastructure business in WA and its capability to deliver national and international turnkey water and waste water projects. As part of the acquisition, RCR will be awarded a minimum of \$130 million in new capital works over a three year period, with the prospect for this term to be extended.

Acquisition related costs amounting to \$1.2 million have been excluded from the consideration transferred and have been recognised as an expense in the profit or loss in FY16.

	\$'000
(a) Fair Value of Assets Acquired and Liabilities Assumed at the Date of Acquisition	
Non-current assets	
Property, Plant and Equipment	1,904
Deferred Tax Assets	1,329
Intangibles	1,570
Total Non-Current Assets	4,803
Total Assets	4,803
Current Liabilities	
Provisions	4,312
Total Current Liabilities	4,312
Non-Current Liabilities	
Deferred Tax Liabilities	471
Provisions	118
Total Non-Current Liabilities	589
Total Liabilities	4,901
Net Liabilities Acquired	98

The information required to determine the fair values at acquisition date has been received and the accounting for the ECS business acquisition was finalised in the 31 December 2015 Interim Financial Statements.

#### Goodwill Arising on Acquisition

Consideration Transferred	10,400
Add Fair Value of Net Liabilities Acquired	98
Goodwill Arising on Acquisition	10,498

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

#### (c) Net Cash Outflow on Acquisition

Consideration Paid in Cash	10,400
Less Cash and Cash Equivalents Acquired	-
Net Cash Outflow on Acquisition	10,400

#### 6.2 Key Management Personnel

The totals of remuneration paid to KMPs of the Company during the year are as follows:

	2017 \$	2016 \$
Short-Term Employee Benefits	3,306,975	3,250,733
Post-Employment Benefits	127,248	124,224
Other Long-Term Benefits	42,069	34,340
Share-Based Payments	841,238	667,428
Total Remuneration	4,317,530	4,076,725



## 6.3 Controlled Entities

Details of the Company's subsidiaries at the end of the reporting period are as follows:

Controlled Entities:	Section	Country of Incorporation	% Owned 2017	% Owned 2016
Parent Entity:				
RCR Tomlinson Ltd	6.3(a)	Australia	100	100
Subsidiaries of the Closed Group Who are Parties to the DCG				
RCR Tomlinson (Custodian) Pty Ltd (Trustee of the Company)	6.3(a)	Australia	100	100
RCR Corporate Pty Ltd	6.3(a)	Australia	100	100
RCR Resources Pty Ltd	6.3(a)	Australia	100	100
RCR Energy (Gladstone) Pty Ltd	6.3(a)	Australia	100	100
RCR Resources (Tripower) Pty Ltd	6.3(a)	Australia	100	100
RCR Mining Pty Ltd	6.3(a)	Australia	100	100
RCR Energy Pty Ltd	6.3(a)	Australia	100	100
RCR Energy Service Pty Ltd	6.3(a)	Australia	100	100
Positron Group Pty Ltd	6.3(a)	Australia	100	100
RCR Power Pty Ltd	6.3(a)	Australia	100	100
RCR Laser Pty Ltd	6.3(a)	Australia	100	100
RCR Oil & Gas Pty Ltd	6.3(a)	Australia	100	100
RCR Infrastructure Pty Ltd	6.3(a)	Australia	100	100
RCR Infrastructure Group (XNFK) Pty Ltd	6.3(a)	Australia	100	100
RCR O'Donnell Griffin Pty Ltd	6.3(a)	Australia	100	100
RCR Haden Pty Ltd	6.3(a)	Australia	100	100
RCR Haden (Telco) Pty Ltd	6.3(a)	Australia	100	100
RCR Haden (Holdings) Pty Ltd	6.3(a)	Australia	100	100
RCR Resolve FM Pty Ltd	6.3(a)	Australia	100	100
RCR Resolve FM (Holdings) Pty Ltd	6.3(a)	Australia	100	100
RCR Infrastructure (Corporate) Pty Ltd	6.3(a)	Australia	100	100
RCR Water Pty Ltd	6.3(a)	Australia	100	100
RCR Water (WA) Pty Ltd	6.3(a)	Australia	100	100
RCR O'Donnell Griffin (Holdings) Pty Ltd	6.3(a)	Australia	100	100
RCR O'Donnell Griffin (Projects) Pty Ltd	6.3(a)	Australia	100	100
RCR Infrastructure (New Zealand) Limited	6.3(a)	New Zealand	100	100
RCR Energy Limited	6.3(a)	New Zealand	100	100
Other Subsidiaries of RCR Tomlinson Ltd				
Applied Laser Pty Ltd		Australia	100	100
Moray Power Pty Ltd		Australia	100	100
RCR Energy (Stelform) Pty Ltd		Australia	100	100
RCR Energy (Stelform VRBT) Pty Ltd		Australia	100	100
Stelform Piping Systems Pty Ltd		Australia	100	100
Sartap Pty Ltd		Australia	100	100
RCR Resources (Heat Treatment) Pty Ltd		Australia	100	100
Positron Power Pty Ltd		Australia	100	100
RCR Asset Maintenance Pty Ltd		Australia	100	100
RCR Building Products (Holdings) Pty Ltd		Australia	100	100
ACN 076 421 755 Pty Ltd		Australia	100	100
RCR Trafalgar Building Products Pty Ltd		Australia	100	100
RCR Building Services (Egan Bros) Pty Ltd		Australia	100	100
RCR Resolve FM (Engineering) Pty Ltd		Australia	100	100

Controlled Entities	Country of Incorporation	% Owned 2017	% Owned 2016
Other Subsidiaries of RCR Tomlinson Ltd (continued)			
RCR Rel Corp Management Services Pty Ltd	Australia	100	100
RCReate Pty Ltd	Australia	100	-
RCR Building Products (New Zealand) Limited	New Zealand	100	100
RCR Asia Sdn Bhd	Malaysia	100	100
RCR (Hong Kong) Limited*	Hong Kong	-	100
RCR Infrastructure (Hong Kong) Limited*	Hong Kong	-	100
RCR O'Donnell Griffin (Hong Kong) Limited*	Hong Kong	-	100
RCR International (Holdings) Limited	Hong Kong	100	100
Norfolk Mechanical (India) Private Ltd	India	100	100
RCR Technical Infrastructure (Vietnam) Co Ltd	Vietnam	100	100
PT RCR Energy Indonesia	Indonesia	100	100
Controlled Trusts			
RCR Employee Share Trust	Australia	100	100

<sup>\*</sup>These non-trading entities were liquidated during 2017.

#### Deed of Cross Guarantee (a)

Pursuant to ASIC Class Order 98/1418 (as amended) dated 22 June 2011, the wholly-owned subsidiaries listed above 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. By deed of assumption, certain RCR entities joined or exited the existing Deed of Cross Guarantee.

The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. RCR Tomlinson (Custodian) Pty Ltd acts as the trustee for the closed group who are parties to the Class Order.

The Consolidated Statement of Profit or Loss and Other Comprehensive income and Consolidated Statement of Financial Position of the Company and controlled entities party to the Deed of Cross Guarantee are:

Statement of Profit or Loss and Other Comprehensive Income	2017 \$'000	2016 \$'000
Sales Revenue	1,245,447	853,200
Cost of Sales	(1,178,830)	(811,476)
Gross Profit	66,617	41,724
Other Income	2,515	2,308
Administrative Expenses	(36,619)	(32,172)
Finance Costs	(3,606)	(3,870)
Other Expenses	(1,680)	(1,737)
Profit Before Income Tax	27,227	6,253
Income Tax (Expense)/Benefit	(4,757)	1,436
Profit for the Year from Continuing Operations	22,470	7,689
Loss for the Year from Discontinued Operations	_	(25,174)
Profit/(Loss) for the Year	22,470	(17,485)
Other Comprehensive (Loss)/Income for the Year	(864)	787
Total Comprehensive Income/(Loss) for the Year	21,606	(16,698)



Statement of Financial Position	2017 \$'000	2016 \$'000
	\$ 000	\$ 000
Current Assets		
Cash and Cash Equivalents	39,518	10,995
Trade and Other Receivables	429,287	213,195
Inventories	12,452	12,621
Other Current Assets	10,378	7,323
Total Current Assets	491,635	244,134
Non-Current Assets		
Property, Plant and Equipment	50,055	46,141
Deferred Tax Assets	29,375	51,314
Goodwill	140,803	140,730
Other Intangible Assets	65,028	71,242
Total Non-Current Assets	285,261	309,427
Total Assets	776,896	553,561
Current Liabilities		
Trade and Other Payables	335,653	98,181
Borrowings	19,470	50,000
Current Tax Liabilities	1,937	1,186
Provisions	43,186	48,087
Deferred Revenue	15,060	24,254
Total Current Liabilities	415,306	221,708
Non-Current Liabilities		
Borrowings	35,342	21,124
Provisions	3,959	4,075
Other	4,123	8,298
Total Non-Current Liabilities	43,424	33,497
Total Liabilities	458,730	255,205
Net Assets	318,166	298,356
Equity		
Issued Capital	131,387	131,669
Reserves	(14,413)	(12,035)
Retained Earnings	201,192	178,722
Total Equity	318,166	298,356

#### 6.4 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Transactions with related parties:

#### Ultimate Parent Company

RCR Tomlinson Ltd is the ultimate Australian parent company.

#### Controlled Entities

Interests in controlled entities are set out Section 6.3.

During the year, funds have been advanced between entities within the Company for the purposes of working capital requirements.

#### Transactions with Director Related Parties

In the normal course of business, the Company occasionally enters into transactions with various entities that have Directors in common with RCR. Transactions with these entities are made on commercial arms-length terms and conditions. The relevant Directors do not participate in any decisions regarding these transactions.

During the year, the Company traded with Metalform (Dannevirke) Ltd which is 33% owned by the Dippie Family Trust. The settlor and beneficiary of the trust is Non-Executive Director Paul Dippie.

The Company entered into the following trading transactions with Metalform (Dannevirke) Ltd:

	Sales		Purchases	
	2017	2016	2017	2016
	\$	\$	\$	\$
Metalform (Dannevirke) Ltd	692	3,219	42,005	42,124

The following balances were outstanding:

	Amounts Owed b	y Related Parties	Amounts Owed to Related Parties		
Metalform (Dannevirke) Ltd	262	-	6,100	4,756	

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

#### Key Management Personnel Shareholdings

The compensation of each member of the KMPs of the Company is set out in the Remuneration Report.

#### Shares

Shareholdings include shares held in their own name and shareholdings in which the KMPs hold a relevant interest.

#### Performance Rights

The Company issues performance rights to KMPs in accordance with the terms of the Long-Term Incentive Plan or Performance Incentive Plan. No performance rights holder has any right under the terms of the performance rights to participate in any other share issue of the Company. When vested, each performance right is converted into one ordinary share, plus, in some circumstances, additional shares calculated on the basis of the dividends that would have been paid in respect of the shares being reinvested over the performance period, unless entitlements are settled in cash.

#### 6.5 Contingent Liabilities

#### Performance Guarantees

RCR has indemnified its bankers and insurance bond providers in respect of bank guarantees, insurance bonds and letters of credit to various customers and suppliers for satisfactory contract performance and warranty security, in the following amounts:

30 June 2017: \$184,963,783 30 June 2016: \$114,327,552

#### Claims

Certain claims arising out of engineering and construction contracts have been made by, or against, controlled entities in the ordinary course of business. The Directors do not consider the outcome of any of these claims will be materially different to the position taken in the financial accounts of the Company.



2016

#### Section 6 Other (continued)

#### 6.6 Events After Balance Sheet Date

The Directors have recommended a final dividend payment of 6.0 cents per share. Refer to Section 5.7 for details.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

#### 6.7 Parent Entity Disclosures

	2017	2016
Parent Entity Disclosures	\$'000	\$'000
(a) Financial Information		
(Loss)/Income for the Year	(13,240)	1,713
Other Comprehensive (Loss)/Income	(1,318)	172
Total Comprehensive (Loss)/Income	(14,558)	1,885
Assets		
Current Assets	16,764	480
Non-Current Assets	249,822	297,305
Total Assets	266,586	297,785
Liabilities		
Current Liabilities	26,247	53,876
Non-Current Liabilities	33,643	20,918
Total Liabilities	59,890	74,794
Net Assets	206,696	222,991
Equity		
Issued Capital	133,717	134,355
Reserves	(13,414)	(10,997)
Retained Earnings	86,393	99,633
Total Equity	206,696	222,991
(b) Guarantees Entered into by the Parent Entity in Relation to the Debts of its Subsidiaries		
Guarantees Provided	404,362	181,683

RCR Tomlinson Ltd has entered into a deed of cross guarantee with a number of its subsidiaries listed in Section 6.3.

#### 6.8 Interests in Joint Operations

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 Company 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.

RCR Tomlinson Ltd has joint arrangements with Coleman Rail Pty Ltd, WBHO Infrastructure Pty Ltd and Abergeldie Pty Ltd.

## Directors' Declaration

The Directors declare that:

- In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when a) 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 the financial statements;
- In the Directors' opinion, the attached financial statements and sections thereto are in accordance with the Corporations c) 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
- the directors have been given the declarations required by s.295A of the Corporations Act 2001. d)

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 Section 6.3 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,

Roderick J M Brown

Director

23 August 2017



## Independent Auditor's Report

# Deloitte.

Deloitte Touche Tohmatsu A C N 74 490 121 060

Grosvenor Place 225 George Street Sydney NSW 2000 PO Box N250 Grosvenor Place Sydney NSW 1217 Australia

DX 10307SSE Tel: +61 (0) 2 9322 7000 Fax: +61 (0) 2 9322 7001 www.deloitte.com.au

## Independent Auditor's Report to the members of RCR Tomlinson Limited

#### Report on the Audit of the Financial Report

#### **Opinion**

We have audited the financial report of RCR Tomlinson Limited (the Company) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### **Basis for Opinion**

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

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

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

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of 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**

#### Recognition of revenue

Refer to Section 2 'Critical accounting estimates and judgments' and Note 3.1 'Revenue' of the financial statements.

The Group's primary source of revenue is from construction projects. Revenue is derived from a number of contracts and recognised based on the stage of completion of each contract. Stage of completion of the construction work is determined with reference to the work completed, i.e. the percentage of work performed up to the reporting date with respect to the total anticipated contract work to be performed. The recognition of revenue is dependent on the following key factors:

- determination of stage of completion;
- estimation of total contract revenue and contract cost including the estimation of cost contingencies;
- determination contractual of entitlement and assessment of the probability of customer approval of variations and acceptance of claims;
- estimation of project completion date.

We focused on revenue as a key audit matter due to the number and type of estimation events over the course of a contract life, and the unique nature of individual contract conditions leading to complex and judgemental revenue recognition from contracts.

#### How the scope of our audit responded to the Key **Audit Matter**

Our procedures included, amongst others:

- Evaluating management's processes and controls in respect of the recognition of contract revenue. As part of this process we tested key controls including:
  - the project review process conducted by management at the tendering phase;
  - the preparation, management review and authorisation of monthly contract status report for a sample of contracts:
  - the estimation and review of costs to complete; and
  - the project reviews that are undertaken by Group management on a monthly basis.
- Attending a sample of project review meetings to enhance our understanding of the Group's contracting processes, the consistency of their application, and to discuss with project management the key risks and opportunities in relation to individual contracts.
- Selecting a sample of contracts for testing using a combination of data analytics techniques and quantitative and qualitative factors which may indicate that a greater level of judgement is required in recognising revenue including:
  - contract history;
  - significant unapproved claims and variations;
  - delay risk;
  - potential impact and likelihood of risk events;
  - new contracts for which a material amount of revenue was recognised during the financial
  - high-value contracts; and
  - loss-making contracts.
- For the sample of contracts we selected, the following procedures were performed:
  - obtaining an understanding of the contract terms and conditions and inspecting signed contracts to evaluate whether contract terms 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 through enquiry of management the current project status against the original budget;
  - challenging the forecast costs to complete through enquiry of project managers and finance personnel in respect of a sample of contracts, as well as inspecting supporting documentation for contracted costs;
  - testing on a sample basis contractual entitlement, variations and claims recognised in contract revenue through agreement to supporting documentation and contracts by assessing the contract performance against contract terms;
  - evaluating on a sample basis significant exposures to liquidated damages for late delivery of contract works; and



- evaluating contract performance in the period since year end to determine if any adjustments were necessary.
- Assessing the adequacy of the disclosures in the financial statements.

Collectability of trade receivables and amounts due from customers under construction contracts

The Group recognises contract debtors in respect of progressive valuation of work completed as well as amounts invoiced to customers. Credit risk and collectability of trade receivables are also subject to estimates and judgment and are reviewed by management on a periodic basis, refer to note 4.1 'Trade and other receivables' of the financial statements.

Amounts due from customers under construction contracts (or work in progress) are amounts due to the Group from customers that have not been invoiced. A proportion of these project receivables are made up of claims and variations, both approved and not approved by the customer. Management assesses the expected recovery of the amounts prior to recognising the amount. Refer to note 4.1.1 'Amounts due from customers under construction contracts' of the financial statements.

We focused on this area as a key audit matter due to the judgement applied when determining the collectability of trade receivables and amounts due from customers under construction contracts.

Our procedures included, amongst others:

- evaluating management's processes and controls in respect of the collectability of trade receivables and amounts due from customers under construction contracts;
- assessing the completeness and accuracy of the aged debtor and work in progress reports at year end and on a sample basis where applicable agreeing to the subsequent receipt of cash;
- for the trade receivable balances that were not collected prior to the issue of the financial statements, evaluating on a sample basis the probability of recovery of outstanding amounts by reference to the status of contract negotiations, correspondence with the customers, external and internal legal opinions and supporting documentation, historical recoveries and other supporting documentation;
- testing on a sample basis that unbilled work in progress amounts at year end were subsequently billed to the customer;
- for the work in progress amounts that were not billed to the customer by the end of our audit, challenging management's assessment of the recoverability of these amounts via inquiry of management, inspection of internal and external legal advice, or inspection of subsequent billing approved by the client; and
- assessing the adequacy of the disclosures in the financial statements.

#### Litigation and claims

The Group is party to legal proceedings brought to third parties as a result of normal business operations.

Management have assessed each of these legal matters and determined, with the assistance of external legal counsel where appropriate, whether there is a requirement to record a provision for exposures or disclose a contingent liability in the financial statements; refer to note 4.8 'Provisions' of the financial statements and note 6.5 'Contingent Liabilities' of the financial statements.

We focused on this area as a key audit matter due to the judgement applied when determining the likely settlement of litigation and claims.

Our procedures included, amongst others:

- evaluating management's processes and controls in to assesses the likely financial impact of legal proceedings;
- obtaining the Group's litigation reports and making enquiries about the status of litigation matters with Group management, in-house legal counsel and external legal advisors;
- reviewing minutes of meetings of those charged with governance to identify their consideration of legal proceedings as relevant and correspondence between the Group and its external legal advisors;
- assessing management's determination of provisions expected for litigation losses recorded at year-end; and
- Assessing the adequacy of the disclosures.

#### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not and 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

#### The responsibilities of the Directors for the Financial Report

The directors 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 Group's ability 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 have no realistic alternative but to do so.

#### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



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

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

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

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

#### **Report on the Remuneration Report**

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 40 to 57 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of RCR Tomlinson Limited, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

DELOITTE TOUCHE TOHMATSU

**DELOITTE TOUCHE TOHMATSU** 



AG Collinson Partner Chartered Accountants Sydney, 23 August 2017

## Shareholding Information

The following shareholder information is provided as at 10 August 2017.

## RCR's Top Twenty Shareholders

Registered Shareholder	Fully Paid Ordinary Shares	% of Total Shares
HSBC Custody Nominees (Australia) Limited	33,949,453	24.26
J P Morgan Nominees Australia Limited	20,956,070	14.97
National Nominees Limited	17,723,074	12.66
Citicorp Nominees Pty Limited	13,181,693	9.42
Dr Paul Joseph Dalgleish*	6,327,867	4.52
BNP Paribas Noms Pty Ltd <drp></drp>	6,210,760	4.44
BNP Paribas Nominees Pty Ltd <agency a="" c="" drp="" lending=""></agency>	2,114,073	1.51
Masfen Securities Limited	1,975,170	1.41
Citicorp Nominees Pty Limited < Colonial First State Inv A/C>	1,342,000	0.96
UBS Nominees Pty Ltd	1,070,000	0.76
HSBC Custody Nominees (Australia) Limited <nt-comnwlth a="" c="" corp="" super=""></nt-comnwlth>	994,845	0.71
Mr Joshua Kane Hogan	977,436	0.70
Bond Street Custodians Ltd <macquarie a="" c="" co's="" smaller=""></macquarie>	818,905	0.59
CPU Share Plans Pty Limited <rcr a="" c="" control="" vsp=""></rcr>	770,646	0.55
AMP Life Limited	680,723	0.49
Mr David Paul Dippie + Ms Joanne Elizabeth Dippie + Bramwell Grossman Trustees Ltd	600,000	0.43
Jaylin Pty Ltd <linden a="" c="" fund="" super=""></linden>	541,158	0.38
Warbont Nominees Pty Ltd <accumulation a="" c="" entrepot=""></accumulation>	494,498	0.35
Akir Pty Ltd	481,074	0.34
HSBC Custody Nominees (Australia) Limited - A/C 2	418,117	0.30
Total Held by Top 20	111,627,562	79.75
Total Ordinary Fully Paid Shares on Issue	139,963,412	100.00

<sup>\*</sup> Includes shares held indirectly in which the holder has a beneficial interest.

## Substantial Shareholders

An extract of the Company's register of substantial shareholders (who held a relevant interest in 5% or more of the issued capital) is set out below:

	Fully Paid	% of Total
Substantial Shareholder	Ordinary Shares	Shares
Perpetual Limited	10,825,435	7.73
Commonwealth Bank of Australia	7,055,038	5.04
Dimensional Fund Advisors	7,005,455	5.01
Eley Griffiths Group Pty Limited	6,996,459	5.00



### Distribution of Shareholdings

There were 180 holders of less than a marketable parcel of ordinary shares. The number of shareholders by size of holding is set out below:

Fully Paid Ordinary Shares	Number of Shareholders	Number of Shares	% of Issued Capital
1 - 1,000 shares	957	453,430	0.32
1,001 - 5,000 shares	1,116	3,076,616	2.20
5,001 - 10,000 shares	435	3,290,301	2.35
10,001 - 100,000 shares	533	13,896,850	9.93
100,001 and over shares	60	119,246,215	85.20
Total	3,101	139,963,412	100.00

## Unquoted Performance Rights

5,364,960 Performance Rights are currently on issue to RCR employees under the terms of the RCR Long Term Incentive Plan (as approved by Shareholders on 20 November 2013) and the Performance Incentive Plan (as approved by Shareholders on 6 November 2015).

There are no voting rights attached to performance rights.

### **Voting Rights**

### Ordinary shares

For all ordinary shares, voting rights are on a show of hands whereby every member present in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

#### Other Information

RCR Tomlinson Ltd is incorporated and domiciled in Australia and is a publicly listed company limited by shares.

## Investor Information

### Company Information

A range of information on RCR Tomlinson Ltd (RCR) and its services is available from the company website, <a href="www.rcrtom.com.au">www.rcrtom.com.au</a>. This includes Annual Reports, Interim Reports, Presentations and ASX Announcements.

#### Share Registry

RCR's share register is managed by Computershare Investor Services Pty Limited ("Computershare"). Shareholders must elect to receive a printed RCR Annual Report by writing to Computershare at the address below. Alternatively shareholders may choose to receive this publication electronically.

#### Shareholder Enquiries

Shareholders can obtain information about their shares or dividend payments by contacting the Company's share registry:

Computershare Investor Services Pty Limited

Level 11, 172 St Georges Terrace

Perth, WA, 6000

Ph from within Australia: 1300 557 010
Ph from outside Australia: +61 3 9415 4000
Fax: +61 8 9323 2033

Email: web.queries@computershare.com.au

Website: www.investorcentre.com

#### Electronic Communications & Updating Your Shareholder Details

At RCR, we are committed to meeting the needs of our shareholders as well as reducing our environmental impact.

Delivering company documents electronically is a more efficient method of distribution, and eliminates some of the cost and paper consumption associated with producing documents. We provide shareholder information such as Annual Reports and AGM notices via our website, although our shareholders can elect to receive notifications of shareholder communications directly, by registering for Electronic Communications with our registry, Computershare.

Shareholders can access Computershare's online services at www.investorcentre.com/au. This online portal allows you to manage your portfolio quickly and securely, update your details and view balances; you can obtain information on your current holding and transaction history for taxation purposes, as well as advise changes to your holding such as change of address, notification of tax file number and off-market transfers.

Shareholders require their Security Reference Number ("SRN") or Holder Identification Number ("HIN") to access this site.

Computershare's online services enable you to:

- access details of your RCR shareholding quickly and securely;
- · change your details; and
- elect to receive messages and notification of availability of important shareholder documents by email.

#### Tax File Number ("TFN") Information

Providing your TFN to RCR is not compulsory. However, where shareholders have not supplied their TFN, we are required to deduct tax at the top marginal rate, plus Medicare levy, from unfranked dividends paid to investors residing in Australia. For more information, please contact Computershare.

#### Lost Issuer-Sponsored Statement

You will need to contact Computershare in writing immediately if your issuer-sponsored statement has been lost or stolen.

#### Registered Office

Level 39, 50 Bridge Street
Sydney NSW 2000
Ph: +61 2 8413 3000
Email: enquiries@rcrtom.com.au
Website: www.rcrtom.com.au

#### **Auditor**

Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000



## Five Year Summary

30 June Year End	Measure	2017	2016 <sup>1</sup>	2015 <sup>1</sup>	2014	2013
Revenue	\$M	1,292.0	890.5	1,033.6	1,300.5	875.2
EBITDA	\$M	55.3	33.7	83.4	79.6	58.6
EBIT	\$M	35.2	12.6	63.7	57.8	43.8
NPBT	\$M	31.2	8.6	59.5	51.1	46.2
NPAT	\$M	25.7	9.0	47.4	43.3	37.3
Basic EPS	Cents	18.3	6.4	34.2	31.9	28.3
Dividends	Cents per Share	6.0	1.75	11.0	10.0	8.25
Net Assets	\$M	311.6	288.0	316.1	289.1	252.7
Safety	LTIFR	0.78	1.77	1.10	1.31	0.36
Market Capitalisation	\$M	477.3	237.9	238.6	383.6	305.9
Closing Share Price	\$	3.41	1.70	1.72	2.80	2.31
Total Shareholder Returns - 1 Year	%	95.4	4.2	(36.3)	26.1	32.8
Total Shareholder Returns - 3 Year Rollin	ng %	34.4	(11.3)	6.1	84.3	197.0
Total Shareholder Returns - 5 Year Rollin	ng %	134.3	21.5	143.1	413.2	232.0

<sup>&</sup>lt;sup>1</sup> FY16 and FY15 comparatives are from continuing operations.

## Our History

RCR Tomlinson's origins date back to 1898 - the year Ernest Tomlinson and his brother, Edward, established the engineering firm Tomlinson Bros. Tomlinson is one of the oldest engineering companies in Australia, and boilers manufactured under this name continue to be held in extremely high regard throughout the country.

RCR Engineering Ltd was established in WA in 1979 by Ron Stevens, Clive Butcher and Robert Wovodich to provide diversified fabrication and machining services to industry in the south-west region of WA.

RCR Tomlinson Ltd ("RCR") was established as a result of the merger of RCR Engineering Ltd and Centurion Industries Ltd, which included the original Tomlinson Industries business, in December 1996.

Since listing on the ASX, RCR has undergone substantial and sustained growth to emerge as one of Australia's leading multidisciplinary engineering and infrastructure companies. Today, RCR provides integrated solutions to a diverse client base throughout Australia and overseas, across the infrastructure, energy and resources sectors.



## Corporate Directory

RCR Tomlinson Ltd

ABN 81 008 898 486

Registered Office

Level 39, 50 Bridge Street Sydney NSW 2000 Ph: +61 2 8413 3000

E-mail: enquiries@rcrtom.com.au Website: www.rcrtom.com.au

**Key Offices** 

For a full list of offices, please refer to the

RCR website.

Australia

Sydney Office

Level 39, 50 Bridge Street Sydney, NSW, 2000 Ph: +61 2 8413 3000

Perth Office

Level 6, 251 St Georges Terrace

Perth, WA, 6000 Ph: +61 8 9355 8100

New Zealand

8 Westfield Place

Mt Wellington, Auckland NZ 1060

Ph: +64 9 694 9625

Malaysia

A-19-4, Northpoint Offices,

Mid Valley City,

No. 1 Medan Syed Putra Utara, 59200

Kuala Lumpur, Malaysia Ph: +60 3 2282 3292

Vietnam

Level 4, Centec Tower

72 - 74 Nguyen Thi Minh Khai Street

District 3

Ho Chi Minh City, Vietnam Ph: +84 8 6299 8288

Directors

Mr Roderick Brown - Chairman and Independent Non-Executive Director

Dr Paul Dalgleish - Managing Director

Ms Eva Skira - Independent Non-Executive Director

Mr Paul Dippie - Independent Non-Executive Director

Mr Lloyd Jones - Independent Non-Executive Director

Mr Bruce James - Independent Non-Executive Director

Ms Sue Palmer - Independent Non-Executive Director

Managing Director & CEO

Dr Paul Dalgleish

Chief Financial Officer

Mr Andrew Phipps

Company Secretary

Mr Darryl Edwards

Auditor

Deloitte Touche Tohmatsu Grosvenor Place

225 George Street Sydney NSW 2000

Bankers

Commonwealth Bank of Australia

Share Registrar

Computershare Investor Services

Ph: +61 8 9323 2000 Fax: +61 8 9323 2033

Securities Exchange Listing

RCR's shares are listed on the Australian Securities Exchange ASX code: RCR

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RCR used recycled chlorine-free greenhouse friendly paper for the printing of this Annual Report.

RCR Tomlinson Ltd

ABN 81 008 898 486





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