

120
1898-2018
YEARS

ANNUAL REPORT 2018

Constantly Seeking Success

through

 **ENGINEERING INTELLIGENCE**

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We work as a team using

Engineering Intelligence

to create a better,
more productive place
for people to live.

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About our cover - RCR delivered the 2Mtpa Pilgangoora Lithium Processing Facility For Pilbara Minerals, WA.



Above image - RCR constructed a zinc and lead processing plant at MMG's Dugald River Project in QLD.



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Our Business

Infrastructure

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

Renewables

- Project inception, design, construction, deployment & commissioning with full asset lifecycle support

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

Rail and Transport - Turnkey Systems Project Integration and Delivery

Complete project delivery solutions focusing on systems integration and intelligent engineering. We specialise in complex mass transit and operational rail environments, and have the delivery capability to self-perform critical components of work including signalling, HV, mechanical and overhead wiring solutions to reduce project risk

Water, Waste water and Process

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

Property Services - HVAC, 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 Services



Energy

Technology leader in power generation and energy plants, utilising advanced technology to deliver a range of conventional, combined cycle and renewable generation solutions

Power Generation - Turnkey Energy 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

Upgrades and Maintenance

Shut-downs, planned maintenance and plant refurbishment services to major utility power stations as well as process industries

Service

A network of service offices across Australia and New Zealand, providing 24/7 service, maintenance and repairs of both RCR proprietary equipment and other OEM equipment

Advanced Laser Cutting

Australia's largest quality certified laser cutting specialist, delivering high precision cutting solutions to the manufacturing, fabrication, and engineering 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

Minerals and Metals

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 Equipment

Design and manufacture of innovative, award-winning 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

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



ENGINEERING INTELLIGENCE

RCR is involved in large scale engineering projects which deliver innovative solutions. We are firmly focused on a future that provides our customers with innovation, certainty of delivery and lower cost solutions.

Innovation is embedded in every aspect of our strategy and culture. As we continue to diversify our business and broaden our engineering led activities we strengthen our market position in the infrastructure, energy and resources markets and create opportunities to innovate.

We have identified growth opportunities in rail, transport, water and renewable energy, and have been successful in securing significant new business in these areas.

RCR's primary strategy continues to be the delivery of engineering, construction and maintenance solutions in the infrastructure, energy and resources markets in Australia, New Zealand and South East Asia. We also remain ideally positioned in a range of growing markets, including the rail and transport, energy, water, renewables, resources and property services sectors.

We will continue to invest in broadening our engineering-led offerings, developing partnerships with technology leaders, and maintaining a continuous focus on creating Engineering Intelligence™ solutions that enhance customer value.

Left - RCR delivered the 2 Mtpa Pilgangoora Lithium Processing Facility for Pilbara Minerals, WA.

Infrastructure



PROJECT 125 MWac Sun Metals Solar Farm

CLIENT Sun Metals Corporation

LOCATION Townsville, QLD



PROJECT Melbourne Underground Rail Loop

CLIENT Metro Trains Melbourne

LOCATION Melbourne, VIC



PROJECT Water & Sewerage Capital Works

CLIENT Melbourne Water

LOCATION Melbourne, VIC

Energy



PROJECT 20MW Lignite-Fired Boiler

CLIENT Mataura Valley Milk

LOCATION Gore, New Zealand



PROJECT 10MW Biomass-Fired Boiler

CLIENT Red Stag Timbers

LOCATION Rotorua, New Zealand



PROJECT Senipah Power Plant

CLIENT KEP

LOCATION Senipah, Indonesia

Resources



PROJECT Relocatable Overland Conveyor

CLIENT Fortescue Metals Group

LOCATION Pilbara, WA



PROJECT Pilgangoora Lithium Processing Facility

CLIENT Pilbara Minerals Limited

LOCATION Pilbara, WA



PROJECT Stacker/Reclaimer Installation

CLIENT FAM

LOCATION Abbot Point, QLD

Delivering Smarter solutions

through

 **ENGINEERING INTELLIGENCE**

Infrastructure

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

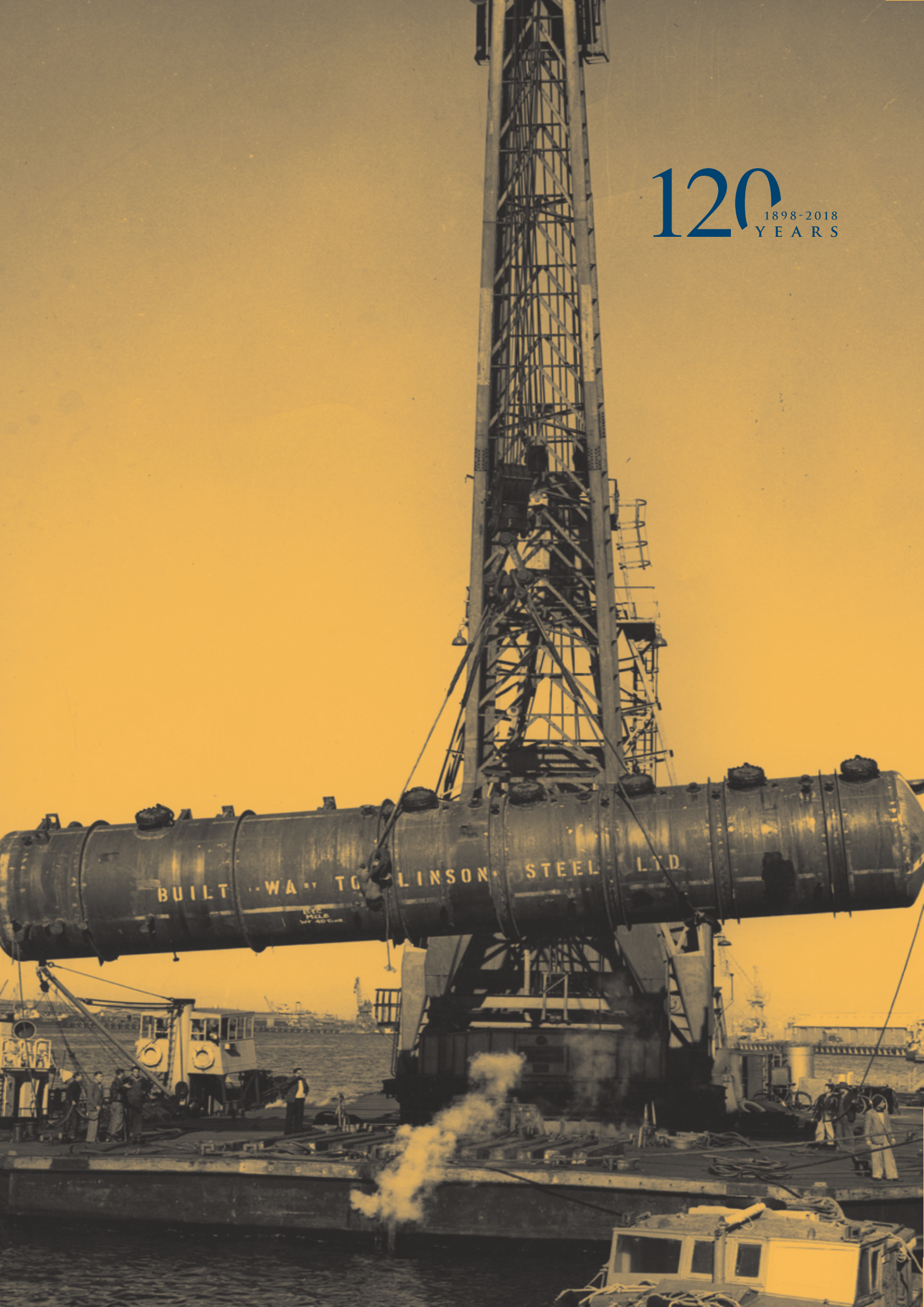
Resources

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

Energy

Technology leader in power generation and energy plants, utilising advanced technology to deliver a range of conventional, combined cycle and renewable generation solutions

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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 2018 ("FY18"). The Company is an incorporated Australian entity, limited by shares and domiciled in Australia.

Board of Directors

The names and details of Directors and securities interests in the Company during the financial year are set out below.

Role	Director and Qualification	Term of Office	Interest in Ordinary Shares ¹	Directorships of Other Listed Companies
Chairman and Independent Non-Executive Director	Mr Roderick Brown <i>AWASM, MAICD, AusIMM</i>	Director since 18 October 2005 Chairman since 1 January 2008	145,725	No Directorships held in other listed companies
Managing Director and Chief Executive Officer	Dr Paul Dalglish <i>DBA, MA, BEng (Hons), FIEAust, MAICD</i>	Chief Executive Officer since 25 May 2009 Managing Director since 20 October 2011 Ceased 6 August 2018	4,032,092	No Directorships held in other listed companies
Independent Non-Executive Director	Ms Eva Skira <i>BA (Hons), MBA, SF Fin (Life Member), FAICD, FAIM, FGIA</i>	Director since 26 May 2008	-	Macmahon Holdings Limited: Non-Executive Director since 26 September 2011
Independent Non-Executive Director	Mr Paul Dippie <i>NZCE, MAICD</i>	Director since 23 March 2007 Ceased 22 November 2017	100,000	No Directorships held in other listed companies
Independent Non-Executive Director	Mr Lloyd Jones <i>BEng, MBA, GAICD</i>	Director since 20 November 2013	33,517	BlueScope Steel Limited: Non-Executive Director since 29 September 2013
Interim Chief Executive Officer and Executive Director	Mr Bruce James <i>BEng (Civil), MAICD</i>	Non-Executive Director since 28 January 2014 Ceased 5 August 2018 Interim CEO and Executive Director since 6 August 2018	14,225	No Directorships held in other listed companies
Independent Non-Executive Director	Ms Sue Palmer <i>BCom, CA, FAICD</i>	Director since 21 August 2014	-	New Hope Corporation Limited: Non-Executive Director since 1 November 2011 Charter Hall Retail Management Limited: Non-Executive Director, since 10 November 2015 Qube Holdings Limited: Non-Executive Director since 1 September 2017
Independent Non-Executive Director	Mr David Robinson <i>BEng (Civil), FAICD, FIEAust</i>	Director since 1 March 2018	-	No Directorships held in other listed companies

¹ 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*.

Skills and Experience

Details on the skills, experience and qualifications of the Directors are set out below.

Mr Roderick Brown

Mr Brown is an engineer by profession and has extensive experience in marketing and general management. He has over 20 years experience as a Company Director. During his career, Mr Brown has worked in Australia, the USA and Europe with companies involved in the engineering, mining, and industrial service sectors. He has held various senior management positions including as Managing Director with global responsibility.

Dr Paul Dagleish

Dr Dagleish is a professional engineer, holding a Doctorate in Business and an Honours Degree in Engineering. Dr Dagleish has over 20 years experience in Executive Management roles, including service as Chief Executive of United Group Ltd, Infrastructure Division, Managing Director of Montgomery Watson Constructors - Asia, and Executive roles with Thames Water International and Thames Water Asia Pacific Pty Ltd.

Ms Eva Skira

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 Western Power.

Mr Paul Dippie

Mr Dippie is an engineer by profession. He is the former principal and Managing Director of Eastel 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 David Robinson

Mr Robinson is a professional engineer with over 40 years of experience across the heavy civil and construction, petrochemical, oil & gas, mechanical, underground, marine and commercial building sectors. During a 37 year career at McConnell Dowell, Mr Robinson held a number of Management and Executive roles, including 15 years as Managing Director and CEO, until his retirement in 2015. He has also previously served on the boards of Aveng Limited, Infrastructure Partnerships Australia and Australian Constructors' Association Limited.

Mr Lloyd Jones

Mr Jones is an engineer with significant experience in mining, energy, construction, heavy industrial operations, finance and mergers and acquisitions. During his 25 year career at Alcoa, Mr Jones held CEO and senior management roles in Australia, USA, Japan and China. Most recently, he served as President of Cerberus Capital Management's Asia Advisory Unit based in Hong Kong and as Deputy Chairman of Doric Group. Mr Jones is presently a Non-Executive Director of BlueScope Steel Limited. He is also a member of the advisory committee to the Dean of Engineering and Mathematical Sciences at University of Western Australia.

Mr Bruce James

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 CEO of Transfield Services, Australia and New Zealand and Chief Executive Resources and Energy.

Ms Sue Palmer

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 is currently a Non-Executive Director of New Hope Corporation Ltd, Qube Holdings Ltd, Charter Hall Retail REIT, and a Board member of Brisbane Grammar School.



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

Director	Board Meetings		Audit & Risk Committee		Remuneration & Nomination Committee	
	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend
Roderick Brown	14	14	3 ¹	-	5	6
Paul Dalglish	14	14	5 ¹	-	3 ¹	-
Eva Skira	12	14	2 ¹	-	6	6
Lloyd Jones	14	14	3 ²	2	6	6
Bruce James	14	14	5	5	-	-
Sue Palmer	13	14	5	5	-	-
David Robinson ³	5	5	1	1	-	-
Paul Dippie	7	7	2	2	-	-

¹ Indicates that the Director was not a member of the relevant Board Sub-Committee, but attended by invitation.

² Mr Jones attended one Audit & Risk Committee as a member and two Audit & Risk Committee meetings by invitation.

³ Mr Robinson was appointed to the Audit & Risk Committee following his appointment to the Board.

Operating and Financial Review (“OFR”)

This 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 SE Asia.

RCR operated through three business units during FY18, being Infrastructure, Energy and Resources. Commentary on each business unit is provided below.

Infrastructure is a 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 Infrastructure encompass: design, construction, commissioning and operation and maintenance 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 Vietnam.

Energy is a provider of power generation and energy plants. Utilising a range of conventional and renewable fuels, the business 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 also provides maintenance and shutdown services to power stations. The business operates with key offices in Australia, SE Asia and New Zealand.

Resources is a leading provider of engineering, construction, maintenance and shutdown services to above and below ground 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 operates a number of workshops in WA, QLD and VIC.

Review of Group Performance

Summary of the Company's operating and financial performance for the year ended 30 June 2018:

- Lost Time Injury Frequency Rate ("LTIFR") of 0.30 (FY17: 0.78).
- Order Book at \$1,070 million (June 2017: \$1,361 million).
- Preferred Contractor Status¹ of approximately \$2.7 billion (June 2017: \$1.6 billion).
- Revenues of \$1,998 million from continuing operations (FY17: \$1,263 million).
- Statutory Loss after tax of \$16.1 million includes discontinued operations and non-recurring items (FY17: NPAT \$25.7 million).
- Underlying EBIT of \$4.2 million loss (FY17: \$41.2 million).
- Net Cash of \$54.8 million (June 2017: Net Debt of \$25.2 million).

¹ Where the Company refers to Preferred Contractor Status, it cannot guarantee that this status will convert to a contract and therefore may not be an indicator of future earnings.

Summary of Results

Sales Revenue from Continuing Operations of \$1,998.5 million was up 58.2% on the prior comparative period of \$1,263.2 million. The increase in revenue can predominately be attributed to the progress of a number of large scale solar farms.

Underlying EBIT from Continuing Operations decreased to a loss of \$4.2 million (FY17: \$41.2 million). The Underlying EBIT loss was largely attributable to cost overruns on the Daydream and Hayman Solar Farm projects ("Project") resulting in cumulative write-downs of approximately \$57 million from the original tendered margin. The Project cost overruns were caused by several compounding project-specific issues including:

- external delays which resulted in extension of time submissions;
- materially worse sub-surface ground conditions than originally allowed for in the tender estimate, which caused an underestimation of site piling requirements; and
- continuous re-planning of construction due to the interdependence with piling, which was compounded by adverse weather conditions, increases in subcontractor costs (both people and plant) and logistics cost overruns.

A large proportion of the write-downs were only recently identified. This was due to the onsite procedures adopted by a limited number of site personnel, which had the effect of circumventing RCR's standard processes and project level systems relating to procurement commitments.

A comprehensive internal investigation into the circumstances surrounding the cost overruns at the Project has been completed, and several actions and additional measures are being implemented to remove the possibility of project level systems having the effect of being circumvented and cost overruns going undetected.

Outside the cost overruns experienced on the Project, RCR continues to operate across a large number of projects which, typical of a contracting business, experience some variance to tendered margins.

Statutory Loss after tax of \$16.1 million includes \$7.3 million (after tax) from discontinued operations (FY17: NPAT \$25.7 million).

Net cash at 30 June 2018 was \$54.8 million (June 2017: Net Debt \$25.2 million) supported by operating cash flows of \$47.5 million and a fully underwritten placement and share purchase plan in August/September 2017 of \$87.9 million.

Summary of Results from Continuing Operations

	Underlying Operating Result	Restructuring Costs	Legacy Legal & Claim Costs	Capitalised Tender Costs	Statutory Result From Continuing Operations
FY18	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	1,998.5	-	-	-	1,998.5
EBITDA	17.3	(2.3)	(4.3)	(1.6)	9.1
Depreciation and Amortisation	(21.5)	-	-	-	(21.5)
EBIT	(4.2)	(2.3)	(4.3)	(1.6)	(12.4)
EBIT Margin	(0.2%)	-	-	-	(0.6%)
Net Interest	(2.8)	-	-	-	(2.8)
Tax	3.9	0.7	1.3	0.5	6.4
Net Loss after Tax*	(3.1)	(1.6)	(3.0)	(1.1)	(8.8)



	Underlying Operating Result	Restructuring Costs	Legacy Legal & Claim Costs	Capitalised Tender Costs	Statutory Result From Continuing Operations
FY17	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	1,263.2	-	-	-	1,263.2
EBITDA	61.0	(2.5)	(1.7)	0.8	57.6
Depreciation and Amortisation	(19.8)	-	-	-	(19.8)
EBIT	41.2	(2.5)	(1.7)	0.8	37.8
EBIT Margin	3.3%	-	-	-	3.0%
Net Interest	(4.0)	-	-	-	(4.0)
Tax	(7.4)	0.8	0.5	(0.2)	(6.3)
Net Profit/(Loss) after Tax*	29.8	(1.7)	(1.2)	0.6	27.5

(Non IFRS information, unaudited)

* As per the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Business Unit Performance from Continuing Operations

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

The results of each business unit from continuing operations including underlying adjustments for the year are summarised below.

Business Unit	Revenue		EBIT		EBIT Margin	
	FY18 \$M	FY17 \$M	FY18 \$M	FY17 \$M	FY18 %	FY17 %
Infrastructure	1,482.4	819.0	(9.8)	36.0	(0.7%)	4.4%
Energy	228.0	187.8	12.5	0.5	5.5%	0.3%
Resources	303.5	275.2	1.7	14.0	0.6%	5.1%
Corporate (Including Elim.)	(15.4)	(18.8)	(8.6)	(9.3)	-	-
Revenue and EBIT	1,998.5	1,263.2	(4.2)	41.2	(0.2%)	3.3%

Infrastructure

The Infrastructure business delivered record revenues of \$1,482.4 million up 81.0%, primarily from renewables projects. The underlying EBIT loss of \$9.8 million was materially impacted by the write-downs on the Project discussed in the Summary of Results section. Learnings from this project are being incorporated into tender risk management and project execution processes for renewables.

The business invested in the standardisation of engineering and design processes within the renewables business to support the significant growth in revenue from contracts awarded and to support the expected revenue from preferred tender status opportunities.

New rail and transport projects awarded during the year included projects for Transport for NSW, Metro Trains Melbourne and signalling works for the Northwest Rail Link Project. RCR also incurred significant tendering costs on a number of large tenders in the rail sector which have been expensed through the profit and loss. The result and award of these tenders is expected in H1 FY19.

The water business also expanded its national presence, with the award (in joint venture with its two partners) of a three year framework agreement with Melbourne Water, and new projects for Water Corporation of WA, Water NSW and Sydney Water. In the property services space, RCR was awarded a ten year contract by BAE Systems to provide facilities management services for the ADF's Jindalee Operational Radar Network Phase 6 Project, leveraging the Company's extensive remote site experience.

The business continues to strengthen its backlog and recurring revenue base and is well-positioned to capitalise on emerging opportunities in rail and transport, renewable energy (solar, wind, battery and hydro), infrastructure telecommunications, power transmission and distribution, water, defence, and commercial property.

Energy

The Energy business improved performance as a result of the commencement of a number of projects and shutdowns during FY18. Revenues increased to \$228.0 million (FY17: \$187.8 million) up 21.4%, with EBIT margins of 5.5% (FY17: 0.3%).

The business 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, and Indonesia. This includes Preferred Contractor Status on an open cycle power station and a number of 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.

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

Resources

The Resources revenues increased to \$303.5 million (FY17: \$275.2 million), with EBIT of \$1.7 million (FY17: \$14.0 million).

Work on the Pilbara Minerals Lithium processing plant has progressed on time and on budget. This project demonstrates the application of the Company's Engineering Intelligence to materials handling across a range of minerals and expands the Company's market reach.

The performance of part of the Resources business was impacted by changes to scope and time pressures on a couple of projects, which have reached construction completion and are subject to the resolution of a number of claims. Whilst a recoverable position is recognised in the accounts, a provision has been recognised against a portion of these claims.

In FY18, the Company reorganised a business operating in the Resources sector and exited this business which serviced the iron ore sector in geographic locations operating in WA and SA.

Operating Cash Flow from Continuing Operations

The below table summarises the movements from operating cash flow from continuing operations to underlying operating cash flow:

	FY18 \$M	FY17 \$M
EBIT from Continuing Operations	(12.4)	37.8
Add: Depreciation and Amortisation	21.5	19.8
Add: Restructuring Costs	2.3	2.5
Add: Legacy Legal and Claim Costs	4.3	1.7
Add: Capitalised Tender Costs	1.6	(0.8)
Underlying EBITDA	17.3	61.0
Operating Cash Flow from Continuing Operations	53.9	47.5
Add: Interest Paid	3.1	4.3
Add: Tax Paid	0.5	0.4
Add: Restructuring Costs	2.3	2.5
Add: Legacy Legal and Claim Costs	4.3	1.7
Add: Capitalised Tender Costs	-	(0.8)
Underlying Operating Cash Flow	64.1	55.6

(Non IFRS information, unaudited)

Net Assets

Net assets increased to \$380.9 million as at 30 June 2018 (30 June 2017: \$311.6 million) mainly as a result of RCR's net proceeds from capital raising of \$87.9 million (refer below share capital section) and dividends paid during the year of \$14.0 million.

Share Capital

At 30 June 2018, there were 165,358,044 fully paid ordinary shares and 4,539,904 performance rights on issue (30 June 2017: 139,963,412 fully paid ordinary shares and 5,464,960 performance rights).

On 24 August 2017, the Company announced a Capital Raising by way of a fully underwritten Institutional Placement and non-underwritten Share Purchase Plan. The Institutional Placement and Share Purchase Plan raised \$87.9 million (net of fees paid) through the issue of 25,394,632 ordinary shares at \$3.55 per share.



Net Debt and Liquidity

Net cash increased to \$54.8 million as at 30 June 2018 from \$25.2 million net debt at the beginning of the period.

The increase in net cash is mainly attributable to the capital raising in August/September 2017 (net proceeds of \$87.9 million), cash generated from operating activities (\$47.5 million) offset by capital expenditure investment (\$30.6 million) and dividend payment (\$14.0 million).

As at 30 June 2018 the Company's available liquidity consisted of \$89.9 million cash in hand and \$35.1 million in bank borrowings.

Key Ratios	Measure	FY18	FY17
Net Cash/(Debt)	\$M	54.8	(25.2)
Available Cash	\$M	162.9	104.7
Gearing	%	Net Cash	7.5

Banking Facilities, Insurance Bonding Facilities and Capital Structure

The Company has financing arrangements in place with the Commonwealth Bank of Australia Limited and other syndicated financiers ("Banking Facility"). The Banking Facility is provided under the terms of a syndicated facility agreement, which provides for a senior debt facility, contingent instrument facilities and a multi-option facility. The Banking Facility expires on 14 December 2019. In December 2017, the Company extended its multicurrency contingent instrument facility by a further \$100 million to \$295 million and in February 2018, increased the allowable Insurance Bonding limit from \$200 million to \$250 million. In April 2018, the Company increased its multi option facility by another \$25 million to \$100 million.

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

The Banking Facility at 30 June 2018 comprises:

- a senior debt facility of \$36.25 million, subject to repayments of \$5 million per quarter;
- a multi option facility of \$100 million; made up of a \$75 million working capital facility, which includes overdraft, cash advance and business card facilities and a \$25 million contingent instrument facility, which includes bank guarantees and letters of credit; and
- a multicurrency contingent instrument facility of \$295 million, which includes trade finance and bank guarantee facilities.

The Company also has insurance bonding facilities totalling \$250 million.

At 30 June 2018 the Company had access to \$360.5 million of cash and funding facilities.

Funding Summary	FY18 \$M	FY17 \$M
Senior Debt and Working Capital	431.3	326.3
Insurance Bonding Facilities	250.0	200.0
Total Facilities	681.3	526.3
Less: Senior Debt Utilised	36.3	56.3
Less: Non-cash Facilities Utilised	374.4	185.0
Available Facilities	270.6	285.0
Add: Cash	89.9	29.7
Total Cash/Funding Facilities Available	360.5	314.7
Facility Utilisation	60.3%	45.8%

On 30 July 2018, the Company went into a trading halt and subsequent voluntary suspension from trading its securities on the ASX on 1 August 2018. This was to allow management time to review cost overruns on the Project that were identified post year end.

The Company believes it was in compliance with all financial covenants under its debt facilities at 30 June 2018. However, to avoid any uncertainty around potential covenant breach at the date of the next covenant reporting, the Company has proactively secured agreement from all financiers that, in calculating the group's EBITDA¹ for the 30 June 2018 calculation date and each quarterly calculation date up to and including 30 June 2019, the Company may add back to EBITDA¹ the cost impact of the Project of an amount up to \$50 million.

The financiers' support will lapse if the Company does not receive at least \$50 million in proceeds from the capital raising by the earlier of (i) 5 November 2018 (or such later date as agreed to by the majority financiers under the Banking Facility), (ii) the Agent terminating the Financier Support Letters for an event of default (other than as a result of any change to EBITDA relating to the cost impact to the Project) or the Company's failure to comply with its obligations in the Financier Support Letters or (iii) an insolvency event.

The financiers have agreed to the Company re-allocating the sub-commitments under the multi-option facility, such that the Company may utilise up to \$97 million under the working capital facility (and up to \$100 million under the working capital facility following receipt of \$50 million from the equity capital raising).

¹ EBITDA, as defined in the Syndicated Facility Agreement.

This increases the amount available for working capital by \$25 million with an equal reduction of \$25 million to the contingent instrument facility. There is an additional review event if proceeds from the institutional capital raising are not received within 10 business days of launch. If agreement cannot be reached within 7 business days of the review event, it will be an event of default under the Banking Facility. The Company has also agreed to margin increases under the Banking Facilities and to information undertakings and review undertakings in relation to the Project.

The Company has not admitted or acknowledged any breach or default and the banks have not advised of a breach or default.

In light of the above, all of the Company's borrowings have been presented as a current liability in the Statement of Financial Position as at 30 June 2018. There has been no demand for repayment by the financiers as at the date of this report.

The Company continues to draw on its facilities in the ordinary course.

Dividends

In respect of FY18, the Directors did not declare the payment of a final dividend.

Details on dividends paid in FY18 and FY17 are as follows:

	FY18 \$M	FY17 \$M
Interim Dividend for FY18 of 2.5 cents per share unfranked and paid on 5 April 2018	4.1	-
Final Dividend for FY17 of 6.0 cents per share unfranked and paid on 5 October 2017	9.9	-
Total	14.0	-

Business Strategies and Prospects for Future Financial Years

The Company's strategic focus is on Infrastructure, Energy and Resources market sectors. The Company's purpose and vision, our values and guiding principle of Engineering Intelligence, provide the primary point of reference for what we aspire towards, both in the services we provide to our clients and the way we conduct ourselves.

The strategic plan is reviewed by the Board and is periodically updated and adjusted, taking into account changes in the competitive landscape and for significant changes in the business.

The Company's primary strategy has been to continue to penetrate the infrastructure markets, and to provide turnkey engineering solutions and self-perform end-to-end services in infrastructure, energy and resources markets in Australia, New Zealand and SE Asia.

The Company sees opportunities in the large infrastructure markets, particularly in rail and transport, water, utilities, renewable energy and resources. More recently the Company has progressed in the development of large-scale solar energy projects in the rapidly evolving market for renewable energy in Australia, which has resulted in significant growth in the business and revenue over the past year.

However, over the coming years, the Company will re-position towards a more acceptable risk profile, with the following strategic objectives:

- consolidating existing operations, successfully completing current projects and carefully assessing near-term opportunities with a focus on contracting with well-known counterparties and projects with a more acceptable risk profile;
- increasing exposure to the rail and transport sectors;
- selectively pursuing opportunities in the renewables sector; and
- shifting the project portfolio towards 'alliance style' contracting models, which involve higher working capital requirements, but offer a more favourable risk allocation to RCR as the contractor and therefore should provide a higher degree of margin predictability.

The Company's long history and experience in rail projects has spearheaded the award of a number of new rail projects, and we are well positioned for future growth in rail and transport, which is being driven by increased spending in rail infrastructure in Australia and New Zealand over the next five years. The Company's focus on new rail and transport opportunities will be assisted through developing strategic partnerships with leading transport solution providers. An example of this is the Company's joint venture with Downer, in which we have bid for work on the Sydney Metro Linewide project and our existing Novo Rail Alliance, with two leading partners, which has now been providing rail systems and services to Transport for NSW for over 9 years.

The Company's rate of growth in the renewable energy sector will moderate to allow the Company to consolidate its market position in the renewables sector.

The Company's short-term focus is to convert Preferred Contractor Status opportunities to contracted revenues and to drive improved project execution.

To support the Company's strategic objectives, it seeks to continually improve its safety performance to achieve its goal of an injury free workplace. The Company's 'R U safe' program is fundamental to the Company's future success. It requires constant focus across all levels of business to ensure the Company meets its desired objective of ensuring that all staff, suppliers and subcontractors return home each night incident and injury free.



Material Risks

Risk management aims to anticipate and evaluate 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 and deliver on commitments to our employees, customers, the environment and the community. The Company has defined five discrete risk environments, being: Strategic, Financial, Operational, Project and Regulatory.

The Company has a risk management policy, procedure, and various internal controls and processes. 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. Major project risk management activities include contracting principles, project reviews, identification and control of risks and opportunities, risk register and monthly project reporting. Further enhancements to RCR's risk management system are ongoing and to improve adherence to the risk processes.

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. To the extent that it is within the Company's control, risks deemed unacceptable are generally 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 managed by the Company, and should be considered by investors before investing in RCR Shares. 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. Further details on material and other business risks are set out in the Company's Investor Presentation issued at the time of this Report.

Risk Category	Risk	Risk Description
Strategy and Business Risks	Impact of Suspension of RCR shares	RCR shares have been in trading halt since 30 July 2018 and in voluntary suspension since 1 August 2018. It is possible that associated uncertainties will result in a loss of confidence in RCR, including by existing and future RCR customers, suppliers and partners. Such loss of confidence by customers would negatively impacting RCR's ability to convert Preferred Contractor Status into future revenue, to secure new customers and contracts, maintain business relationships and overall profitability. Further, the suspension and any resulting loss of confidence may cause damage to RCR's reputation and brand, the potential consequence of such are set out below. There is a risk that the uncertainty around the suspension will also have led to a loss of confidence from employees resulting in departures of key personnel and a hindrance on future recruitment of employees.
	Potential for cost overruns on projects	There is a risk that additional cost overruns occur across one or more of RCR's projects which, may have an impact on RCR's future financial performance. In addition to potentially impacting RCR's financial performance, additional cost overruns may result in an inability to procure future contracts and maintain existing contracts. Further, future cost overruns have the potential to 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.
	Class Action Risk and Regulatory Risk	Following the recent events at the Project, there is a risk of class action. A risk of a class action being threatened or instituted arises in circumstances where earnings fall short of market expectations or company guidance if a reduction in the share price results. RCR is not aware of any threat of a class action having been made at this point in time. There is a risk of regulatory action against RCR in these circumstances.
	Risk of adverse findings from independent review of the Project	RCR has undertaken to commission an independent review of the Project, to be undertaken by one of the big four accounting firms (excluding the Independent Auditor). Adverse findings from the independent review may impact RCR's future financial performance and have the potential to 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.
	Ineffective Execution of Strategy	The execution of RCR's strategy requires a degree of risk-taking. In particular, the success achieved by individual contracts may not translate to profitable returns for RCR (and RCR's shareholders, in turn) for various reasons, including lower than expected margins. In such a case, the execution risk of that project may not be commensurate with the profit returned. Any inability to achieve organic growth or to execute acquisition growth strategies may have an adverse impact on share price, shareholder sentiment and the long-term sustainability of the business.

Risk Category	Risk	Risk Description
	Inability to maintain a strong Balance Sheet to support strategy	<p>Capital for the business is a fundamental requirement to achieve business objectives and to meet financial obligations when they fall due. The inability to maintain a strong balance sheet or to secure new capital or credit facilities (in the form of cash advance, overdraft, guarantee and bonding facilities) could impact RCR's opportunity to bid for work, make investments or meet its ongoing liquidity needs. The perception of a strong balance sheet is equally important to retaining the confidence of external counterparties and maintaining commercial terms as well as winning new work.</p> <p>A loss of confidence in RCR's balance sheet may impact RCR's future financial performance and has the potential to 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.</p>
	Working capital requirements	<p>Due to the nature of RCR's business, and operations, RCR has significant working capital requirements, which is expected to continue into the future. Relevantly, RCR's revised operating strategy includes a shift towards 'alliance style' contracting. This type of arrangement requires a larger amount of working capital than is required under EPC style arrangements.</p> <p>Furthermore, due to the nature RCR's business, specifically in respect to the receipt of milestone payments under project contracts, it is possible that RCR may be unable to accurately predict working capital requirements in the future. If this is the case, RCR may require additional funding to address those working capital requirements.</p>
	Reducing Demand for Services and Products	<p>The markets for RCR's goods and services are exposed to:</p> <ul style="list-style-type: none"> ▪ The capacity of the State and Federal Governments and private industry capacity to invest in infrastructure, energy, resources and other projects, with consequent changes in spending and demand for RCR's services and products; ▪ Major project delays or cancellations (amongst others), which may decrease the demand for RCR's goods and services; ▪ Unpredictable and cyclical commodity prices, the economic activity of its customers and general economic conditions affecting customers' ability to fund capital and operational expenditure; and ▪ Saturation of competitors in the market leading to shifts in competitive dynamics when trying to secure future work. <p>These variables are determined by domestic and global factors outside the control of RCR and have the potential to adversely impact RCR's operating and financial performance. They may affect the shape and size of RCR's future Order Book¹, the potential profit margins at which any future work is won and the availability of 'alliance style' contracts in the future (being an aspect of RCR's operating strategy going forward).</p>
	Lack of Diversification of Revenue	<p>RCR seeks to diversify its revenues across a broad range of sectors in an effort to address some of the risks described in this table and to target growth opportunities in existing and new sectors and across geographical regions.</p> <p>Nevertheless, demand for RCR's goods and services can be cyclical, concentrated and may sometimes vary markedly over relatively short periods due to a broad range of factors, including the timing or failure to obtain contracts, delays in awards of contracts, cancellations of contracts, changes in market conditions, and increased competition.</p> <p>Accordingly, any change to the markets in which RCR operates could adversely impact RCR's financial performance.</p>
	Renewable Energy Market Concentration Risk	<p>RCR is exposed to a range of risks and opportunities associated with engineering, procurement and construction ("EPC") of large-scale solar projects. This is a sector for RCR which is experiencing growth exposing RCR to a range of risks and opportunities including energy regulations and standards, commissioning, capital investment, increased competition and a range of associated EPC activity risks.</p> <p>RCR's current Order Book¹ and Preferred Contractor Status (and therefore future revenues and earnings) are weighted towards EPC contracts for large-scale solar farms. Any adverse changes in the solar industry may have a significant impact on RCR.</p>



Risk Category	Risk	Risk Description
	Risk that RCR is not successful in securing alliance style contracts	Under the leadership of RCR's newly appointed Interim CEO, RCR is re-positioning towards a lower risk operating strategy. To achieve this, RCR's near-term strategic objective includes a shift in the project portfolio towards 'alliance style' contracting model, which provide a higher degree of earnings predictability. They do however require a higher commitment of up front working capital. There is a risk that RCR does not successfully secure new alliance style contracts which may impact RCR's Order Book ¹ and Preferred Contractor Status going forward. This may negatively impact RCR's future financial performance and have the potential to 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.
	Adequacy of Insurance	While RCR believes it manages its risk by transferring risk deemed unacceptable by way of insurance, it is not insured against all foreseeable risks. It is also not guaranteed that insurance will continue to be available on commercially acceptable terms and conditions or at a commercially acceptable cost. If an event occurs that is not covered by insurance or exceeds the insurable limits, it may have a material adverse impact on RCR's future financial performance and position.
	Damage or Dilution to RCR's Reputation or Brands	RCR relies on the strength of its reputation to help win and retain work, attract and retain employees, secure lines of credit and gain access to capital. Reputational damage could arise due to any number of circumstances including inadequate service delivery, failure of joint contractors or joint venture partners, conflicts of interest, failing to deliver on a customer's desired outcomes or the mere perception of the existence of any of these circumstances. Any damage to RCR's reputation, brands and business relationships could have an adverse effect on its business, including its operating and financial performance, industry standing and the value of RCR shares. There is also a potential risk that the recent cost overruns and procurement control issues experienced at the Project may have a negative impact on the RCR brand, would could impact its ability to win new work, including 'alliance style' contracts.
	Technology Disruption to RCR's Business	Innovation is a core element of RCR's focus and strategy. The introduction of new technologies or any failure by RCR to deliver innovative solutions to its customers may impact future revenue streams and result in a loss of market share.
Financial Risks	Reduced Access to Funding - Liquidity, Financing and Bonding	<p>RCR funds part of its operations with debt and relies on continued profitability and business cash flows to meet financial covenants and to service the interest on such debt. Further, RCR relies on available cash or equity or debt funding to refinance its debt.</p> <p>RCR has performance bonding facilities under which several insurance bond providers provide bonds for projects in the ordinary course of RCR's business. The facilities are uncommitted and, as a result, RCR has no certainty that the issuer will provide the bonds as requested. Further, the performance bonding facilities are subject to renewal on an annual basis.</p> <p>RCR has a credit facility agreement which expires in December 2019. RCR's ability to comply with the terms of the facility, refinance its debt on maturity and renew or replace its performance bond facilities will depend on a number of factors including past performance (if forecasts are achieved), general economic, political, capital and credit market conditions. Any inability by RCR to raise additional funds as required, or refinance existing borrowings or replace bond facilities from time to time, on commercially acceptable terms, could adversely affect RCR's financial position, financial performance, its ability to remain within targeted levels of gearing and its ability to issue bonds in the ordinary course of its business. RCR also carries a breach of covenant risk, under Banking Facilities, if cash flows and profitability forecasts are not achieved, including if the Entitlement Offer does not proceed as expected.</p>
	Other Financial Risks	RCR is subject to other financial risks including market risk, credit risk, foreign exchange rate risk, interest rate risk, and liquidity risks which are set out in Section 5.3 Financial Risks Management.
Operational Risks	Order Intake, Order Book ¹ , and Preferred Contractor Status	<p>RCR's Order Book and backlog comprise certain estimates 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 revenue and earnings. Significant delays to contract award dates anticipated in the Order Book may adversely impact RCR's liquidity.</p> <p>Where RCR refers to Preferred Contractor Status, RCR cannot guarantee that this status will convert to a contract and is therefore an uncertain indicator of future earnings.</p>

Risk Category	Risk	Risk Description
	Human Capital	<p>The ability of RCR to effectively execute its strategic and operational objectives and projects, depends on the efforts and contributions of a number of key personnel and the skills and experience of its people.</p> <p>The loss of critical skills, business knowledge, experience and relationships, which may occur due to the unplanned departure of the Chairman, CEO, CFO and other key management and project management personnel where an appropriate replacement has not been appointed could adversely impact RCR's ability to bid and win new work, meet current commitments, deliver projects and grow the business as planned.</p> <p>In addition, any challenges in relation to RCR's ability to procure or retain appropriately experienced site staff, management and other key personnel may also impact RCR's ability to execute its strategic and operational objectives and projects.</p> <p>Further, the ability of RCR to successfully deliver client projects is dependent on the effective execution and management of that project from start to finish by the project management team. Whilst RCR has systems in place to actively monitor ongoing projects and the activities of the project management team (including monthly project control meetings with senior management), the effectiveness of those controls is dependent on the information provided by the project management team.</p>
	Intellectual Capital Risk	<p>RCR's business is dependent on corporate memory and know-how developed by RCR's engineering, design, construction and manufacturing processes and its various Licencing Agreements. Any failure to maintain this know-how and RCR's core processes or any loss of licences may have an adverse impact on RCR.</p>
	Failure of Systems and Process	<p>There can be no assurance that internal control systems and procedures will not result in, or lead to, a future material weakness or loss of accreditations, including a failure of systems to ensure effective control of costs across projects and operations. Failure to maintain proper and effective internal controls may adversely impact RCR.</p> <p>Whilst RCR has systems and policies and processes in place to manage general personnel risk (including ensuring that all employees are aware of those policies and procedures), RCR cannot guarantee that an individual will not engage in conduct contrary to RCR's internal controls, system, business rules, policies and procedures or the law (including fraudulent activity). Any such action could adversely affect RCR's ability to meet current commitments, deliver projects and have an adverse impact on RCR and its brand.</p>
	Information Technology and Cyber Security	<p>RCR's business is dependent on the efficient operation of information technology systems to support its operations. Any failure or breach of data and IT security could result in business interruption, the loss of clients or contracts, damaged reputation and a weakening of its competitive market position, particularly where restorative / substitute technology systems are not available on acceptable terms. Furthermore, cyber-attacks on RCR may lead to the distribution of sensitive business information (or client information), damage RCR's business prospects and reputation and potentially cause RCR to breach relevant privacy laws.</p>
	Foreign Operations and Sovereign Risk	<p>RCR operates in countries outside of Australia including New Zealand, Malaysia, Indonesia, Vietnam, and the Pacific.</p> <p>Changes to current political, general economic or social conditions in these locations, (including any changes brought about by revised laws, judicial or administrative policies or outbreaks of civil war, periods of civil unrest or acts of terrorism) may adversely impact RCR's ability to effectively deliver project and operational services. This, in turn, may have an adverse effect on RCR's operating and financial performance. There is also a risk that the actions of a government, third party or any other unforeseen events in any of these countries may adversely affect RCR.</p>
Project Risks	EPC Risks	<p>RCR's ability to achieve its operating and financial performance objectives is influenced by its ability to complete complex projects to the satisfaction of its customers. The execution and delivery of projects or supply of RCR proprietary equipment involves professional judgment regarding the design, planning, development, construction, commissioning and operation of complex operating facilities and equipment.</p> <p>Projects may occur over extended time periods and may be impacted or delayed due to procurement, engineering design changes, construction, commissioning, adverse weather, physical environment, supplier events, performance of sub-contractors and joint venture partners, regulatory requirements, employment practices and a wide variety of other circumstances. Projects and operations, cash flows and liquidity could be adversely affected if RCR miscalculates the resources, cost or time needed to complete a project, fails to meet contractual obligations, encounters delays due to varying conditions or if a supplier fails to deliver project materials on time. In addition, some projects require payment of liquidated damages if RCR does not meet project deadlines or other contractual obligations.</p>



Risk Category	Risk	Risk Description
	Defect risks	RCR's ability to achieve its operating and financial performance objectives is also influenced by its ability to complete projects and its delivery on its contracts free of defects. There is a risk that defects in the engineering, design, construction or overall performance of the Project or other projects may 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. Further, RCR's ability to procure new contracts or maintain existing contracts may also be adversely impacted.
	Tender estimates	RCR utilises extensive skills and expertise when pricing for fixed price contracts and uses all reasonable efforts to ensure that those tenders accurately reflect the scope of work. There is a risk that the tender estimate is not reflective of the actual position such that RCR suffers a financial loss.
	Geotechnical Risks	Geotechnical conditions substantially different from those anticipated, may impact RCR's ability to deliver projects as originally envisaged, impacting project timeline and financial performance.
	Client Risk and Contract Risk	<p>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 if they have termination rights, not renew those contracts upon expiry, or seek to renew those contracts on less favourable terms. This may have an adverse effect on RCR's business, including its operating and financial performance, industry standing and the value of RCR shares.</p> <p>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 or not agree to RCR's contractual claims and variations in a timely manner. This risk should be read in conjunction with the Financial Statements, specifically Section 4.1 (Trade and other Receivables) in RCR's 2018 Audited Financial Statements. Further, there may be delays outside the control of RCR that may impact on RCR's financial performance.</p>
	Actual and Potential Disputes	<p>Due to the contractual nature of RCR's business, RCR is currently and may in the future be subject to claims, disputes or proceedings or bring claims, disputes or proceedings against counterparties, each in the ordinary course of business. These 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. Further, there is a current and future risk that certain persons who have a claim against RCR may threaten to exercise or exercise rights to call on any security provided by or on behalf of RCR.</p> <p>If:</p> <ul style="list-style-type: none"> the security called was issued under a performance bonding facility or the credit facility, the issuer of the bond would have a right to immediately call on RCR to reimburse them for the amount paid on the bond; and there was a threat to call on the security issued under a performance bonding facility, the relevant insurance bond provider would have rights to call for cash cover. <p>Depending on the materiality of the call, it may have a significant and adverse impact on RCR's working capital position and its ongoing liquidity.</p> <p>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.</p>
	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 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 in accordance with accounting standards. 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. 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. In relative terms, there has been a significant increase in the size of claims not yet recovered.

Risk Category	Risk	Risk Description
	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.
	Fixed Price and Schedule of Rates Contracts	Fixed price or schedule of rates contracts exist in RCR's business. Such contracts may not be profitable where the cost of performing RCR's obligations under the contract exceeds the agreed fixed price or rates.
	Partners Joint Ventures and Counterparties	Some parts of RCR's operations are subject to key partners, joint venture partners, suppliers and other counterparties continuing to perform and manage their obligations to an acceptable standard. Any failure to perform or mismanagement by such a third party may adversely affect RCR particularly if the relationship with the third party deteriorates.
Regulatory Risks	Injury, Safety, or Environmental Incident	RCR's businesses are subject to Occupational Health and Safety ("OH&S") and Environmental regulations, which impose certain responsibilities on RCR and its Officers. RCR's industry involves a high degree of operational risk and whilst RCR believes it takes reasonable precautions to manage the OH&S and environmental risks, there can be no assurance that RCR will avoid significant costs, liability and penalties or criminal prosecution.
	Non-compliance with Applicable Laws, Regulations and Standards, Industrial Relations Agreements	Any non-compliance by RCR, its employees or sub-contractors with applicable laws, regulations and standards, workplace regulations and industrial agreements or adverse change thereto may affect RCR's business and the value of RCR shares. RCR is required to hold certain operating permits, licences, accreditations and certifications. Any loss of, failure to comply with or failure to hold such required permits, licences, accreditations, standards and certifications may directly impact RCR's ability to fulfil its contractual obligations and adversely affect its business, including its operating and financial performance, industry standing and the value of RCR shares.
General Risks	Tax implications	Further, changes in tax law, or changes in the way tax law is, or is expected to be, interpreted in the various jurisdictions in which RCR operates, may impact the future tax liabilities of RCR. Those laws may also adversely affect the tax treatment of entities within the RCR group, and that may in turn adversely affect the value of RCR shares or distributions on those shares. Finally, RCR Shareholders should note there is a specific tax risk that the ATO does not agree with the eligibility of RCR's allocation of certain expenditure between 2014 and 2017 as research and development activities.
	Accounting Standards	Australian accounting standards are set by the Australian Accounting Standards Board (AASB) and are outside RCR's control. Changes to accounting standards issued by AASB could materially affect the financial performance and position reported in RCR's financial statements.

¹ 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

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 the Company's internal budgets, forecasts and estimates, details of the 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 the 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

Other than as disclosed elsewhere in the Directors' Report, in the opinion of the Directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the period under review.

Matters Subsequent to the End of the Financial Year

On 30 July 2018, the Company went into a trading halt and subsequent voluntary suspension from trading its securities on the ASX on 1 August 2018. This was to allow management time to review cost overruns on the Project that were identified post year end.

The Company believes it was in compliance with all financial covenants under its debt facilities at 30 June 2018. However, to avoid any uncertainty around potential covenant breach at the date of the next covenant reporting, the Company has proactively secured agreement from all financiers that, in calculating the group's EBITDA² for the 30 June 2018 calculation date and each quarterly calculation date up to and including 30 June 2019, the Company may add back to EBITDA² the cost impact of the Project of an amount up to \$50 million.

The financiers' support will lapse if the Company does not receive at least \$50 million in proceeds from the capital raising by the earlier of (i) 5 November 2018 (or such later date as agreed to by the majority financiers under the Banking Facility), (ii) the Agent terminating the Financier Support Letters for an event of default (other than as a result of any change to EBITDA relating to the cost impact to the Project) or the Company's failure to comply with its obligations in the Financier Support Letters or (iii) an insolvency event.

The financiers have agreed to the Company re-allocating the sub-commitments under the multi-option facility, such that the Company may utilise up to \$97 million under the working capital facility (and up to \$100 million under the working capital facility following receipt of \$50 million from the equity capital raising).

The Company has agreed to reduce a contingent instrument facility under the syndicated facility agreement by \$25 million and to include an additional review event if proceeds from the institutional capital raising are not received within 10 business days of launch. If agreement cannot be reached within 7 business days of the review event, it will be an event of default under the Banking Facility. The Company has also agreed to margin increases under the Banking Facilities and to information undertakings and review undertakings in relation to the Project.

The Company has not admitted or acknowledged any breach or default and the banks have not advised of a breach or default.

In light of the above, all of the Company's borrowings have been presented as a current liability in the Statement of Financial Position as at 30 June 2018. There has been no demand for repayment by the financiers as at the date of this report.

The Company continues to draw on its facilities in the ordinary course.

On the 6th of August 2018, Dr Paul Dagleish stepped down as Managing Director and CEO. On the 7th of August 2018, the Board of the Company announced the appointment of current independent Non-Executive Director, Mr Bruce James as interim CEO.

RCR has entered into an agreement with Macquarie Capital (Australia) Limited to underwrite the raising of \$100 million subject to usual conditions. Refer to the prospectus lodged with the ASX on 28 August 2018 for further information regarding the Capital Raising.

The Directors did not declare the payment of a final dividend for FY18.

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.

² EBITDA, as defined in the Syndicated Facility Agreement.

Likely Developments

Other than as disclosed above, information regarding likely developments in the operations of the Company in FY19 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 2,809,500 performance rights on issue (FY17: 5,364,960). During FY18, 1,301,064 performance rights were granted (FY17: 2,826,540). 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	1,073,000	31 August 2018
Unlisted Performance Rights	950,400	31 August 2019
Unlisted Performance Rights	50,000	1 March 2019
Unlisted Performance Rights	50,000	1 March 2020
Unlisted Performance Rights	686,100	31 August 2020
Total	2,809,500	

Performance Rights, Vested, Forfeited or Lapsed

During FY18, 1,368,510 performance rights lapsed or were cancelled and 196,000 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, Company 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 FY18, 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 FY18 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 44 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 26 to 43 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
28 August 2018

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*, and 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. It also provides shareholders with the necessary information to 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. These Non-Executive Directors and Executives comprise the KMPs of the Company for FY18 as defined under Accounting Standards.

Table 1 - Key Management Personnel

Name	Position	Year Joined	Term as KMP
Non-Executive Directors			
Roderick Brown	Non-Executive Chairman	2005	Full financial year
Eva Skira	Non-Executive Director	2008	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
David Robinson	Non-Executive Director	2018	Commenced 1 March 2018
Former Non-Executive Director			
Paul Dippie	Non-Executive Director	2007	Retired 22 November 2017
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	2017	Full financial year

On the 6th of August 2018, Dr Paul Dalgleish stepped down as Managing Director and CEO and termination payments of 12 months salary and statutory entitlements will be made in accordance with the terms of his employment agreement and applicable laws. On the 7th of August 2018, the Board of the Company announced the appointment of current independent Non-Executive Director, Mr Bruce James as interim CEO.



1.2 Remuneration Summary

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.

The following summarises the remuneration outcomes for Key Management personnel in FY18.

Remuneration Summary	
Performance for FY18 and Strategy	<p>In FY18 the Company recorded a loss from continuing operations of \$8.8 million, compared with a Net Profit from continuing operations of \$27.5 million in FY17.</p> <p>At 30 June 2018, the Company had an Order Book of \$1,070 million (30 June 2017: \$1,361 million) and is also Preferred Contractor on potential new projects valued at \$2.7 billion (2017: \$1.6 billion).</p> <p>The business continues to diversify and broaden its engineering led activities in the infrastructure, energy and resources markets. The Company's Executives have identified significant emerging opportunities in rail, water and renewable energy.</p> <p>RCR delivered a TSR of 85.7% over the past three years and a TSR of 51.0% over the past five years.</p>
Non-Executive Directors Remuneration	During FY18, there were no changes to fees payable to Non-Executive Directors.
Total Executive Remuneration	<p>Total statutory remuneration (comprising TFR, STI and LTI) in FY18 increased from \$3.5 million to \$4.6 million, which is largely reflective of an increase in the value of share-based incentives (FY18: \$2.3 million compared with FY17: \$0.8 million). The value amount of share-based incentives is not indicative of the benefit (if any) that Executives may ultimately realise should these equity-based incentives vest.</p> <p>Further details on the remuneration of the Managing Director and other Executives are set out below.</p>
Managing Director's Remuneration	<p>Dr Dalgleish's fixed remuneration remained unchanged.</p> <p>No short-term incentives are payable to Dr Dalgleish in relation to performance in FY18.</p> <p>No long-term incentives, for the three year performance period ending 30 June 2018, will vest. Further details are set out below on LTI Outcomes.</p>
Other Executives Fixed Remuneration	<p>During the year the CFO, Mr Phipps, received an increase of 9.1% in fixed remuneration.</p> <p>Mr McCullough received an increase of 2.9% in fixed remuneration.</p>
STI Outcomes	No short-term incentives are payable to Executives for FY18, as the Company's performance did not meet the minimum NPAT performance thresholds set by the Board at the beginning of the financial year.
LTI Outcomes	<p>Long-term incentives for the three year performance period 1 July 2015 to 30 June 2018 are subject to two separate performance criteria, being EPS Growth (weighted at 50%) and total TSR (weighted at 50%). Over this performance period:</p> <ul style="list-style-type: none"> (i) RCR did not deliver the required growth in EPS of 5% to 15% 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 85.7%, placing it at the 38th percentile relative to a group of peers, excluding those that were delisted during the performance period. As a result no performance rights will vest to Executives and other senior managers.

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 reflects 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.

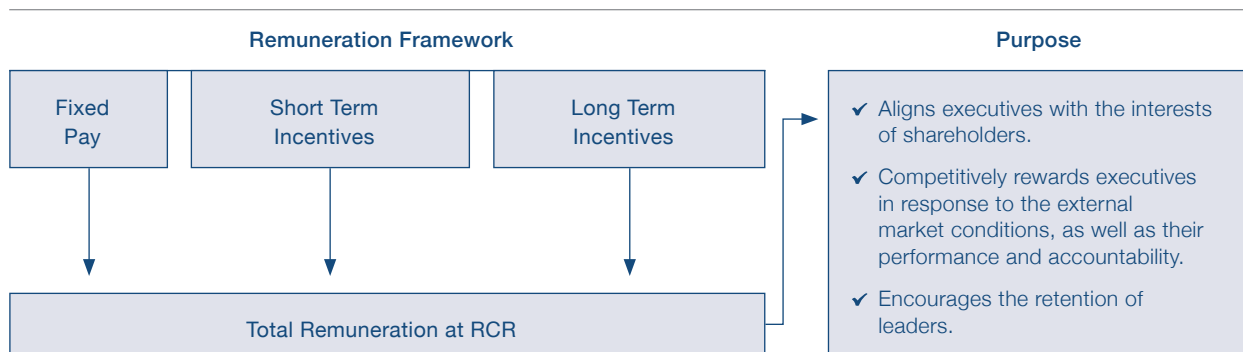
Executive remuneration is reviewed annually, having regard for individual and business performance and relative comparative information.

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 some circumstances, a further element relating to Executive retention may also be applied. No retention awards were made to Executives during FY18.

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	FY18 ¹	FY17 ¹	FY16 ¹	FY15 ¹	FY14
Revenue	\$M	1,998.5	1,263.2	890.5	1,033.6	1,300.5
EBITDA	\$M	17.3	61.0	49.2	89.1	79.6
EBIT	\$M	(4.2)	41.2	28.1	69.4	57.8
Net (Loss)/Profit After Tax	\$M	(3.1)	29.8	20.1	51.4	43.3
Statutory (Loss)/Profit After Tax	\$M	(16.1)	25.7	(16.2)	39.1	43.3

Long-Term Performance Outcomes

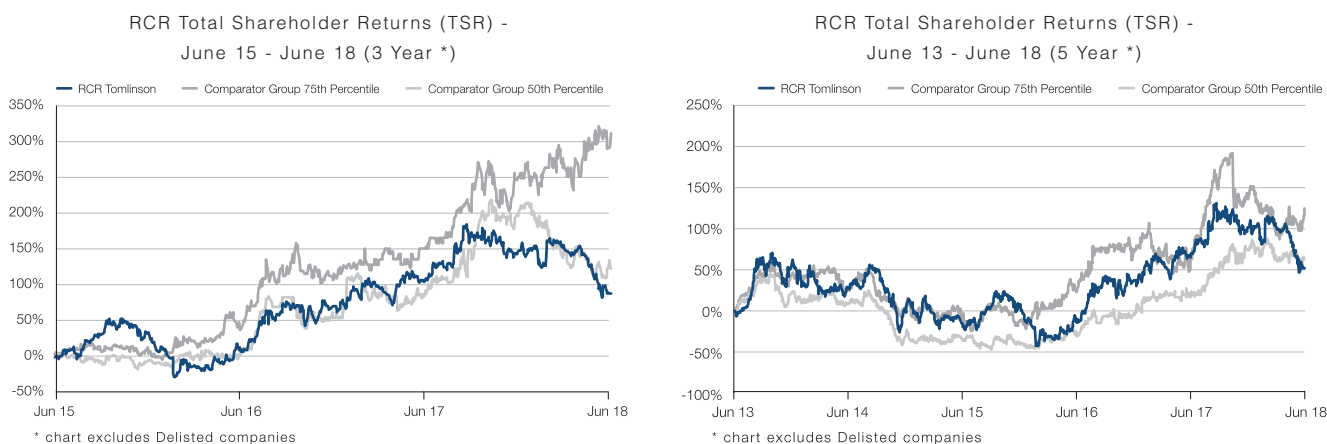
Safety - Total Recordable Injuries	TRIFR	5.82	6.37	8.37	10.13	9.37
Safety - Lost Time Injuries	LTIFR	0.30	0.78	1.77	1.10	1.31
Basic EPS	Cents	(9.99)	18.3	6.4	34.2	31.9
Interim Dividend	Cents per Share	2.5	-	1.75	3.50	3.00
Final Dividend	Cents per Share	-	6.0	-	7.50	7.00
Market Capitalisation	\$M	492.8	477.3	237.9	238.6	383.6
Closing Share Price	\$	2.98	3.41	1.70	1.72	2.80
TSR - 1 Year	%	(10.9)	95.4	4.2	(36.3)	26.1
TSR - 3 Year Rolling	%	85.7	34.4	(11.3)	6.1	84.3
TSR - 5 Year Rolling	%	51.0	134.3	21.5	143.1	413.2

¹ Performance excludes non-recurring costs and discontinued operations.

Long-Term Performance

The graphs below show RCR's relative TSR over the past three and five years, to 30 June 2018. These graphs reflect the performance of RCR relative to a peer group of companies (excluding companies that have been delisted) over this period.

Chart 1 - RCR's TSR compared with a peer group companies¹



Source: Guerdon & Associates

¹ 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 excludes eight members of the comparator group that have been delisted during the performance period. The members of the comparator group are disclosed in the Company's 2016 Annual Remuneration Report.

3.0 Executives Remuneration Outcomes for FY18

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 FY18 are set out in Section 3.6 of this report.

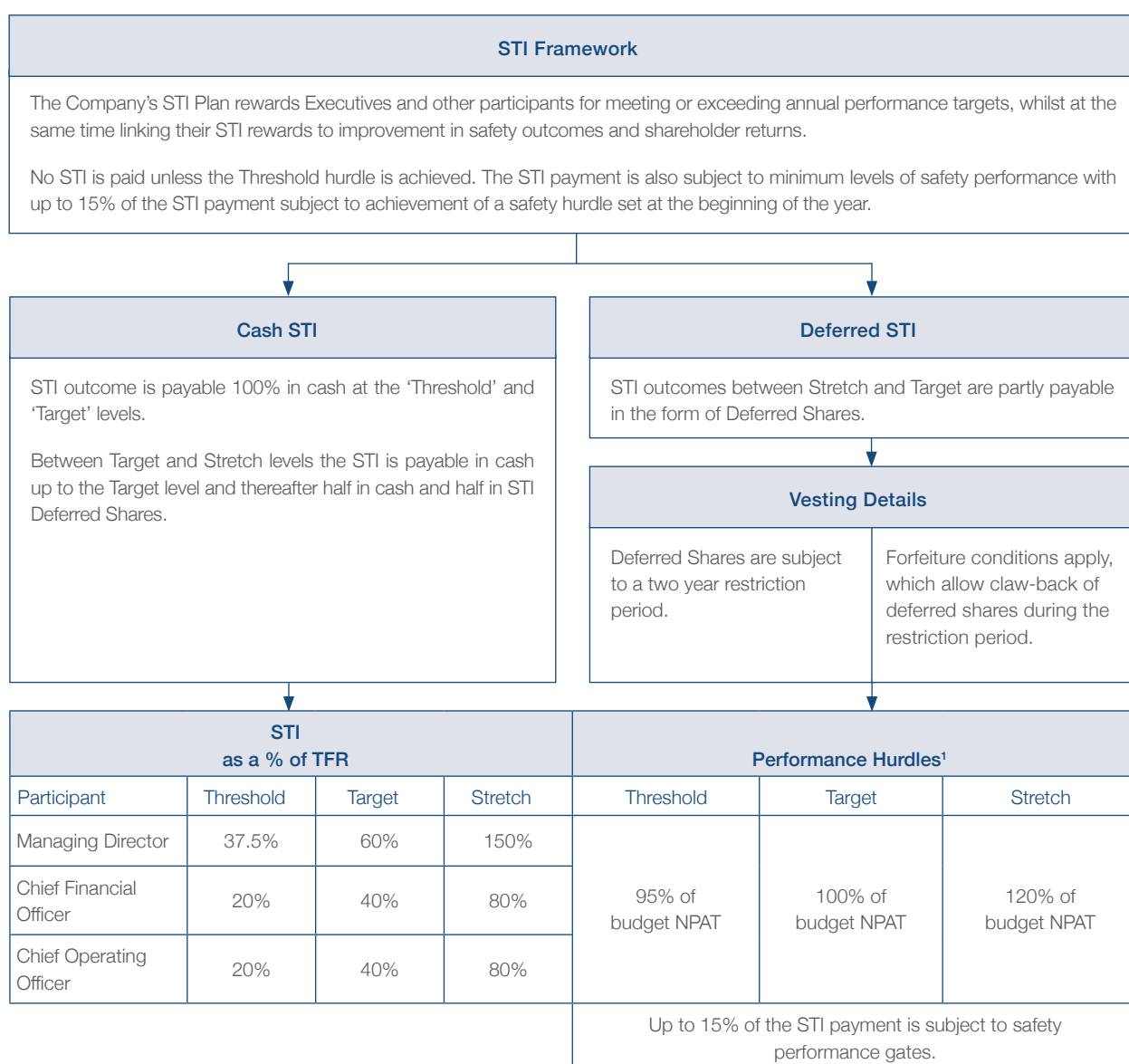
3.2 Total Fixed Remuneration

Links to strategy and performance	<p>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.</p> <p>TFR comprises a salary, superannuation, motor vehicles, allowances, car parking and other fringe benefits.</p>
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 FY18.

Diagram 2 - STI Framework



¹ 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 summarises the key features of the STI Plan applicable for FY18:

STI Plan											
What is the link to strategy and performance?	<p>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.</p> <p>The STI is made up of a mix of either NPAT or EBIT (depending on the Executive's 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.</p>										
Who is eligible to participate in STI awards?	All Executives and certain senior managers participate in the STI Plan.										
What is the STI opportunity?	<p>STI rewards are based on a percentage of TFR (refer to Diagram 2). This percentage is determined with reference to market comparator data and the scope of the employee's role, responsibilities and ability to influence outcomes.</p> <p>The maximum STI that can be earned is capped to minimise excessive risk taking by Executives and other plan participants.</p>										
What are the performance hurdles?	<p>STI outcomes are determined against the Threshold, Target and Stretch NPAT or EBIT Hurdles that are set at the beginning of the financial year and by reference to Board-approved budgets.</p> <p>NPAT and EBIT are based on reported statutory results and are unadjusted.</p> <p>The Managing Director, CFO, COO and other Corporate Executives are measured against NPAT whilst other senior managers are measured against EBIT performance.</p> <p>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.</p> <table><tr><th>Category</th><th>Hurdle</th><th>Rationale</th></tr><tr><td>Financial</td><td>Earnings (NPAT or EBIT)</td><td>Reflects the performance of the Company's core business operations and represents a key driver of shareholder value.</td></tr><tr><td>Non-Financial</td><td>Safety - LTIFR</td><td>The Company is committed to providing a safe workplace for all of its employees and to ensuring its activities are carried out safely.</td></tr></table>		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-Financial	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.
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-Financial	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.									
What is the form of payment?	<p>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.</p> <p>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.</p> <p>In the event of a change in control, redundancy or death or total and permanent disablement of the Executive, the deferred shares will vest.</p>										
Can any of the STI be clawed back?	<p>Deferred shares will be forfeited if, before the end of the two year restriction period:</p> <ul style="list-style-type: none">(a) in the opinion of the Board, there has been a material adverse outcome (including, but not limited to, a material write-down or impairment or a material misstatement in or omission from the Financial Statements of RCR); or(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(c) the Executive ceases employment with the Company or any of its related entities, unless otherwise determined by the Board because 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 FY18 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 FY18, no STIs are payable to KMPs.

Table 3 - STI Outcomes FY18

STI Hurdles for FY18	Actual	Performance Hurdles		
		Threshold	Target	Stretch
FY18 Statutory Net Profit/(Loss) After Tax	(\$16.1M)	\$36.7M	\$38.7M	\$46.4M
Safety - LTIFR	0.3	1.0	1.0	1.0

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



¹ For equity grants in FY16, FY17 and FY18 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 FY18 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 delisted from the ASX.

The following summarises the key features of the Performance Incentive Plan for performance rights granted to Executives during FY18:

Performance Incentive Plan	
What are the links to strategy and performance?	<p>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.</p> <p>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.</p> <p>Relative TSR was chosen because it provides an external market performance measure having regard to RCR's peers.</p>
What securities are offered?	<p>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).</p> <p>Examples of these types of rights include performance rights, share appreciation rights, deferred share rights and options.</p>
What is the LTI opportunity?	<p>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.</p>
What is the performance period?	<p>The performance period is three years.</p>
What are the performance hurdles?	<p>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.</p> <p>In FY18, conditional rights were granted and are subject to the following performance hurdles:</p> <ul style="list-style-type: none"> half of the conditional rights are subject to RCR achieving a predefined EPS growth ("EPS Hurdle"); and half of the conditional rights are subject to RCR's relative TSR performance measured against a comparator group of up to 25 peer companies at the time of grant ("TSR Hurdle"). <p>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.</p> <p>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.</p>

Performance Incentive Plan

What are the EPS hurdles?	EPS is calculated by dividing NPAT by the weighted average number of ordinary shares of RCR on issue.	
	In FY18, conditional rights were granted and are subject to the following EPS Hurdles over the performance period (1 July 2017 to 30 June 2020):	
	EPS Hurdle	% of Rights that Vest
	Less than 5% per annum	0% vesting
	Equal to 5% per annum	35% vesting
What are the TSR hurdles?	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 for the 1st year of the three year performance period be set at 24.07 cents per share ("Base EPS"). Thereafter in the 2nd and 3rd years the Base EPS is required to grow between 5% to 15% p.a. Accordingly, the EPS Hurdle will require, for vesting entitlement an EPS of between 26.53 cents per share and 31.83 cents per share at the end of the FY20 financial reporting period.	
	In FY18, conditional rights were granted and subject to the following TSR Hurdles over the performance period (1 July 2017 to 30 June 2020).	
	Percentile Ranking for TSR Hurdle	% of Rights that Vest
What are the EPS hurdles?	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.	
What are the TSR hurdles?	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.	
	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. The Board may, at its sole discretion, determine to either include or exclude any company in the comparator group of companies that is delisted during the 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 of companies for performance rights granted in FY18 comprises:	
	<ul style="list-style-type: none"> ▪ Ausdrill ▪ Austin Engineering ▪ AJ Lucas ▪ BSA ▪ Cardno ▪ Decmil Group ▪ Downer ▪ GR Engineering ▪ Global Construction Services ▪ Imdex ▪ LogiCamms ▪ Lycopodium ▪ MACA ▪ Macmahon ▪ Mineral Resources ▪ Monadelphous ▪ NRW ▪ Service Stream ▪ Seymour Whyte ▪ Southern Cross Electrical ▪ SRG ▪ Watpac ▪ 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.	
How are vested rights converted to shares or cash?	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.	
	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.	



Performance Incentive Plan

Is there a real risk of forfeiture?	<p>A conditional right granted will lapse if:</p> <ul style="list-style-type: none"> the participant leaves the Company due to resignation or dismissal, unless the Board in its absolute discretion determines otherwise; or if the Board determines (in its absolute discretion) that the employee has acted fraudulently or dishonestly or is in material breach of his/her obligations under the Performance Incentive Plan or to the Company; or 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.
What is the treatment for dividends and voting rights on performance rights?	<p>Conditional rights will not attract any entitlement to voting, dividends or dividend equivalent payments.</p> <p>Each vested conditional right entitles the participant to one fully paid ordinary share 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. No dividends or resultant rights to shares accrue or are paid in respect of conditional rights that lapse.</p>
What is the treatment of incentives on cessation of employment?	<p>The conditional rights will lapse on cessation of employment or resignation (whichever is the earlier).</p> <p>In the event of 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.</p>
What happens on a change in control event?	<p>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.</p>
Are there clawback rights?	<p>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.</p>
Are there restrictions on hedging?	<p>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.</p>
Are there Disposal Restrictions?	<p>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.</p>
Can there be variations to the plan?	<p>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 <i>Corporations Act 2001</i>).</p>

3.4.3 Long-Term Incentives Outcomes for FY18

Following the Board's assessment of the performance outcomes for the three year performance period 1 July 2015 to 30 June 2018, the Board determined that no performance rights will vest.

The performance rights were subject to two separate performance measures being EPS compound annual growth rate of 5% to 15% (weighted at 50%) and a relative TSR hurdle (weighted at 50%), measured over the three year performance period (1 July 2015 to 30 June 2018), summarised in Table 4. As the performance conditions were not met the performance rights will lapse on 31 August 2018.

Table 4 - LTIs Vesting for the Three Year Performance Period Ending 30 June 2018

Performance Hurdle	Outcome (FY16 – FY18)	Percentile Ranking v Comparator Group	Vested %	Vested Number	Lapsed Number
EPS	Below threshold (EPS growth rate of 5% to 15% per annum)	-	-	-	925,100
TSR	Below threshold (refer to chart 1)	38th percentile	-	-	925,100

3.5 Managing Director's Remuneration

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

The Board determined that Dr Dalglish's remuneration package 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 Dalglish's LTIs may potentially be higher than some of the Company's peers.

Table 5 reflects the composition of Dr Dalglish's FY18 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 Dalglish's remuneration arrangements in FY18.

Table 5 - Composition of Managing Director's Remuneration Package

Component	Threshold		Target		Stretch	
Fixed Remuneration ¹	\$1,000,000	52.6%	\$1,000,000	38.8%	\$1,000,000	25.0%
Short-Term Incentive 'at risk' ²	\$375,000	19.7%	\$600,000	23.3%	\$1,500,000	37.5%
Long-Term Incentive 'at risk' ³	\$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%

¹ Fixed Remuneration excludes car parking benefit, other benefits and statutory long-services leave provisions.

² 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.

³ 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.

FY18 Remuneration in Accordance with Accounting Standards

The reported remuneration for Dr Dalglish for FY18, in accordance with Accounting Standards, was \$2,071,058 (FY17: \$1,646,111) as set out in Table 7. This includes an accounting expense of \$1,056,877 (FY17: \$628,475) in relation to statutory long service 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 Dalglish may ultimately realise should these equity-based incentives vest.

The following summarises the outcomes for Dr Dalglish's remuneration for FY18:

Fixed Remuneration	<p>Dr Dalglish's Fixed Remuneration remained unchanged at \$1,000,000 (comprising a salary and employer superannuation contributions).</p> <p>Dr Dalglish also received car parking and other benefits totalling \$14,181.</p>
Short-Term Incentives	<p>Dr Dalglish did not receive a STI award in FY18 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. FY18 NPAT hurdles are detailed in Section 3.3 above.</p>
Long-Term Incentives Granted in FY18	<p>On 24 October 2017, Shareholders approved the grant of 364,964 performance rights under the Performance Incentive Plan to Dr Dalglish.</p> <p>The number of performance rights were calculated by dividing the maximum dollar value of Dr Dalglish'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 \$4.11 per share (being the five day VWAP of RCR shares immediately following the release of the Company's FY17 results on 22 August 2017).</p> <p>The performance rights are subject to two separate performance hurdles over a three year performance period, being 1 July 2017 to 30 June 2020:</p> <ul style="list-style-type: none"> half of the performance rights are subject to an EPS Hurdle which requires an EPS for the 1st year of the three year performance period of 24.07 cents per share (Base EPS) and thereafter in the 2nd and 3rd years the Base EPS is required to grow between 5% to 15% p.a. 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. <p>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.</p>



Long-Term Incentives vesting for the three year period ending 30 June 2018	In respect of the three year performance period ending 30 June 2018, Dr Dalglish holds 777,200 performance rights, which were approved by shareholders at the 2015 Annual General Meeting. These performance rights are subject to two separate performance measures being EPS compound annual growth rate of 5% to 15% per annum (weighted at 50% being 388,600 performance rights) ("EPS Hurdle"), and RCR's relative TSR performance (weighted at 50% being 388,600 performance rights) ("TSR Hurdle"), measured over a three year performance period being 1 July 2015 to 30 June 2018.			
	<p>For the three year performance period ending 30 June 2018:</p> <ul style="list-style-type: none"> no performance rights will vest in respect of the EPS Hurdle, as EPS for the performance period was below the threshold EPS Hurdle; and no performance rights will vest in respect of the TSR Hurdle, as RCR's TSR for the three year performance period placed RCR at 38th percentile in the comparator group of companies, excluding those companies that were delisted. 			

Unvested Performance Rights at 30 June 2018 Held by the Managing Director

Table 6 sets out the number of unvested rights granted to Dr Dalglish 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 2018

Year Granted	Performance Period	Number of Rights	EPS Hurdle	TSR Hurdle
FY16	1 July 2015 to 30 June 2018	777,200 ¹	EPS compound annual growth rate of 5% to 15%	RCR's TSR ranking of between 50th percentile and 75th percentile, measured against a peer group of up to 25 companies. The performance criteria require that RCR's relative TSR be positive for full entitlement, otherwise any entitlement will be reduced by half.
FY17	1 July 2016 to 30 June 2019	588,240 ¹	EPS compound annual growth rate of 5% to 15%	RCR's TSR ranking of between 50th percentile and 75th percentile, measured against a peer group of up to 25 companies. The performance criteria require that RCR's relative TSR be positive for full entitlement, otherwise any entitlement will be reduced by half.
FY18	1 July 2017 to 30 June 2020	364,964 ¹	EPS of 24.07 cents per share as the base set for FY18 and thereafter compound annual growth rate by 5% to 15% per annum	RCR's TSR ranking of between 50th percentile and 75th percentile, measured against a peer group of up to 25 companies. The performance criteria require that RCR's relative TSR be positive for full entitlement, otherwise any entitlement will be reduced by half.

¹ The performance rights lapsed on 6 August 2018 on the cessation of employment with RCR.

3.6 Executive Remuneration Outcomes FY18 - 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

Reference	Short-Term Benefits				Post-Employment Benefits		Long-Term Benefits		Share-Based Payments		Total Remuneration in Accordance with Accounting Standards	Performance Related %
	Salary, Fees and Allowances	STI Award ¹	Fair Value of Deferred Shares/Rights Under STI Awards ²	Non-Monetary ³	Other ⁴	Super	Long Service Leave ⁵	Fair Value of Equity Grants ⁶	\$			
										\$		
Paul Dalglish	2018	979,951	-	14,181	-	20,049	45,031	1,011,846	2,071,058	49%		
	2017	980,384	-	49,590	-	19,616	36,782	542,103	1,646,111	36%		
Andrew Phipps	2018	658,979	-	-	5,487	20,049	7,305	380,207	1,072,027	35%		
	2017	607,888	-	13,317	7,766	19,616	3,837	282,525	934,949	32%		
Conal McCullough (from 15 Feb 2017)	2018	542,548	-	-	8,336	20,049	3,526	919,403	1,493,862	62%		
	2017	199,952	81,370	-	4,550	7,670	430	79,082	373,054	43%		
Joe Gugliotta ⁷	2018	-	-	-	-	-	-	-	-	-		
	2017	530,384	-	-	41,536	19,616	1,020	(62,472)	547,416	0%		
Total	2018	2,181,478	-	-	28,004	60,147	55,862	2,311,456	4,636,947	50%		
Total	2017	2,318,608	81,370	62,907	71,488	66,518	42,069	841,238	3,501,530	28%		

¹ STI amounts represent the STI awards payable in cash in respect of the relevant financial period.

² The expense relates to deferred shares issued in prior periods. The fair value represents the market value of FCR shares on the date of award and is expensed over three years. Refer to Table 8 in Section 3.7.

³ 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.

⁵ 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.

⁶ 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.

⁷ Mr Gugliotta ceased being a KMP on 15 March 2017.



3.7 Movement in Short-Term Deferred Shares

The following table sets out the movement in deferred shares granted to Executives during FY18. Deferred shares are subject to a two year restriction period and forfeiture conditions.

Table 8 - Movement of Deferred Shares Held by Executives During FY18

Equity	Grant Date	Vesting Date	Opening Balance 1 Jul 17		Granted		Vested ¹		Forfeited		Closing Balance 30 Jun 18	Share-Based Expense FY18	Fair Value per Share \$
			Number	\$	Number	\$	Number	\$	Number	\$			
Paul Dalgleish	Ordinary Shares	10 Sep 15	31 Aug 17	79,556	-	-	(79,556)	(148,770)	-	-	-	-	1.87
Andrew Phipps	Ordinary Shares	10 Sep 15	31 Aug 17	21,365	-	-	(21,365)	(39,952)	-	-	-	-	1.87
Total				100,921	-	-	(100,921)	(188,722)	-	-	-	-	

¹ 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 - Movement of Performance Rights Held by Executives During FY18

Performance Hurdles	Grant Date	Performance Period End Date	Balance of Unvested Equity 1 Jul 17		Granted ¹		Vested ²		Lapsed or Forfeited ³		Balance of Unvested Equity 30 Jun 18 ⁴		Share-Based Payment Expense FY18 ⁵	Fair Value per Security ¹
			Number	\$	Number	\$	Number	\$	Number	\$	Number	\$		
EPS	23 Feb 15	30 Jun 17	235,110	-	-	-	-	-	(235,110)	(1,050,554)	-	-	-	2.46
TSR	23 Feb 15	30 Jun 17	235,110	-	-	-	(235,110)	(1,050,554)	-	-	-	-	502,735	1.97
EPS	29 Jun 16	30 Jun 18	388,600	-	-	-	-	-	-	-	388,600	-	-	1.59
TSR	29 Jun 16	30 Jun 18	388,600	-	-	-	-	-	-	-	388,600	135,886	-	1.05
EPS	22 Feb 17	30 Jun 19	294,120	-	-	-	-	-	-	-	294,120	-	-	2.91
TSR	22 Feb 17	30 Jun 19	294,120	-	-	-	-	-	-	-	294,120	217,649	-	2.22
EPS	03 Apr 18	30 Jun 20	-	182,482	684,308	-	-	-	-	-	182,482	-	-	3.75
TSR	03 Apr 18	30 Jun 20	-	182,482	467,154	-	-	-	-	-	182,482	155,576	-	2.56
Total			1,835,660	364,964	1,151,462	(235,110)	(1,050,554)	(235,110)	(1,050,554)	(1,050,554)	1,730,404	1,011,846	-	

Table 9 - Movement of Performance Rights Held by Executives During FY18 (continued)

	Performance Hurdles	Grant Date	Performance Period End Date	Balance of Unvested Equity 1 Jul 17		Granted ¹		Vested ²		Lapsed or Forfeited ³		Balance of Unvested Equity 30 Jun 18 ⁴		Share-Based Payment Expense FY18 ⁵	Fair Value per Security ¹
				Number	\$	Number	\$	Number	\$	Number	\$	Number	\$		
Andrew Phipps	Cont. Service	31 Aug 13	1 Jul 17	50,000	-	-	-	(50,000)	(167,735)	-	-	-	-	6,194	2.92
	Cont. Service	25 Feb 14	1 Jul 17	50,000	-	-	-	(50,000)	(167,735)	-	-	-	-	7,333	3.04
	EPS	12 May 15	30 Jun 17	75,000	-	-	-	-	-	(75,000)	(335,126)	-	-	-	2.01
	TSR	12 May 15	30 Jun 17	75,000	-	-	-	(75,000)	(335,126)	-	-	-	-	203,265	1.40
	EPS	29 Jun 16	30 Jun 18	120,000	-	-	-	-	-	-	-	120,000	-	-	1.59
	TSR	29 Jun 16	30 Jun 18	120,000	-	-	-	-	-	-	-	120,000	-	41,962	1.05
	EPS	22 Feb 17	30 Jun 19	95,000	-	-	-	-	-	-	-	95,000	-	-	2.91
	TSR	22 Feb 17	30 Jun 19	95,000	-	-	-	-	-	-	-	95,000	-	70,300	2.22
	EPS	03 Apr 18	30 Jun 20	-	60,000	225,000	-	-	-	-	-	60,000	-	-	3.75
	TSR	03 Apr 18	30 Jun 20	-	60,000	153,600	-	-	-	-	-	60,000	-	51,153	2.56
Total				680,000	120,000	378,600	(175,000)	(175,000)	(670,596)	(75,000)	(335,126)	550,000	380,207		
Conal McCullough	Cont. Service	31 Oct 17	1 Mar 18	-	150,000	640,500	(150,000)	(150,000)	(631,275)	-	-	-	-	631,275	4.27
	Cont. Service	31 Oct 17	1 Mar 19	-	50,000	209,000	-	-	-	-	-	50,000	-	104,070	4.18
	Cont. Service	31 Oct 17	1 Mar 20	-	50,000	204,500	-	-	-	-	-	50,000	-	58,086	4.09
	EPS	12 Jul 16	30 Jun 18	43,000	-	-	-	-	-	-	-	43,000	-	-	1.68
	TSR	12 Jul 16	30 Jun 18	43,000	-	-	-	-	-	-	-	43,000	-	16,181	1.13
	EPS	22 Feb 17	30 Jun 19	85,000	-	-	-	-	-	-	-	85,000	-	-	2.91
	TSR	22 Feb 17	30 Jun 19	85,000	-	-	-	-	-	-	-	85,000	-	62,900	2.22
	EPS	03 Apr 18	30 Jun 20	-	55,000	206,250	-	-	-	-	-	55,000	-	-	3.75
	TSR	03 Apr 18	30 Jun 20	-	55,000	140,800	-	-	-	-	-	55,000	-	46,891	2.56
	Total			256,000	360,000	1,401,050	(150,000)	(150,000)	(631,275)	-	-	466,000	919,403		

¹ 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.

² LTI awards subject to a TSR Hurdle vested on 31 August 2017 to Dr Dalgleish (235,100 performance rights) and Mr Phipps (75,000 performance rights). These performance rights were in respect of the three year performance period 1 July 2014 to 30 June 2017 and were all settled in cash on the basis that they each continued to hold the minimum shareholding criteria as determined by the Board.

On 1 July 2017, 100,000 performance rights vested to Mr Phipps for continuous service, which were settled in cash.

On 1 March 2018, 150,000 performance rights vested to Mr McCullough for continuous service, with 75,000 of the vested performance rights settled in cash. The remaining 75,000 performance rights vested to Mr McCullough remained unexercised at 30 June 2018 and are subject to a minimum holding requirement.

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.

³ 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.

⁴ 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 lapse. The last sale price of RCR Shares at 30 June 2018 was \$2.98.

⁵ 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 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 FY18, a total of 210,910 RCR shares were acquired on-market, at a cost of \$863,735 to satisfy the vesting of performance rights which vested in FY17. A total of 518,025 performance rights which vested in FY17 to employees and 75,000 performance rights which vested on 1 March 2018 to Mr McCullough, were settled in cash at market value.

4.0 Non-Executive Directors' Remuneration for FY18

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

Position	Board \$	Audit & Risk Committee \$	Remuneration & Nomination Committee \$
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 are inclusive of statutory superannuation contributions.

4.3 Non-Executive Directors' Remuneration

Table 11 sets out the Non-Executive Directors' Remuneration for FY18.

Table 11 - Remuneration of Non-Executive Directors

	Year	Base Fees \$	Superannuation \$	Total \$
Roderick Brown	2018	199,087	18,913	218,000
Chairman	2017	199,087	18,913	218,000
Eva Skira	2018	113,242	10,758	124,000
	2017	113,242	10,758	124,000
Lloyd Jones	2018	107,102	10,175	117,277
	2017	104,110	9,890	114,000
Bruce James	2018	105,936	10,064	116,000
	2017	105,936	10,064	116,000
Sue Palmer	2018	116,895	11,105	128,000
	2017	116,895	11,105	128,000
David Robinson (Commenced 1 Mar 2018)	2018	35,157	3,340	38,497
	2017	-	-	-
Paul Dippie (Retired 22 Nov 2017)	2018	48,333	-	48,333
	2017	116,000	-	116,000
Total	2018	725,752	64,355	790,107
Total	2017	755,270	60,730	816,000

5.0 Remuneration Governance

5.1 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 <https://www.rcrtom.com.au/about-rcr/corporate-governance/>. The Charter is reviewed annually and was last reviewed in June 2018. 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 2018 is set out in Table 12.

Table 12 - Key Contractual Provisions for Executives

Executive	Employing Company	Contract Duration	Termination Notice Period (Company)	Termination Notice Period (Employee)
Paul Dalglish, 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
Conal McCullough, COO	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 2018.

Table 13 - Directors and Executives Shareholdings

		Opening Balance 1 Jul 17 Number	Granted as Compensation Number	Purchased Number	Disposed Number	Closing Balance 30 Jun 18 Number
Roderick Brown	Ordinary Shares	141,500	-	4,225	-	145,725
Bruce James	Ordinary Shares	10,000	-	4,225	-	14,225
Lloyd Jones	Ordinary Shares	29,292	-	4,225	-	33,517
Sue Palmer	Ordinary Shares	-	-	-	-	-
Eva Skira	Ordinary Shares	-	-	-	-	-
David Robinson	Ordinary Shares	-	-	-	-	-
Paul Dalglish ¹	Ordinary Shares	6,327,867	-	4,225	(2,300,000)	4,032,092
Andrew Phipps ²	Ordinary Shares	306,431	-	4,225	(160,656)	150,000
Conal McCullough ³	Ordinary Shares	-	-	-	-	-
Total		6,815,090	-	21,125	(2,460,656)	4,375,559

¹ The total number of shares held by Dr Dalglish and disclosed above represent 2.4% of the issued capital of the Company. Dr Dalglish's shareholding includes 9,100 ordinary shares (30 June 2017: 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 Dalglish. On 31 August 2017, 235,100 performance rights vested to Dr Dalglish in respect of FY17 performance, which were settled in cash for \$1,050,554.

² Mr Andrew Phipps' shareholdings include 150,000 ordinary shares (30 June 2017: 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.

On 1 July 2017, 100,000 performance rights vested to Mr Phipps for continuous service which were settled in cash for \$335,470. On 31 August 2017, 75,000 performance rights vested to Mr Phipps in respect of FY17 performance, which were settled in cash for \$335,126.

³ On 1 March 2018, 150,000 performance rights vested to Mr McCullough for continuous service, with 75,000 of the vested performance rights settled in cash for \$311,025. The remaining 75,000 performance rights vested to Mr McCullough remained unexercised at 30 June 2018 and are subject to a minimum holding requirement.

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"):

- the six week period beginning on the day after the ASX Announcement of the Company's half year results;
- the six week period beginning on the day after the ASX Announcement of the Company's full year results;
- the three week period beginning the day after the Company's Annual General Meeting; or
- 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 www.rcrtom.com.au. Breaches of the policy are subject to disciplinary action, which may include termination of employment.

Auditor's Independence Declaration



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28 August 2018

The Board of Directors
RCR Tomlinson Limited
Level 23, 1 Macquarie Place
Sydney NSW 2000

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

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "AG Collinson", with a stylized flourish at the end.

AG Collinson
Partner
Chartered Accountants

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



Financial Statements 2018

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2018

	Section	2018 \$'000	2017 \$'000
Continuing Operations			
Sales Revenue	3.1(a)	1,998,455	1,263,229
Cost of Sales	3.3(a)	(1,971,771)	(1,189,743)
Gross Profit		26,684	73,486
Other Income	3.1(b)	6,045	2,636
Administrative Expenses	3.3(b)	(41,579)	(36,619)
Finance Costs	3.3(c)	(3,150)	(4,019)
Other Expenses		(3,181)	(1,681)
		(41,865)	(39,683)
(Loss)/Profit Before Income Tax		(15,181)	33,803
Income Tax Benefit/(Expense)	3.7.1	6,420	(6,310)
(Loss)/Profit for the Year from Continuing Operations		(8,761)	27,493
Discontinued Operations			
Loss for the Year from Discontinued Operations	3.5	(7,304)	(1,817)
(Loss)/Profit for the Year		(16,065)	25,676

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)	(1,659)	634
Gain/(Loss) on Foreign Exchange Contracts Entered into for FX Hedges	5.6(c)	10,296	(1,311)
Other Comprehensive Income/(Loss) for the Year, Net of Income Tax		8,637	(677)
Total Comprehensive (Loss)/Income for the Year		(7,428)	24,999

Earnings per Share

From Continuing and Discontinued Operations

Basic Earnings per Share (cents per share)	3.8	(9.99)	18.34
Diluted Earnings per Share (cents per share)	3.8	(9.99)	17.80

From Continuing Operations

Basic Earnings per Share (cents per share)	3.8	(5.45)	19.64
Diluted Earnings per Share (cents per share)	3.8	(5.45)	19.06

The accompanying Sections form part of these Financial Statements.



Consolidated Statement of Financial Position

As at 30 June 2018

	Section	2018 \$'000	2017 \$'000
Current Assets			
Cash and Cash Equivalents	5.1.1	89,894	29,656
Trade and Other Receivables	4.1	490,127	416,472
Inventories	4.2	14,543	14,280
Other Current Assets	4.3	17,979	9,543
Total Current Assets		612,543	469,951
Non-Current Assets			
Trade and Other Receivables	4.1	13,500	-
Property, Plant and Equipment	4.4	65,061	50,942
Deferred Tax Assets	3.7.3	59,985	47,741
Goodwill	4.5	141,440	141,440
Other Intangible Assets	4.5	69,636	65,814
Total Non-Current Assets		349,622	305,937
Total Assets		962,165	775,888
Current Liabilities			
Trade and Other Payables	4.6	465,533	343,522
Borrowings	5.2.1	35,099	19,469
Current Tax Liabilities	3.7.2	1,585	709
Provisions	4.8	44,363	44,553
Deferred Revenue	4.7	30,141	16,457
Total Current Liabilities		576,721	424,710
Non-Current Liabilities			
Borrowings	5.2.1	-	35,342
Provisions	4.8	4,529	4,200
Total Non-Current Liabilities		4,529	39,542
Total Liabilities		581,250	464,252
Net Assets		380,915	311,636
Equity			
Issued Capital	5.5	225,218	136,668
Reserves	5.6	(1,631)	(12,480)
Retained Earnings		157,328	187,448
Total Equity		380,915	311,636

The accompanying Sections form part of these Financial Statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2018

		Issued Capital \$'000	Equity- Settled Employee Benefits Reserve \$'000	Foreign Currency Translation Reserve \$'000	Other Reserves \$'000	Retained Earnings \$'000	Total \$'000
	Section						
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 for 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
Balance at 1 July 2017		136,668	(14,203)	3,080	(1,357)	187,448	311,636
Loss for the Year		-	-	-	-	(16,065)	(16,065)
Other Comprehensive Income		-	-	(1,659)	10,296	-	8,637
Total Comprehensive Loss the Year		-	-	(1,659)	10,296	(16,065)	(7,428)
Issue of Ordinary Shares	5.5(a)	90,151	-	-	-	-	90,151
Share Issue Costs	5.5(a)	(2,287)	-	-	-	-	(2,287)
Tax Effect Relating to Share Costs	5.5(a)	686	-	-	-	-	686
Acquisition of Treasury Shares - On Market	5.5(b)	(864)	-	-	-	-	(864)
Issue of Treasury Shares to Employees	5.6(a)	864	(864)	-	-	-	-
Share-Based Payment	5.6(a)	-	3,114	-	-	-	3,114
Dividends Paid	5.7	-	-	-	-	(14,055)	(14,055)
Cash-Settled Rights	5.6(a)	-	(216)	-	-	-	(216)
Tax Effect Relating to Share-Based Payments	5.6(a)	-	178	-	-	-	178
Balance at 30 June 2018		225,218	(11,991)	1,421	8,939	157,328	380,915

The accompanying Sections form part of these Financial Statements.



Consolidated Statement of Cash Flows

For the Year Ended 30 June 2018

	Section	2018 \$'000	2017 \$'000
Cash Flows from Operating Activities			
Receipts from Customers		2,089,371	1,179,314
Payments to Suppliers and Employees		(2,039,475)	(1,130,787)
Cash Generated From Operations		49,896	48,527
Income Tax Paid		(457)	(433)
Other Income		1,192	1,425
Finance Costs		(3,117)	(4,315)
Net Cash Generated From Operating Activities	5.1.2	47,514	45,204
Cash Flows from Investing Activities			
Interest Received	3.1(b)	408	57
Proceeds from Sale of Property, Plant and Equipment		216	550
Purchase of Property, Plant and Equipment	4.4	(30,580)	(16,476)
Development of Intangible Technology	4.5	(10,295)	-
Net Cash Used in Investing Activities		(40,251)	(15,869)
Cash Flows from Financing Activities			
Proceeds from Issuing Shares	5.5(a)	90,151	-
Payment for Share Issue Costs	5.5(a)	(2,287)	-
Payment for Shares Acquired by RCR Employee Share Trust	5.5(b)	(864)	(240)
Proceeds from Borrowings		-	35,000
Repayment of Borrowings		(20,000)	(50,000)
Dividends Paid	5.7	(14,055)	-
Net Cash Generated From/(Used in) Financing Activities		52,945	(15,240)
Net Increase in Cash and Cash Equivalents		60,208	14,095
Cash and Cash Equivalents at the Beginning of the Year		29,656	15,572
Effects of Exchange Rate Changes on Balance of Cash Held in Foreign Currencies		30	(11)
Cash and Cash Equivalents at the End of the Year	5.1.1	89,894	29,656

The accompanying Sections form part of these Financial Statements.

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 28 August 2018.

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.

Going Concern

The Company has reported a statutory loss for the year ended 30 June 2018 of \$16.1 million. The loss reported by the Company was driven by a loss on the construction of the Project which resulted in a material negative impact on FY18 earnings.

On 30 July 2018, the Company went into a trading halt and subsequent voluntary suspension from trading its securities on the ASX on 1 August 2018. This was to allow management time to review cost overruns on the Project that were identified post year end.

The Company believes it was in compliance with all financial covenants under its debt facilities at 30 June 2018. However, to avoid any uncertainty around potential covenant breach at the date of the next covenant reporting, the Company has proactively secured agreement from all financiers that, in calculating the group's EBITDA³ for the 30 June 2018 calculation date and each quarterly calculation date up to and including 30 June 2019, the Company may add back to EBITDA³ the cost impact of the Project of an amount up to \$50 million.

The financiers' support will lapse if the Company does not receive at least \$50 million in proceeds from the capital raising by the earlier of (i) 5 November 2018 (or such later date as agreed to by the majority financiers under the Banking Facility), (ii) the Agent terminating the Financier Support Letters for an event of default (other than as a result of any change to EBITDA relating to the cost impact to the Project) or the Company's failure to comply with its obligations in the Financier Support Letters or (iii) an insolvency event.

The financiers have agreed to the Company re-allocating the sub-commitments under the multi-option facility, such that the Company may utilise up to \$97 million under the working capital facility (and up to \$100 million under the working capital facility following receipt of \$50 million from the equity capital raising).

The Company has agreed to reduce a contingent instrument facility under the syndicated facility agreement by \$25 million and to include an additional review event if proceeds from the institutional capital raising are not received within 10 business days of launch. If agreement cannot be reached within 7 business days of the review event, it will be an event of default under the Banking Facility. The Company has also agreed to margin increases under the Banking Facilities and to information undertakings and review undertakings in relation to the Project.

The Company has not admitted or acknowledged any breach or default and the banks have not advised of a breach or default.

In light of the above, all of the Company's borrowings have been presented as a current liability in the Statement of Financial Position as at 30 June 2018. There has been no demand for repayment by the financiers as at the date of this report.

The Company continues to draw on its facilities in the ordinary course.

³ EBITDA, as defined in the Syndicated Facility Agreement.



At the date of this report, the Directors are of the opinion that there are reasonable grounds to expect that the Company's operational and financial performance will improve and that the Company will be able to comply with the requirements contained in the Financier Support Letter and that it is therefore appropriate for the financial report to continue to be prepared on the going concern basis. In arriving at this conclusion, the Directors have had regard to the ongoing support of the Company's financiers, the signed Underwriting Agreement between the Company and Macquarie Capital (Australia) Limited in relation to a proposed capital raising, and the detailed review performed by management of the Company's forecast.

However, in the event that the minimum capital raising is not achieved and the Company is unable to obtain the ongoing support of the Company's financiers, such a situation would indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be required to realise its assets and extinguish its liabilities other than in the normal course of business.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

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 2017, and therefore relevant for the current year end.

Standards Affecting Presentation and Disclosure

Amendments to AASB 12 - Recognition of Deferred Tax Assets for Unrealised Losses	<p>The Company has applied this amendment for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.</p> <p>The application of this amendment has had no impact on the Company's consolidated financial statements as the Company already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.</p>
AASB 2017-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2014-2016 Cycle	<p>The amendments to AASB 12 Disclosure of Interests in Other Entities states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of AASB 12 for such interests.</p> <p>The application of these amendments has had no effect on the Company's consolidated financial statements.</p>
AASB 1048 Interpretation of Standards	<p>A new principal version of AASB 1048 providing an up-to-date listing of Australian Interpretations, including Interpretation 22 Foreign Currency Transactions and Advance Consideration and Interpretation 23 Uncertainty over Income Tax Treatments. This service standard ensures there is no difference between the status of Interpretations in the hierarchy between IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.</p> <p>The application of these amendments has had no effect on the Company's consolidated financial statements.</p>
AASB 2015-10 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128	<p>The amendments to AASB 10 Consolidated Financial Statements and AASB 128 Investment in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.</p> <p>The effective date of the amendments was amended by AASB 2015-10 and AASB 2017-5 and now applies for annual reporting periods beginning on or after 1 January 2022 (however the editorial corrections in AASB 2017-5 apply for annual reporting periods beginning on or after 1 January 2018). The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.</p> <p>The application of these amendments has had no effect on the Company's consolidated financial statements.</p>



Section 1 General Information (continued)

Standards Affecting Presentation and Disclosure

AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> (a) Will not be reclassified subsequently to profit or loss. (b) Will be reclassified subsequently to profit or loss when specific conditions are met. <p>The application of these amendments does not have any material impact on the disclosures in the Company's consolidated Financial Statements.</p>
AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016	<p>Amends AASB 12 Disclosure of Interests in Other Entities, to clarify the interaction of AASB 12 with AASB 5 Non-current Assets Held for Sale and Discontinued Operations to explain that disclosures under AASB 12 are required for interests in entities classified as held for sale or discontinued operations in accordance with AASB 5.</p> <p>The application of these amendments has had no effect on the Company's consolidated financial statements.</p>
Interpretation 22 Foreign Currency Transactions and Advance Consideration	<p>Clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use when recognising the receipt or payment of advance consideration in a foreign currency. The Interpretation requires an entity to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) as the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receive of advance consideration.</p> <p>The application of these amendments has had no effect on the Company's consolidated financial statements.</p>
AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses	<p>Amends AASB 112 Income Taxes to clarify:</p> <ul style="list-style-type: none"> ▪ Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use ▪ The carrying amount of an asset does not limit the estimation of probable future taxable profits ▪ Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences ▪ An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. <p>The application of these amendments has had no effect on the Company's consolidated financial statements.</p>
AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle	<p>Makes amendments to the following Accounting Standards:</p> <ul style="list-style-type: none"> ▪ AASB 3 Business Combinations to clarify that remeasurement of a previously held interest in a joint operation is required on obtaining control of that joint operation ▪ AASB 11 Joint Arrangements to clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business ▪ AASB 112 Income Taxes to clarify the requirements surrounding when the tax consequences of distributions should be recognised in income tax expense rather than retained earnings ▪ AASB 133 Borrowing Costs to clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. <p>The application of these amendments has had no effect on the Company's consolidated financial statements.</p>

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 [^]	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 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	30 June 2019
AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	1 January 2018	30 June 2019
AASB 2017-7 Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures	1 January 2018	30 June 2019

* Refer to Section 6 for further details.

[^] 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 July 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.

1.8 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 FY18, the Company reorganised a business operating in the Resources sector and exited this business which serviced the iron ore sector in geographic locations operating in WA and SA. 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.

These are also critical judgements made in relation to Going Concern as described in Section 1.3.

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 and it is probable the revenue will be recovered. 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 from continuing operations:

	2018 \$'000	2017 \$'000
3.1(a) Revenue from Operating Activities		
Construction Contracts	1,655,837	934,969
Service Contracts and Sale of Goods	342,618	328,260
Total Revenue from Operating Activities	1,998,455	1,263,229

3.1(b) Other Income

Net Gain on Disposal of Property, Plant and Equipment	4	347
Interest Received	408	57
Other	5,633	2,232
Total Other Income	6,045	2,636



Section 3 Results for the Year (continued)

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 FY18, being Infrastructure, Energy and Resources. Commentary on the financial performance of each business unit is provided in the OFR section.

Infrastructure is a 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 Infrastructure encompass: design, construction, commissioning and operation and maintenance 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 Vietnam.

Energy is a provider of power generation and energy plants. Utilising a range of conventional and renewable fuels, the business 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 also provides maintenance and shutdown services to power stations. The business operates with key offices in Australia, SE Asia and New Zealand.

Resources is a leading provider of engineering, construction, maintenance and shutdown services to above and below ground 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 operates a number of workshops in WA, QLD and VIC.

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.

Unallocated Corporate Costs	Section	2018 \$'000	2017 \$'000
Amortisation	4.5	(6,474)	(7,718)
Other Corporate Costs		(2,168)	(1,659)
Total Unallocated Corporate Costs		(8,642)	(9,377)

Section 3 Results for the Year (continued)

	Infrastructure			Energy			Resources			Corporate (Incl Elim.)			Consolidated Group		
	2018 ¹ \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000
Sales Revenue	1,482,386	819,011	228,013	187,793	303,542	275,198	(15,486)	(18,773)	1,998,455	1,263,229					
Segment EBIT (Before Non-Recurring Items)	(9,835)	36,040	12,464	536	1,733	13,981	(8,642)	(9,377)	(4,280)	41,180					
Non-Recurring Items	-	-	-	-	-	-	(8,159)	(3,415)	(8,159)	(3,415)					
Segment EBIT	(9,835)	36,040	12,464	536	1,733	13,981	(16,801)	(12,792)	(12,439)	37,765					
Interest Received	-	-	-	-	-	-	408	57	408	57					
Finance Costs	-	-	-	-	-	-	(3,150)	(4,019)	(3,150)	(4,019)					
(Loss)/Profit Before Income Tax	(9,835)	36,040	12,464	536	1,733	13,981	(19,543)	(16,754)	(15,181)	33,803					
Income Tax Benefit/(Expense)	-	-	-	-	-	-	6,420	(6,310)	6,420	(6,310)					
(Loss)/Profit for the Year from Continuing Operations	(9,835)	36,040	12,464	536	1,733	13,981	(13,123)	(23,064)	(8,761)	27,493					
Assets															
Segment Assets	593,998	486,638	113,562	114,326	114,110	123,491	139,152	47,939	960,822	772,394					
Assets Relating to Discontinued Operations	-	-	-	-	1,343	3,494	-	-	1,343	3,494					
Total Assets	593,998	486,638	113,562	114,326	115,453	126,985	139,152	47,939	962,165	775,888					
Liabilities															
Segment Liabilities	418,223	280,811	52,726	34,688	38,924	75,932	69,700	72,821	579,573	464,252					
Liabilities Relating to Discontinued Operations	-	-	-	-	1,677	-	-	-	1,677	-					
Total Liabilities	418,223	280,811	52,726	34,688	40,601	75,932	69,700	72,821	581,250	464,252					

¹ Included in the segment EBIT for the year ended 30 June 2018 are the project write-downs identified in respect of the Project as described in the Directors' Report.

Major Customers

The Company provides both products and services to a number of customers. The Company's two largest external customers belong in the Infrastructure segment and accounts for 26% of total Group Revenue.

Revenue by Geographical Region			Non-Current Assets by Geographical Region		
	2018 \$'000	2017 \$'000		2018 \$'000	2017 \$'000
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	1,882,626	1,173,229	Australia	282,891	249,601
Overseas	115,829	90,000	Overseas	5,932	7,291
Total Revenue	1,998,455	1,263,229	Total Non-Current Assets	288,823	256,892



Section 3 Results for the Year (continued)

3.3 Operating Costs From Continuing Operations	Section	2018 \$'000	2017 \$'000
(a) Cost of Sales			
Employee Benefits Expense		781,046	567,449
Materials and Third Party Costs Charged to Projects ¹		1,068,747	559,364
Depreciation of Property, Plant and Equipment		8,565	6,283
Operating Lease Payments		30,209	23,770
Other		83,204	32,877
Total Cost of Sales		1,971,771	1,189,743
(b) Administrative Expenses			
Employee Benefits Expense		18,056	15,832
Depreciation of Property, Plant and Equipment		6,472	5,837
Amortisation of Intangible Assets	4.5	6,474	7,718
Operating Lease Payments		1,592	2,619
Other		8,985	4,613
Total Administrative Expenses		41,579	36,619
(c) Finance Costs			
Interest on Bank Overdrafts and Loans		3,150	4,019
Total Finance Costs		3,150	4,019

¹ Included in the materials and third party costs charged to projects for the year ended 30 June 2018 are the project write-downs identified in respect of the Project as described in the Directors' Report.

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.

Capital and Leasing Commitments

(a) Non-Cancellable Operating Leases Contracted for but not Capitalised in the Financial Statements		
Payable - Minimum Lease Payments not later than 12 months	34,076	31,456
Between 12 months and 5 years	64,886	68,101
Greater than 5 years	18,365	26,166
Total Operating Lease Commitments	117,327	125,723

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

\$2,528,005 of commitments for property, plant and equipment expenditure exist at 30 June 2018 (June 2017: \$2,034,836).

Section 3 Results for the Year (continued)

3.5 Discontinued Operations

In FY18, the Company reorganised a business operating in the Resources sector and exited this business which serviced the iron ore sector in geographic locations operating in WA and SA. 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.

Discontinued operations included in the FY18 results are set out below:

	2018 \$'000	2017 \$'000
Loss for the Year from Discontinued Operations		
Sales Revenue	7,341	28,815
Expenses	(17,775)	(31,411)
Loss Before Income Tax	(10,434)	(2,596)
Attributable Income Tax Benefit	3,130	779
Loss for the Year from Discontinued Operations	(7,304)	(1,817)
Cash Flows from Discontinued Operations		
Net Cash Outflows from Operating Activities	(6,395)	(2,302)
Net Cash Outflows from Investing Activities	-	-
Net Cash Outflows from Financing Activities	-	-
Net Cash Outflows	(6,395)	(2,302)

3.6 Auditor's Remuneration

Auditor's Remuneration - Deloitte Touche Tohmatsu	\$	\$
Audit or Review of the Financial Report	641,700	605,000
Other Non-Audit Services	4,488	48,755
Taxation Services	91,977	105,015
Total Auditor's Remuneration	738,165	758,770



Section 3 Results for the Year (continued)

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.

	2018 \$'000	2017 \$'000
3.7.1 Income Taxes Relating to Continuing Operations		
(a) The Components of Tax Comprise:		
Current Tax		
In Respect of the Current Year	1,654	936
In Respect of Prior Years	178	131
Total Current Tax	1,832	1,067
Deferred Tax		
In Respect of the Current Year	(7,434)	6,571
In Respect of Prior Years	(818)	(1,328)
Total Deferred Tax	(8,252)	5,243
Income Tax (Benefit)/Expense Recognised for Continuing Operations	(6,420)	6,310

Section 3 Results for the Year (continued)

3.7 Taxation (continued)

	2018 \$'000	2017 \$'000
3.7.1 Income Taxes Relating to Continuing Operations (Continued)		
(b) Income Tax Expense for the Year can be Reconciled to the Accounting Profit as Follows:		
(Loss)/Profit Before Tax from Continuing Operations	(15,181)	33,803
Income Tax (Benefit)/Expense Calculated at 30% (FY17: 30%)	(4,554)	10,141
Effect of Non-Deductible Amortisation	112	383
Effect of Other Non-Allowable Items	114	134
Effect of Overseas Tax Differences	(802)	24
Effect of Adjustments Recognised in Respect of Prior Years	394	(226)
Effect of Research and Development Expenses	(1,684)	(4,146)
Income Tax (Benefit)/Expense Recognised for Continuing Operations	(6,420)	6,310
Applicable Effective Tax Rate	42.3%	18.7%
3.7.2 Current Tax Liabilities		
Current Tax Liabilities		
Income Tax	1,585	709
Total Current Tax Liabilities	1,585	709
3.7.3 Deferred Tax Balances		
Deferred Tax Assets		
Tax Losses	51,798	43,127
Provisions	10,473	9,956
Onerous Leases	786	714
Franking Deficit Tax	4,290	4,290
Other	11,102	8,163
Total Deferred Tax Assets	78,449	66,250
Deferred Tax Liabilities		
Property, Plant and Equipment	7	20
Intangibles	15,692	17,092
Share-Based Payments	1,550	1,209
Other	1,215	188
Total Deferred Tax Liabilities	18,464	18,509
Net Deferred Tax Asset	59,985	47,741
(i) Gross Movement		
Opening Balance	47,741	52,053
Movement to Profit and Loss	11,381	(4,464)
Movement to Equity	863	152
Net Deferred Tax Asset	59,985	47,741



Section 3 Results for the Year (continued)

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.

	2018 Cents Per Share	2017 Cents Per Share
Basic Earnings per Share		
From Continuing Operations	(5.45)	19.64
Total Basic Earnings per Share	(9.99)	18.34
Diluted Earnings per Share		
From Continuing Operations	(5.45)	19.06
Total Diluted Earnings per Share	(9.99)	17.80

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 and Diluted Earnings per Share		
(Loss)/Earnings Used to Calculate Basic Earnings per Share	(16,065)	25,676
Loss for the Year from Discontinued Operations Used in the Calculation of Basic Earnings per Share from Discontinued Operations	7,304	1,817
(Loss)/Earnings Used in the Calculation of Basic and Diluted Earnings per Share from Continuing Operations	(8,761)	27,493

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	160,850	139,967
Shares Deemed to be Issued for No Considerations in Respect of Performance Rights	4,615	4,257
Weighted Average Number of Ordinary Shares Used to Calculate Diluted Earnings per Share ¹	165,465	144,224

¹ When in a loss position only the Basic Earnings per Shares is used.

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.

4.1 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.

Trade and Other Receivables	Section	2018 \$'000	2017 \$'000
Current			
Trade Receivables		131,066	131,940
Provision for Impairment of Receivables		(828)	(854)
Net Trade Receivables		130,238	131,086
Amounts Due from Customers Under Construction Contracts	4.1.1	359,889	285,386
Total Current Trade and Other Receivables		490,127	416,472
Non-Current			
Amounts Due from Customers Under Construction Contracts	4.1.1	13,500	-
Total Non-Current Trade and Other Receivables		13,500	-
Total Trade and Other Receivables		503,627	416,472

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 FY18 as a result of a large number of projects in progress. 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.



Section 4 Assets and Liabilities (continued)

Trade and Other Receivables (Continued)	Section	2018 \$'000	2017 \$'000
(a) Trade Receivables that are Past Due but not Impaired			
61-90 Days		1,581	1,677
91 Days Plus		6,712	7,131
Total		8,293	8,808
(b) Movement in the Provisions for Impairment of Receivables			
Opening Balance		854	1,232
Provision Recognised on Receivables During the Year		494	112
Receivables Written Off During the Year as Uncollectible		(517)	(481)
Amounts Recovered During the Year		1	-
Impairment Loss Reversed		-	(6)
Foreign Exchange Translation Losses		(4)	(3)
Closing Balance		828	854
The ageing analysis of impaired trade receivables is as follows:			
91 days plus		779	860

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.

Amounts Due from Customers Under Construction Contracts

(a) Trade Receivables that are Past Due but not Impaired			
Contract Costs Incurred and Profits Recognised		3,153,887	1,868,844
Progress Billings		(2,810,639)	(1,599,915)
Amounts Due from Customers Under Construction Contracts		343,248	268,929
Recognised and Included in the Consolidated Financial Statements as Amounts Due			
From Customers Under Construction Contracts Included in Trade and Other Receivables	4.1	373,389	285,386
To Customers Under Construction Contracts - Deferred Revenue	4.7	(30,141)	(16,457)
Amounts Due from Customers Under Construction Contracts		343,248	268,929

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.

Section 4 Assets and Liabilities (continued)

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	2018 \$'000	2017 \$'000
Raw Materials	8,586	8,061
Finished Goods	5,957	6,219
Total Inventories	14,543	14,280

4.3 Other Current Assets

Other Current Assets

Prepayments	2,944	3,068
Unrealised FX Hedge	9,406	527
Other	5,629	5,948
Total Other Current Assets	17,979	9,543

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.

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 lease.

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.

Plant and Equipment is depreciated at rates of 5.0% - 40.0%, depending on its useful life. 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.



Section 4 Assets and Liabilities (continued)

	2018 \$'000	2017 \$'000
Property, Plant and Equipment		
Carrying Amounts of:		
Leasehold Improvements	7,023	2,570
Plant and Equipment	58,038	48,372
Total Property, Plant and Equipment	65,061	50,942

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:

	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2016	2,865	44,209	47,074
Additions	312	16,164	16,476
Disposals	(168)	(3)	(171)
Depreciation Expense	(436)	(11,979)	(12,415)
Foreign Currency Exchange	(3)	(19)	(22)
Balance at 30 June 2017	2,570	48,372	50,942

Balance at 1 July 2017	2,570	48,372	50,942
Additions	5,338	25,242	30,580
Disposals	(55)	(124)	(179)
Depreciation Expense	(761)	(14,439)	(15,200)
Impairment	(74)	(963)	(1,037)
Foreign Currency Exchange	5	(50)	(45)
Balance at 30 June 2018	7,023	58,038	65,061

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 cash-generating 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.

Section 4 Assets and Liabilities (continued)

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 3 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.

	2018 \$'000	2017 \$'000
Goodwill and Other Intangibles		
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	8,445	11,750
Technology Carrying Value	14,247	6,902
Patents and Other Rights Carrying Value	2,387	2,605
Other Intangibles	69,636	65,814
Carrying Value of Goodwill and Intangibles	211,076	207,254

	Goodwill \$'000	Brands \$'000	Customer Relationships & Order Book \$'000	Technology \$'000	Patents & Other Rights \$'000	Total \$'000
Movements in Carrying Amounts						
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
Balance at 1 July 2017	141,440	44,557	11,751	6,902	2,604	207,254
Additions Recognised	-	-	-	10,295	-	10,295
Amortisation Expense	-	-	(3,306)	(2,950)	(218)	(6,474)
Foreign Currency Exchange	-	-	-	-	1	1
Balance at 30 June 2018	141,440	44,557	8,445	14,247	2,387	211,076



Section 4 Assets and Liabilities (continued)

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:

	2018 \$'000	2017 \$'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 2018 and 30 June 2017 were as follows:

- growth rate used to extrapolate cash flows beyond the forecast period: 2.5% (2017: 2.5%);
- pre-tax discount rate: 14.18% (2017: 13.64%); and
- divisional Revenue, EBIT, working capital adjustments and maintenance capital expenditure.

Following the events identified in in Section 1.3, an indicator of impairment has been identified. As a result, the Company performed a reassessment of the recoverability of goodwill and intangible balances held on the balance sheet at 30 June 2018 and based on updated budgets and forecasts no impairment was identified.

Impairment Test for Other Intangibles

Other intangibles including technology, patents and 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.

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.

Trade and Other Payables	Section	2018 \$'000	2017 \$'000
Trade Payables		235,526	91,454
Accrued Expenses		209,276	245,006
Sundry Payables		20,731	7,062
Total Trade and Other Payables		465,533	343,522

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

Amounts Due to Customers Under Construction Contracts	4.1.1	30,141	16,457
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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.

Section 4 Assets and Liabilities (continued)

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.

Provisions	Section	2018 \$'000	2017 \$'000
Employee Benefits		37,185	35,715
Other Provisions	4.8(a)	11,707	13,038
Total Provisions		48,892	48,753
Current		44,363	44,553
Non-Current		4,529	4,200
Total Provisions		48,892	48,753

The provision for employee benefits represents annual leave, long service leave, and other site specific leave entitlements accrued by employees.

	Warranties ⁽ⁱ⁾ \$'000	Provision for Claims \$'000	Onerous Leases ⁽ⁱⁱ⁾ \$'000	Other ⁽ⁱⁱⁱ⁾ \$'000	Total \$'000
(a) Other Provisions					
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
Balance at 1 July 2017	2,664	4,300	2,381	3,693	13,038
Additional Provisions Recognised	13,479	-	2,321	1,067	16,867
Transfers	(54)	-	-	54	-
Reductions from Payments	(11,683)	-	(1,893)	(1,766)	(15,342)
Reductions Arising from Re-Measurement	(2,292)	-	(187)	(377)	(2,856)
Balance at 30 June 2018	2,114	4,300	2,622	2,671	11,707

(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.

(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.

(iii) The other provision balance comprises redundancy, property make good and other provisions.



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.

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.

On 30 July 2018, the Company went into a trading halt and subsequent voluntary suspension from trading its securities on the ASX on 1 August 2018. This was to allow management time to review cost overruns on the Project that were identified post year end.

The Company believes it was in compliance with all financial covenants under its debt facilities at 30 June 2018. However, to avoid any uncertainty around potential covenant breach at the date of the next covenant reporting, the Company has proactively secured agreement from all financiers that, in calculating the group's EBITDA⁴ for the 30 June 2018 calculation date and each quarterly calculation date up to and including 30 June 2019, the Company may add back to EBITDA⁴ the cost impact of the Project of an amount up to \$50 million.

The financiers' support will lapse if the Company does not receive at least \$50 million in proceeds from the capital raising by the earlier of (i) 5 November 2018 (or such later date as agreed to by the majority financiers under the Banking Facility), (ii) the Agent terminating the Financier Support Letters for an event of default (other than as a result of any change to EBITDA relating to the cost impact to the Project) or the Company's failure to comply with its obligations in the Financier Support Letters or (iii) an insolvency event.

The financiers have agreed to the Company re-allocating the sub-commitments under the multi-option facility, such that the Company may utilise up to \$97 million under the working capital facility (and up to \$100 million under the working capital facility following receipt of \$50 million from the equity capital raising).

The Company has agreed to reduce a contingent instrument facility under the syndicated facility agreement by \$25 million and to include an additional review event if proceeds from the institutional capital raising are not received within 10 business days of launch. If agreement cannot be reached within 7 business days of the review event, it will be an event of default under the Banking Facility. The Company has also agreed to margin increases under the Banking Facilities and to information undertakings and review undertakings in relation to the Project.

The Company has not admitted or acknowledged any breach or default and the banks have not advised of a breach or default.

In light of the above, all of the Company's borrowings have been presented as a current liability in the Statement of Financial Position as at 30 June 2018. There has been no demand for repayment by the financiers as at the date of this report.

The Company continues to draw on its facilities in the ordinary course.

⁴ EBITDA, as defined in the Syndicated Facility Agreement.

Section 5 Capital Structure and Financing Costs (continued)

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.

5.1.1 Cash and Cash Equivalents	Section	2018 \$'000	2017 \$'000
Cash at Bank and in Hand		89,894	29,656
Total Cash and Cash Equivalents		89,894	29,656

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.

5.1.2 Cash Flow Information

Reconciliation of Cash Flows from Operating Activities with Profit After Tax			
(Loss)/Profit After Income Tax		(16,065)	25,676
Non-Cash Flows in Profit			
Depreciation	4.4	15,200	12,415
Impairment of Property, Plant and Equipment	4.4	1,037	-
Amortisation	4.5	6,474	7,718
Net Gain on Disposal of Property, Plant and Equipment		(4)	(376)
Net Foreign Exchange Gain		(3,533)	(107)
Share-Based Payment Expense	5.6(a)	3,114	1,406
Total Non-Cash Flows in Profit		22,288	21,056
Movements in Working Capital			
Increase in Trade and Term Receivables		(88,209)	(222,801)
Decrease/(Increase) in Other Debtors		444	(3,169)
(Increase)/Decrease in Inventories		(263)	130
Increase in Trade Payables and Accruals		126,218	237,899
Increase/(Decrease) in Deferred Revenue		13,684	(9,903)
Increase in Income Taxes Payable		876	952
(Decrease)/Increase in Deferred Taxes Payable		(12,244)	4,313
Increase/(Decrease) in Provisions		785	(8,949)
Total Working Capital Movements		41,291	(1,528)
Net Cash Increase from Operating Activities		47,514	45,204

	Opening Balance 1 July 2017 \$'000	Cash Flows \$'000	Amortisation of Facility Costs & Prepayments \$'000	Closing Balance 30 June 2018 \$'000
5.1.3 Reconciliation of Liabilities from Financing Activities				
Bank Loans	56,250	(20,000)	-	36,250
Facility Costs and Prepayments	(1,439)	(433)	721	(1,151)
Total Borrowings	54,811	(20,433)	721	35,099



Section 5 Capital Structure and Financing Costs (continued)

5.1.4 Non-Cash Financing and Investing Activities

Shares Issued

During FY18, 196,000 performance rights vested to KMPs and other Executives for no consideration (FY17: 178,225 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.

In December 2017, the Company extended its multicurrency contingent instrument bank guarantee facility by a further \$100 million to \$295 million and increased the allowable Insurance Bonding limit from \$200 million to \$250 million. In April 2018, the Company increased its multi option facility by another \$25 million to \$100 million.

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 2018 comprises:

- a senior debt facility of \$36.25 million, subject to repayments of \$5 million per quarter;
- a multi option facility of \$100 million; made up of a \$75 million working capital facility, which includes overdraft, cash advance and business card facilities and a \$25 million contingent instrument facility, which includes bank guarantees and letters of credit; and
- a multicurrency contingent instrument facility of \$295 million, which includes trade finance and bank guarantee facilities.

The Company had borrowings totalling \$35.1 million at the end of the financial year (30 June 2017: \$54.8 million).

Insurance Bonding Facilities

The Company also has insurance bonding facilities totalling \$250 million.

5.2 Interest Bearing Loans and Borrowings

Accounting Policies

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.

	2018 \$'000	2017 \$'000
5.2.1 Borrowings		
Bank Loans	36,250	56,250
Facility Costs and Prepayments	(1,151)	(1,439)
Total Borrowings	35,099	54,811
Current	35,099	19,469
Non-Current	-	35,342
Total Borrowings	35,099	54,811

Section 5 Capital Structure and Financing Costs (continued)

5.2.2 Financing Arrangements	Section	2018 \$'000	2017 \$'000
Bank Overdraft, Bank Guarantees, Trade Finance Facility and Insurance Bonding		645,000	470,000
Bank Loans		36,250	56,250
Total Bank Facilities		681,250	526,250
Used			
Bank Overdraft, Bank Guarantees, Trade Finance Facility and Insurance Bonding	6.5	374,431	184,964
Bank Loans		36,250	56,250
Total Used		410,681	241,214
Unused			
Bank Overdraft, Bank Guarantees, Trade Finance Facility and Insurance Bonding		270,569	285,036
Bank Loans		-	-
Total Unused		270,569	285,036

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 \$2.3 million lower (2017: \$1.9 million lower). Had the AUD depreciated by 10%, the effect on Equity would be an increase of \$2.8 million (2017: \$2.4 million increase). Equity is impacted by the translation of financial assets and liabilities of entities in the Company where the NZD, MYR and THB are their functional currencies.



Section 5 Capital Structure and Financing Costs (continued)

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 2018, 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 \$1.4 million higher/lower (2017: \$0.5 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.

	Carrying Amount \$'000	Interest Rate Risk				Foreign Exchange Risk			
		Rate Changes by -100bps		Rate Changes by +100bps		AUD Depreciates by 10%		AUD Appreciates by 10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2018									
Financial Assets									
Cash and Cash Equivalents	89,894	(899)	-	899	-	-	1,416	-	(1,158)
Trade and Other Receivables	503,627	-	-	-	-	-	3,176	-	(2,598)
Financial Liabilities									
Trade and Other Payables	465,533	-	-	-	-	-	(1,795)	-	1,468
Short-Term Borrowings	35,099	(470)	-	470	-	-	-	-	-
Long-Term Borrowings	-	-	-	-	-	-	-	-	-
Total Increase/(Decrease)		(1,369)	-	1,369	-	-	2,797	-	(2,288)

30 June 2017

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)

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.

Section 5 Capital Structure and Financing Costs (continued)

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 Net Cash position as at 30 June 2018 of \$54.8 million (June 2017: \$25.2 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 2018, 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. The Company's policy is to centralise debt and surplus cash balances whenever possible. Refer to Section 5.1.4 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. Refer to Section 1.3 for details of the Company's compliance with covenants at 30 June 2018.

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 and 5 Years		After 5 Years	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Financial Assets						
Cash and Cash Equivalents	89,894	29,656	-	-	-	-
Trade and Other Receivables	490,127	416,472	13,500	-	-	-
Financial Liabilities						
Trade and Other Payables	(495,674)	(359,979)	-	-	-	-
Borrowings	(35,099)	(19,469)	-	(35,342)	-	-
Total	49,248	66,680	13,500	(35,342)	-	-

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 Policies

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.



Section 5 Capital Structure and Financing Costs (continued)

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.

Section 5 Capital Structure and Financing Costs (continued)

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 2018 and 2017:

Outstanding Cash Flow Hedging Instruments	Months	Average Exchange Rate 2018	Average Exchange Rate 2017	Foreign Currency 2018 \$'000	Foreign Currency 2017 \$'000	Notional Value 2018 \$'000	Notional Value 2017 \$'000	Fair Value 2018 \$'000	Fair Value 2017 \$'000
EUR Buy/AUD Sell	Less than 6	0.6421	0.6720	8,668	22,099	13,499	32,884	(247)	(193)
EUR Buy/AUD Sell	More than 6	0.6292	0.6636	15,402	631	24,479	951	104	(2)
USD Buy/AUD Sell	Less than 6	0.7901	0.7520	74,582	54,191	94,391	72,059	(6,486)	1,418
USD Buy/AUD Sell	More than 6	0.7644	0.7625	54,971	12,462	71,916	16,344	(2,506)	88
USD Buy/NZD Sell	Less than 6	-	0.6978	-	258	-	370	-	17
USD Buy/NZD Sell	More than 6	0.7195	-	1,470	-	2,043	-	(128)	-
AUD Buy/NZD Sell	Less than 6	-	0.9410	-	175	-	186	-	2
AUD Buy/NZD Sell	More than 6	-	-	-	-	-	-	-	-
NZD Buy/AUD Sell	Less than 6	-	1.0432	-	1,200	-	1,150	-	7
NZD Buy/AUD Sell	More than 6	1.0398	-	2,941	-	2,828	-	133	-
NZD Buy/USD Sell	Less than 6	-	1.3804	-	642	-	465	-	(7)
NZD Buy/USE Sell	More than 6	-	-	-	-	-	-	-	-
THB Buy/NZD Sell	Less than 6	-	24.6419	-	4,655	-	189	-	2
THB Buy/NZD Sell	More than 6	-	-	-	-	-	-	-	-
MYR Buy/AUD Sell	Less than 6	-	-	-	-	-	-	-	-
MYR Buy/AUD Sell	More than 6	2.9272	-	40	-	14	-	-	-
AUD Buy/USD Sell	Less than 6	-	-	-	-	-	-	-	-
AUD Buy/USD Sell	More than 6	1.3122	-	4,916	-	3,747	-	152	-
NZD Buy/EUR Sell	Less than 6	-	-	-	-	-	-	-	-
NZD Buy/EUR Sell	More than 6	1.7105	-	194	-	114	-	1	-
Total				163,184	96,313	213,031	124,598	(8,977)	1,332

5.5 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 share-based 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.



Section 5 Capital Structure and Financing Costs (continued)

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 2016		139,963	136,669
Tax Effect Relating to Share Costs		-	4
Balance as at 30 June 2017		139,963	136,673
Issue of Ordinary Share		25,395	90,151
Share Issue Costs		-	(2,287)
Tax Effect Relating to Share Costs		-	686
Balance as at 30 June 2018		165,358	225,223
(b) Treasury Shares			
Balance as at 1 July 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)
Acquisition of On Market Shares by the Trust		(211)	(864)
Issue of Shares Under the Performance Incentive Plan	5.8	196	803
Issue of Shares for Dividend Uplift on Vesting of Performance Rights		15	61
Balance as at 30 June 2018		(2)	(5)
Balance of Issued Capital as at 30 June 2017		139,961	136,668
Balance of Issued Capital as at 30 June 2018		165,356	225,218

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.

Section 5 Capital Structure and Financing Costs (continued)

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).

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.

Reserves	Section	2018 \$'000	2017 \$'000
Equity-Settled Employee Benefits Reserve	5.6(a)	(11,991)	(14,203)
Foreign Currency Translation Reserve	5.6(b)	1,421	3,080
Other Reserves	5.6(c)	8,939	(1,357)
Total Reserves		(1,631)	(12,480)
(a) Equity-Settled Employee Benefits Reserve			
Balance at the Beginning of the Year		(14,203)	(12,688)
Issue of Treasury Shares to Employees	5.5(b)	(864)	(416)
Recognition of Share-Based Payments	5.1.2	3,114	1,406
Tax Effect Relating to Share-Based Payments		178	147
Cash-Settled Rights		(216)	(2,652)
Balance at the End of the Year		(11,991)	(14,203)

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	3,080	2,446
Exchange Difference on Translation of Foreign Operations	(1,659)	634
Balance at the End of the Year	1,421	3,080

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	(1,357)	(46)
Gain/(Loss) on Foreign Exchange Contracts Entered into for FX Hedges	10,296	(1,311)
Balance at the End of the Year	8,939	(1,357)

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.

	2018		2017	
Fully Paid Ordinary Shares	Cents Per Share	\$'000	Cents Per Share	\$'000
Interim Dividend in respect of FY18	2.50	4,134	-	-
Final Dividend in respect of FY17	6.00	9,921	-	-
Total	8.50	14,055	-	-

In respect of FY18, the Directors did not declare the payment of a final dividend.

At 30 June 2018 the Franking Account Balance was \$0.1 million (June 2017: \$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:

	Section	2018 Number	2017 Number
Outstanding at the Beginning of the Year		5,464,960	4,124,920
Granted		1,301,064	2,826,540
Vested Through the Trust	5.5(b)	(196,000)	(178,225)
Cash-Settled		(586,610)	(518,025)
Vested Not Exercised		(75,000)	-
Cancelled or Expired		(1,368,510)	(790,250)
Outstanding at Year End		4,539,904	5,464,960

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 2018 are as follows:

Grant Date	Vesting Date	Number	Grant Date Share Price \$	Expected Volatility	Risk Free Interest Rate	Fair Value \$
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
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	416,500	1.59	48%	1.59%	1.68
29 Jun 2016	31 Aug 2018	416,500	1.59	48%	1.59%	1.13
22 Feb 2017	31 Aug 2019	769,320	2.91	48%	1.92%	2.22
22 Feb 2017	31 Aug 2019	769,320	2.91	48%	1.92%	2.91
31 Oct 2017	1 Mar 2019	50,000	4.30	-	-	4.18
31 Oct 2017	1 Mar 2020	50,000	4.30	-	-	4.09
3 Apr 2018	31 Aug 2020	182,482	3.95	45%	2.07%	2.56
3 Apr 2018	31 Aug 2020	182,482	3.95	45%	2.07%	3.75
3 Apr 2018	31 Aug 2020	343,050	3.95	45%	2.07%	2.56
3 Apr 2018	31 Aug 2020	343,050	3.95	45%	2.07%	3.75
Total		4,539,904				

Section 6 Other

6.1 New Accounting Standards Effective 1 July 2018

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application. The Company is required to disclose known or reasonably estimable information relevant to assessing the possible impact that the application of the new accounting standard will have on the Company's financial statements.

The Company's preliminary assessment of the impact of new standards and interpretations is set out below.

6.1.1 AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards - Effective Date of AASB 15, and AASB 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15

AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including AASB 118 Revenue and AASB 111 Construction Contracts. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer. This standard will become mandatory for reporting periods beginning on or after 1 January 2018 and applies from 1 July 2018 for the Company. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Company has operations across different industry sectors and geographical locations which are subject to different legal and contractual frameworks. The Company has therefore coordinated with the different project teams from across the business to assess the potential impacts of the new standard on the business units of the Company.

Significant judgments and estimates are used in determining the impact, such as the assessment of the probability of customer approval of variations and acceptance of claims, estimation of project completion date and assumed levels of project execution productivity. In making this assessment the Company has considered, for applicable contracts, the individual status of legal proceedings, including arbitration and litigation.

Variable Consideration

Construction revenue

The contractual terms and the way in which the Company operates its construction contracts is predominantly derived from projects containing one performance obligation. Contracted revenue will continue to be recognised over time, however the new standard provides new requirements for variable consideration such as incentives, as well as accounting for claims and variations as contract modifications which all impart a higher threshold of probability for recognition. Revenue is currently recognised when it is probable that work performed will result in revenue whereas under the new standard, revenue is recognised when it is highly probable that a significant reversal of revenue will not occur for these modifications.

Services revenue

Services revenue arises from maintenance and other services supplied to infrastructure assets and facilities which may involve a range of services and processes. Under AASB 15, these are predominantly to be recognised over time with reference to the input method.

The services that have been determined to be one performance obligation are highly inter-related and fulfilled over time therefore revenue continues to be recognised over time. As with construction revenue, incentives, variations and claims exist which are subject to the same higher threshold criteria of only recognising revenue to the extent it is highly probable that a significant reversal of revenue will not happen.

Tender Costs and Contract Costs

Currently under AASB 111 Construction Contracts, costs incurred during the tender process are capitalised within net contract debtors when it is deemed probable the contract will be won. Under the new standard costs can only be capitalised if they are both expected to be recovered and either would not have been incurred if the contract had not been won or if they are intrinsic to the delivery of a project. Other contract costs and fulfilment costs are not expected to be material.

Conclusion

The expectation is that the above adjustments, across all controlled entities, will be applied retrospectively, recognizing the cumulative effect of initially applying this standard as an adjustment to the opening retained balances at 1 July 2017. The Company has elected to apply the practical expedient in relation to variable consideration for contracts completed during the year ended 30 June 2018.

The higher recognition thresholds in the adoption of the new standard will result in an adjustment to the Company's equity position. The estimated impact to RCR's equity at 30 June 2018 will be an adjustment reducing equity by approximately \$65 million (after tax). The estimated impact to RCR's equity position at 30 June 2017 will be an adjustment reducing equity by approximately \$51 million.

The impact to profit/(loss) after tax in the adoption of the new standard will result in 30 June 2017 (and prior periods) reported results decreasing by approximately \$51 million and 30 June 2018 reported results decreasing by approximately \$14 million.

Transition

The Company plans to adopt AASB 15 using the retrospective approach with practical expedients, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2017). As a result, under AASB 15 there will be an adjustment to the opening balance of the Company's equity.



Section 6 Other (continued)

6.1.2 AASB 9 Financial Instruments

AASB 9 Financial Instruments (revised December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and de-recognition of financial instruments from AASB 139. The standard will become mandatory for reporting periods beginning on or after 1 January 2018 and applies to The Company from 1 July 2018. The Company does not intend to early adopt the standard.

Accordingly, the Company has undertaken an assessment of the classification and measurement impacts of the new standard and estimated the following impacts:

- the Company does not expect the new standard to have a significant impact on the classification of its financial assets;
- the Company does not hold any financial liabilities at fair value through profit or loss and as such there is no impact of the new standard on financial liabilities;
- as a general rule, more hedge relationships may be eligible for hedge accounting. Existing hedge relationships would appear to qualify as continuing hedge relationships upon adoption of the new standard;
- AASB 9 will require extensive new disclosures, in particular surrounding hedge accounting, credit risk and expected credit losses.

6.1.3 Others Impacts of AASB 9 and AASB 15

Tax impacts

Adjustments under the new standards are subject to tax effect accounting and therefore the net deferred tax position will also be impacted. Adopting the new standards will lead to a currently estimated increase of the Company's net deferred tax assets of around \$27.7 million. The equity reductions as discussed above are after taking into account the tax effect of the above adjustments.

Impact on cash flows and guidance

Adjustments arising on application of AASB 9 and AASB 15 are not expected to have a material impact on the cash flows to be derived by the Company.

6.2 Key Management Personnel

The totals of remuneration paid to KMPs of the Company during the year are as follows:

	2018 \$	2017 \$
Short-Term Employee Benefits	2,935,234	3,306,975
Post-Employment Benefits	124,502	127,248
Other Long-Term Benefits	55,862	42,069
Share-Based Payments	2,311,456	841,238
Total Remuneration	5,427,054	4,317,530

Section 6 Other (continued)

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 2018	% Owned 2017
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



Section 6 Other (continued)

Controlled Entities	Country of Incorporation	% Owned 2018	% Owned 2017
Other Subsidiaries of RCR Tomlinson Ltd (continued)			
RCR Building Services (Egan Bros) Pty Ltd	Australia	100	100
RCR Resolve FM (Engineering) Pty Ltd	Australia	100	100
RCR Rel Corp Management Services Pty Ltd	Australia	100	100
RCReate Pty Ltd	Australia	100	100
RCR Building Products (New Zealand) Limited	New Zealand	100	100
RCR Asia Sdn Bhd	Malaysia	100	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 Tomlinson Ltd Employee Share Trust	Australia	100	100

(a) Deed of Cross Guarantee

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:

	2018 \$'000	2017 \$'000
Statement of Profit or Loss and Other Comprehensive Income		
Sales Revenue	1,951,996	1,274,262
Cost of Sales	(1,998,468)	(1,210,241)
Gross (Loss)/Profit	(46,472)	64,021
Other Income	74,410	2,515
Administrative Expenses	(41,916)	(36,619)
Finance Costs	(2,419)	(3,606)
Other Expenses	(4,149)	(1,680)
(Loss)/Profit Before Income Tax	(20,546)	24,631
Income Tax Benefit/(Expense)	13,364	(3,978)
(Loss)/Profit for the Year from Continuing Operations	(7,182)	20,653
Loss for the Year from Discontinued Operations	(7,304)	(1,817)
(Loss)/Profit for the Year	(14,486)	18,836
Other Comprehensive Income/(Loss) for the Year	8,459	(864)
Total Comprehensive (Loss)/Income for the Year	(6,027)	17,972

Section 6 Other (continued)

Statement of Financial Position	2018 \$'000	2017 \$'000
Current Assets		
Cash and Cash Equivalents	76,839	39,518
Trade and Other Receivables	501,328	429,287
Inventories	12,352	12,452
Other Current Assets	17,807	10,378
Total Current Assets	608,326	491,635
Non-Current Assets		
Trade and Other Receivables	13,500	-
Property, Plant and Equipment	64,121	50,055
Deferred Tax Assets	59,123	29,375
Goodwill	140,625	140,803
Other Intangible Assets	68,813	65,028
Total Non-Current Assets	346,182	285,261
Total Assets	954,508	776,896
Current Liabilities		
Trade and Other Payables	458,326	335,653
Borrowings	35,099	19,470
Current Tax Liabilities	2,841	1,937
Provisions	42,609	43,186
Deferred Revenue	23,360	15,060
Total Current Liabilities	562,235	415,306
Non-Current Liabilities		
Borrowings	-	35,342
Provisions	4,305	3,959
Other	2,256	4,123
Total Non-Current Liabilities	6,561	43,424
Total Liabilities	568,796	458,730
Net Assets	385,712	318,166
Equity		
Issued Capital	221,461	131,387
Reserves	(3,743)	(14,413)
Retained Earnings	167,994	201,192
Total Equity	385,712	318,166



Section 6 Other (continued)

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:

(a) Ultimate Parent Company

RCR Tomlinson Ltd is the ultimate Australian parent company.

(b) 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.

(c) 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. Effective 22 November 2017, Paul Dippie resigned as a Non-Executive Director.

The Company entered into the following trading transactions with Metalform (Dannevirke) Ltd:

	Sales		Purchases	
	2018 \$	2017 \$	2018 \$	2017 \$
Metalform (Dannevirke) Ltd	705	692	113,371	42,005

The following balances were outstanding:

	Amounts Owed by Related Parties		Amounts Owed to Related Parties	
Metalform (Dannevirke) Ltd	223	262	6,267	6,100

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.

(d) 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 2018: \$374,430,657

30 June 2017: \$184,963,783

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.

Section 6 Other (continued)

6.6 Events After Balance Sheet Date

On 30 July 2018, the Company went into a trading halt and subsequent voluntary suspension from trading its securities on the ASX on 1 August 2018. This was to allow management time to review cost overruns on the Project that were identified post year end.

The Company believes it was in compliance with all financial covenants under its debt facilities at 30 June 2018. However, to avoid any uncertainty around potential covenant breach at the date of the next covenant reporting, the Company has proactively secured agreement from all financiers that, in calculating the group's EBITDA⁵ for the 30 June 2018 calculation date and each quarterly calculation date up to and including 30 June 2019, the Company may add back to EBITDA⁵ the cost impact of the Project of an amount up to \$50 million.

The financiers' support will lapse if the Company does not receive at least \$50 million in proceeds from the capital raising by the earlier of (i) 5 November 2018 (or such later date as agreed to by the majority financiers under the Banking Facility), (ii) the Agent terminating the Financier Support Letters for an event of default (other than as a result of any change to EBITDA relating to the cost impact to the Project) or the Company's failure to comply with its obligations in the Financier Support Letters or (iii) an insolvency event.

The financiers have agreed to the Company re-allocating the sub-commitments under the multi-option facility, such that the Company may utilise up to \$97 million under the working capital facility (and up to \$100 million under the working capital facility following receipt of \$50 million from the equity capital raising).

The Company has agreed to reduce a contingent instrument facility under the syndicated facility agreement by \$25 million and to include an additional review event if proceeds from the institutional capital raising are not received within 10 business days of launch. If agreement cannot be reached within 7 business days of the review event, it will be an event of default under the Banking Facility. The Company has also agreed to margin increases under the Banking Facilities and to information undertakings and review undertakings in relation to the Project.

The Company has not admitted or acknowledged any breach or default and the banks have not advised of a breach or default.

In light of the above, all of the Company's borrowings have been presented as a current liability in the Statement of Financial Position as at 30 June 2018. There has been no demand for repayment by the financiers as at the date of this report.

The Company continues to draw on its facilities in the ordinary course.

On the 7th of August 2018, the Company announced that Dr Paul Dalgleish had stepped down as Managing Director and CEO. The Board of the Company also announced the appointment of current independent Non-Executive director Mr Bruce James as interim CEO.

RCR has entered into an agreement with Macquarie Capital (Australia) Limited to underwrite the raising of \$100 million subject to usual conditions. Refer to the prospectus lodged with the ASX on 28 August 2018 for further information regarding the Capital Raising.

The Directors did not declare the payment of a final dividend for FY18.

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.

⁵ EBITDA, as defined in the Syndicated Facility Agreement.



Section 6 Other (continued)

6.7 Parent Entity Disclosures

Parent Entity Disclosures	2018 \$'000	2017 \$'000
(a) Financial Information		
Profit/(Loss) for the Year	49,701	(13,240)
Other Comprehensive Income/(Loss)	10,166	(1,318)
Total Comprehensive Income/(Loss)	59,867	(14,558)
Assets		
Current Assets	68,129	16,764
Non-Current Assets	330,824	252,429
Total Assets	398,953	269,193
Liabilities		
Current Liabilities	38,581	26,247
Non-Current Liabilities	-	36,250
Total Liabilities	38,581	62,497
Net Assets	360,372	206,696
Equity		
Issued Capital	221,827	133,717
Reserves	(173)	(13,414)
Retained Earnings	138,718	86,393
Total Equity	360,372	206,696
(b) Guarantees Entered into by the Parent Entity in Relation to the Debts of its Subsidiaries		
Guarantees Provided	542,669	423,963

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 WBHO Infrastructure Pty Ltd, Abergeldie Pty Ltd, Guma ICRG JV Pty Ltd and Stantec Australia Pty Ltd.

Directors' Declaration

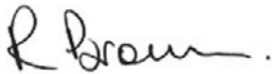
The Directors declare that:

- a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- b) In the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in the financial statements;
- c) In the Directors' opinion, the attached financial statements and sections thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee. In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in 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
28 August 2018



Independent Auditor's Report

Deloitte.

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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 2018, 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 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1.3 'Basis of Preparation' to the financial report, which indicates that, as at 30 June 2018, the Company recorded a loss of \$16.1m. This condition, along with other matters as set forth in Note 1.3 and Note 5.3 'Financial Risk Management', indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material Uncertainty related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><i>Recognition of contract costs in relation to Solar Project</i></p> <p>As disclosed in Note 1.3 'Basis of Preparation', on 30 July 2018 the Company went into a trading halt and on 1 August 2018 the Company's shares were suspended from the Australian Stock Exchange. This was to allow management to review cost overruns that were discovered post year-end on a specific Solar Project, which resulted in a material negative impact on current year earnings.</p> <p>Management identified a number of control deficiencies in relation to the recording of site based project costs on the specific Solar Project. These included the circumventing of Company policies and procedures for the collecting, capturing and processing of such costs.</p>	<p>In relation to the matters identified at a specific Solar Project we have varied the nature, timing and extent of our procedures in relation to the specific Solar Project, which included but were not limited to:</p> <ul style="list-style-type: none"> • Interviewing various levels of management and project staff as to causes of cost overruns and recording of project cost issues; • Reviewing management's analysis of the project costs to date and estimated cost to complete (including the review of a sample of supplier and subcontractor cost confirmations); • Undertaking a site visit of the specific Solar Project, obtaining direct confirmation of costs from suppliers and sub-contractors, examining supplier statements supporting contracted costs, and evaluating the completeness of costs to date and estimated costs to complete; • Assessing the quality of work performed to date whilst undertaking the site visit and making enquiries of the project team to verify that the remaining costs to complete are appropriately allowed for in the estimated cost to complete; and • Recalculating the loss on the project to verify that it has been appropriately recognised in the results for the financial year. <p>In relation to the control deficiencies resulting from the specific Solar Project, we have varied the nature, timing and extent of our audit procedures and performed specific audit tests to assess whether the issues were systemic or isolated. These included but were not limited to:</p> <ul style="list-style-type: none"> • Varying our audit approach so that no reliance was placed on management controls in certain areas of the business; • Extending substantive audit testing relating to the recording and recognition of contract costs; • Obtaining data from the finance system to identify mismatches between purchase orders and invoices, obtaining exception reports to test invoices that were not matched to the purchase orders and investigating non-matching items; • Testing a sample of goods received but not invoiced at the year end to subsequent supplier invoices received; • Agreeing a sample of unfulfilled purchase orders at year end to subsequent receipts documentation; • Verifying a sample of project cost accruals at year end to subsequent supplier invoices; • Engaging Deloitte forensic specialists to supplement the audit team; • Extending our general journal entry testing to verify non-system processed transactions; and • Extending the audit testing of supplier payments subsequent to year end and unpaid supplier invoices at year end to verify the completeness of costs recorded in the current year. <p>We also assessed the appropriateness of the disclosures in Note 1 to the financial statements.</p>



Deloitte.

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 of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims; and
- estimation of project completion date.

Our procedures included, but were not limited to:

- Evaluating management's processes and controls in respect of the recognition of contract revenue. As part of this process we obtained an understanding of the 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;
 - if the contract was loss making;
 - new contracts for which a material amount of revenue was recognised during the financial year;
 - high-value contracts; and
 - loss-making contracts.
- For the sample of contracts we selected, the following procedures included:
 - 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 inspection of 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;
 - for loss making contracts, recalculating the expected loss at completion and verifying that the entire loss was recorded as a provision;
 - 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 to the recorded position were necessary.

We also assessed the appropriateness of the disclosures in Note 2 and Note 3.1 to 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. 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, but were not limited to:

- 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 advice 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; and
- 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.

We also assessed the appropriateness of the disclosures in Note 4.1 to the financial statements.

Litigation and claims

The Group is party to legal proceedings brought by 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 potential exposures or disclose a contingent liability in the financial statements; refer to Notes 4.8 'Provisions' of the financial statements and 6.5. 'Contingent Liabilities' of the financial statements.

Our procedures included, but were not limited to:

- Evaluating management's processes and controls to assess 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; and
- Assessing management's determination of the provisions expected for litigation losses recorded at year-end.

We also assessed the appropriateness of the disclosures in Note 4.8 and Note 6.5 to the financial statements.



Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, 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.

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 directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 26 to 43 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of RCR Tomlinson Limited, for the year ended 30 June 2018, 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, 28 August 2018



Shareholding Information

The following shareholder information is provided as at 5 September 2018.

RCR's Top Twenty Shareholders

Registered Shareholder	Fully Paid Ordinary Shares	% of Total Shares
HSBC Custody Nominees (Australia) Limited	82,672,205	35.15
J P Morgan Nominees Australia Limited	40,246,550	17.11
Citicorp Nominees Pty Limited	21,962,111	9.34
National Nominees Limited	12,802,362	5.44
BNP Paribas Noms Pty Ltd <DRP>	6,705,961	2.85
Masfen Securities Limited	4,245,728	1.81
Mr Paul Joseph Dagleish	4,022,992	1.71
UBS Nominees Pty Ltd	2,883,325	1.23
CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	2,640,654	1.12
UBS Nominees Pty Limited <6002103 A/C>	2,620,995	1.11
BNP Paribas Noms (NZ) Ltd <Drp>	2,605,133	1.11
BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	2,183,919	0.93
Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	1,588,482	0.68
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,390,000	0.59
CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	1,232,435	0.52
HSBC Custody Nominees (Australia) Limited - A/C 2	1,045,108	0.44
CPU Share Plans Pty Limited <Rcr Vsp Control A/C>	709,401	0.30
HSBC Custody Nominees (Australia) Limited-Gsco Eca	582,175	0.25
Mr Joshua Kane Hogan	568,876	0.24
Forsyth Barr Custodians Ltd <Forsyth Barr Ltd-Nominee A/C>	543,830	0.23
Total Held by Top 20	193,252,242	82.16
Total Ordinary Fully Paid Shares on Issue	235,193,746	100.00

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:

Substantial Shareholder	Fully Paid Ordinary Shares	% of Total Shares
Perpetual Limited	29,422,519	12.51
Pendal Group Limited	24,143,124	10.27

Distribution of Shareholdings

There were no 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	996	478,242	0.20
1,001 - 5,000 shares	1,783	5,154,675	2.19
5,001 - 10,000 shares	755	5,663,597	2.41
10,001 - 100,000 shares	770	19,990,375	8.50
100,001 and over shares	75	203,906,857	86.70
Total	4,379	235,193,746	100.00

Unquoted Performance Rights

1,793,200 Performance Rights are currently on issue to RCR employees under the terms of 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, www.rcrtom.com.au. This includes Annual Reports, Interim Reports, Presentations and ASX Announcements.

Corporate Governance Statement

RCR's Corporate Governance Statement which details the Company's key governance framework, principles and practices as at 30 June 2018 can be found on the Company's website at <https://www.rcrtom.com.au/about-rcr/corporate-governance/>.

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.

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.

Five Year Summary

	Measure	FY18 ¹	FY17 ¹	FY16 ¹	FY15 ¹	FY14
Revenue	\$M	1,998.5	1,263.2	890.5	1,033.6	1,300.5
EBITDA	\$M	9.1	57.6	33.7	83.4	79.6
EBIT	\$M	(12.4)	37.8	12.6	63.7	57.8
NPBT	\$M	(15.2)	33.8	8.6	59.5	51.1
NPAT	\$M	(8.8)	27.5	9.0	47.4	43.3
Basic EPS	Cents	(5.4)	19.6	6.4	34.2	31.9
Dividends	Cents per Share	2.50	6.00	1.75	11.00	10.00
Net Assets	\$M	380.9	311.6	288.0	316.1	289.1
Safety	LTIFR	0.30	0.78	1.77	1.10	1.31
Market Capitalisation	\$M	492.8	477.3	237.9	238.6	383.6
Closing Share Price	\$	2.98	3.41	1.70	1.72	2.80
TSR - 1 Year	%	(10.9)	95.4	4.2	(36.3)	26.1
TSR - 3 Year Rolling	%	85.7	34.4	(11.3)	6.1	84.3
TSR - 5 Year Rolling	%	51.0	134.3	21.5	143.1	413.2

¹ Comparatives are from continuing operations.

Our History

RCR Tomlinson's origins date back 120 years 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 multi-disciplinary 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 23, 1 Macquarie Place
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 23, 1 Macquarie Place
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

Mr Bruce James - Interim CEO &
Executive Director

Ms Eva Skira - Independent
Non-Executive Director

Mr Lloyd Jones - Independent
Non-Executive Director

Ms Sue Palmer - Independent
Non-Executive Director

Mr David Robinson - Independent
Non-Executive Director

CEO & Executive Director

Mr Bruce James

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

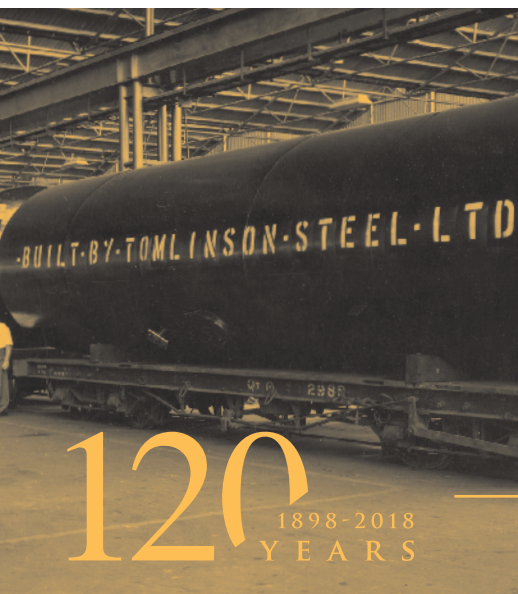
Securities Exchange Listing

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.



www.rcrtom.com.au

