



GR ENGINEERING SERVICES
ENGINEERING CONSULTANTS AND CONTRACTORS

GR ENGINEERING SERVICES LIMITED

ANNUAL FINANCIAL REPORT

30 June 2013

ABN 12 121 542 738



ANNUAL FINANCIAL REPORT

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CALENDAR

FINAL DIVIDEND:

EX-DIVIDEND DATE	11 SEPTEMBER 2013
RECORD DATE	17 SEPTEMBER 2013
PAYMENT DATE	1 OCTOBER 2013
ANNUAL GENERAL MEETING	12 NOVEMBER 2013



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CORPORATE DIRECTORY

GR ENGINEERING SERVICES LIMITED

ACN 121 542 738
ABN 12 121 542 738

DIRECTORS

Joe Ricciardo (Executive Chairman)
Geoff Jones (Managing Director)
Tony Patrizi (Executive Director)
Barry Patterson (Non-Executive Director)
Peter Hood (Non-Executive Director)
Terrence Strapp (Non-Executive Director)

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Giuseppe (Joe) Totaro

REGISTERED OFFICE

71-73 Daly Street
BELMONT WA 6104

PRINCIPAL PLACE OF BUSINESS

179 Great Eastern Highway
BELMONT WA 6104
Telephone: (61 8) 6272 6000
Facsimile: (61 8) 6272 6001
Email: gres@gres.com.au
Website: www.gres.com.au

ASX CODE

GNG

CORPORATE ADVISER

Argonaut
Level 30, 77 St Georges Terrace
PERTH WA 6000

AUDITOR

Deloitte Touche Tohmatsu
Level 14, 240 St Georges Terrace
PERTH WA 6000

SOLICITORS TO THE COMPANY

Gilbert + Tobin
1202 Hay Street
WEST PERTH WA 6005

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000



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DIRECTORS' REPORT

Your Directors present their report together with the financial statements of GR Engineering Services Limited (“**GR Engineering**” or “**Company**”) for the financial year 1 July 2012 to 30 June 2013 and the independent auditor’s report thereon.

The names of the Company’s Directors in office during the financial year ended 30 June 2013 and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

DIRECTORS

Geoffrey (Geoff) Michael JONES (Managing Director)	Appointed 26 June 2013
Joseph Mario Paul RICCIARDO (Executive Chairman)	(Managing Director prior to 26 June 2013)
Tony Marco PATRIZI (Executive Director)	
Barry Sydney PATTERSON (Non-Executive Director)	(Non-Executive Chairman prior to 26 June 2013)
Terrence John STRAPP (Non-Executive Director)	
Peter John HOOD (Non-Executive Director)	

COMPANY SECRETARY

Giuseppe (Joe) TOTARO (B.Comm, CPA, CTA)

Joe is a co-founder of GR Engineering and has been Company Secretary since 4 September 2006. He was appointed Chief Financial Officer on 19 April 2011. Joe co-founded GR Engineering. Joe is a certified practicing accountant (CPA) with over 27 years’ experience in commercial and public practice specialising in mining and mining services. He was formerly company secretary of and business consultant to JR Engineering. Joe’s experience includes corporate advisory services having consulted on and managed numerous corporate transactions involving private and publicly listed companies.

PRINCIPAL ACTIVITIES

During the year the Company’s activities have been the provision of high quality process engineering design and construction services to the mining and mineral processing industry.

DIVIDENDS PAID DURING THE YEAR

- Fully franked dividend of 4.00 cents per share paid on 28 September 2012
- Fully franked dividend of 2.00 cents per share paid on 18 March 2013
- Subsequent to 30 June 2013, a fully franked dividend of 3.00 cents per share was recommended by the Directors to be paid on 1 October 2013.



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DIRECTORS' REPORT

REVIEW OF OPERATIONS

The financial year ended 30 June 2013 (FY13) was characterised by ongoing softness and volatility in commodity prices. Cost cutting measures and capital investment deferrals by miners across all commodities created reduced business opportunities for the mining services sector generally. The gold price, which had seen many years of steady growth, suffered a marked decline in April 2013, resulting in project cancellations and creating uncertainty for other projects which were scheduled for near term commencement. In response, the Company implemented a range of cost cutting measures including a reduction in staff numbers, pay rates and overhead expenditure. The objective of these measures is to retain market competitiveness and maintain the strength of the Company's Balance Sheet.

As at 30 June 2013, the Company had a workforce comprising 212 professional and support staff in addition to a direct construction workforce and subcontractors. This is a reduction of 14.2% from peak staffing numbers in FY13 and an increase of 5% from FY12.

Despite a difficult year brought about by the commodity price volatility and resulting project deferrals, it is pleasing to report that GR Engineering continued to engage in project and study work and that our primary and direct responsibility, being the occupational health and safety of our employees, was once again met with outstanding results. FY13 was the third consecutive year during which the Company did not incur a Lost Time Injury (LTI), bringing the cumulative total of consecutive LTI free days to 1099 as at 30 June 2013.

The year saw the successful delivery and commencement of projects and studies located in Australia and overseas, including:

- the design, construction and commissioning of the Andy Well Gold Project for Doray Minerals Limited, located near Meekatharra in Western Australia;
- the design construction and commissioning of brownfields upgrade projects for Newcrest Mining Limited at Telfer, Western Australia;
- the design, construction and commissioning of a brownfields upgrade project in Whyalla, South Australia, due for completion in December 2013;
- the design and construction management of the Syama Expansion Project for Resolute Mining Limited, located in Mali, West Africa, due for completion in mid-2014; and
- the design, construction and commissioning of the £75 million Hemerdon Tungsten and Tin Project processing plant and associated infrastructure for Wolf Minerals (UK) Limited, located in Devon, England, due for completion in mid-2015.

As at year end all projects on hand were progressing on time and on budget.

All EPC projects delivered during FY13 were completed on time and on budget and collectively contributed to an improvement in margins, particularly in the second half. As in prior years, repeat business made an important contribution to business activity in FY13, again underlining GR Engineering's reputation for dependability in delivering projects and services to the satisfaction of the client.

The Company's EPCM activity made a strong contribution to revenue and earnings during FY13. Importantly, the EPCM engagements related to projects located in Africa and Asia, underscoring the successful implementation of the Company's strategy of growth through geographical expansion.

While the Company's business model and focus will continue to centre on winning and delivering projects on an EPC basis, it has demonstrated a capacity to deploy EPC engineering and financial disciplines to EPCM project delivery. This approach has been successfully applied to project delivery



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DIRECTORS' REPORT

in jurisdictions that are better suited to an EPCM model, rather than GR Engineering's traditional EPC contracting model.

During FY13, the Company commenced or completed studies and consultancy work for a range of projects across a broad commodity base. These engagements related to projects in Australia, West Africa, Turkey and Laos. Successfully completing studies and front end engineering engagements remains a priority to securing a pipeline of design and construction activity. Management remains alert to tender opportunities and continues to pursue a range of studies and design and construction engagements for both domestic and overseas projects.

FINANCIAL POSITION

GR Engineering generated revenue of \$114.7 million and net operating cashflow of \$5.5 million for the year ended 30 June 2013.

During the year the Company paid \$9.0 million in fully franked dividends and held cash, including term deposits to secure contingent liabilities under its bank guarantee facilities of \$34.5 million as at 30 June 2013, a decrease of \$4.4 million over cash held as at the close of the previous financial year.

GROWTH STRATEGY

Looking ahead, the Company's strategy is to secure organic growth through winning and successfully executing EPC and EPCM projects and pursuing overseas opportunities. Tangible evidence of the successful implementation of this strategy was the award of offshore engagements in FY13 and has helped support the Company during a time of weaker trading conditions in its traditional domestic markets.

GR Engineering's growth strategy can only be implemented in the context of prevailing market conditions. As noted earlier, lower commodity prices and in particular the gold price have resulted in a contraction of capital expenditure and the deferral of projects by mining companies. GR Engineering remains confident of its ability to rely on its execution capabilities to deliver satisfactory outcomes in a challenging market environment.

While such market conditions persist, GR Engineering will preserve its financial resources, maintain its excellent market reputation through the timely and efficient delivery of projects and retain and continue to develop its valuable pool of human resources so as to avail itself of opportunities arising from an improvement in business conditions.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Increase to Insurance Bond Facility

On 24 January 2013 the Company entered into an agreement with Assetinsure Pty Ltd providing for an increase in the already established insurance bond facility from \$10 million to \$20 million.

Part of this facility will be utilised to provide Wolf Minerals (UK) Limited with retention and off site materials bonds in connection with the Hemerdon Tungsten & Tin Project.

Increase to Bank Guarantee Facility

On 28 November 2012 the Company entered into an agreement with National Australia Bank providing for an increase in the Company's bank guarantee facility to \$15 million secured by letters of set-off against cash term deposits equating to 50% of the amount of bank guarantees on issue at any given time.



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Settlement of Legal Proceedings

On 10 October 2012 the Company announced that it had reached agreement with Gold Ridge Mining Limited, a wholly owned subsidiary of St Barbara Limited to settle on a full and final basis arbitration proceedings which were instigated by GR Engineering on 28 June 2011.

The arbitration proceedings comprised an initial debt recovery claim by GR Engineering on Gold Ridge Mining Limited of approximately \$4.5 million and a counterclaim of approximately \$45 million made by Gold Ridge Mining Limited on 18 May 2012.

Settlement was reached on the basis of a net payment of \$2.65 million to GR Engineering. Settlement of this claim resulted in the write off of \$906,933 in bad debts over and above the amount provided for.

Changes to the Board of Directors

As announced on 26 June 2013, the Company's Chief Operating Officer, Geoff Jones was appointed Managing Director, to replace Joe Ricciardo who moved into the position of Executive Chairman, effective 26 June 2013. Joe Ricciardo replaced outgoing Chairman, Barry Patterson who remains on the Board of Directors as a non-executive director, Chairman of the Remuneration and Nominations Committee and member of the Audit and Risk Committee.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

EVENTS AFTER BALANCE DATE

On 21 August 2013, the Company declared a fully franked dividend of 3.0 cents per share, an aggregate of \$4,500,000. The Record Date of the dividend is 17 September 2013 and the proposed payment date is 1 October 2013.

BOARD OF DIRECTORS

Joe Mario Paul RICCIARDO – Executive Chairman
BAppSc (Mech Eng)

Joe co-founded GR Engineering. He is a Mechanical Engineer with over 33 years' experience in feasibility studies, design, construction, maintenance and operation of mineral processing facilities.

In 1986 Joe lead the founding of JR Engineering. As Managing Director, Joe successfully grew JR Engineering into a leading engineering services provider before its sale to a major ASX listed Mining Services Group in 2001.

In 2006, Joe was instrumental in regrouping the former key executives from JR Engineering to establish GR Engineering.

Joe is a non-executive director of Mineral Resources Limited and has been on its Board since its public listing in 2006.

- Interests in ordinary shares in GR Engineering – 9,798,578
- Interests in other securities in GR Engineering - None



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DIRECTORS' REPORT

- Special Responsibilities:
 - Chairman (from 26 June 2013)
 - Managing Director (prior to 26 June 2013)
- Directorships in other listed entities in the last 3 years:
 - Mineral Resources Limited (ASX:MIN) 2006 – Present

Geoffrey (Geoff) Michael JONES – Managing Director
BE (Civil), FIEAust, CPEng

Geoff is a Civil Engineer with 30 years' experience in construction, engineering, minerals processing and project development in Australia and overseas. Geoff previously worked for Boulderstone Hornibrook, John Holland, Minproc Engineers and Signet Engineering before serving over six years as Group Project Engineer for Resolute Mining Limited.

Prior to joining GR Engineering Services Limited in 2011, Geoff was the General Manager of Sedgman Limited's metals engineering business and also responsible for the strategic development of the metals engineering division internationally.

Geoff is currently the Non-executive Chairman of Brumby Resources Limited, a non-executive director of Azumah Resources Limited and a non-executive director of Energy Metals Limited.

- Interests in ordinary shares in GR Engineering – 400,000
- Interests in other securities in GR Engineering:
 - Options - 2,000,000
- Special Responsibilities:
 - Managing Director (from 26 June 2013)
 - Chief Operating Officer (prior to 26 June 2013)
- Directorships in other listed entities in the last 3 years:
 - Brumby Resources Limited (ASX:BMV) 2006 – Present
 - Azumah Resources Limited (ASX:AZM) 2009 – Present
 - Energy Metals Limited (ASX:EME) 2008 – Present

Tony Marco PATRIZI – Executive Director
BE (Mech Eng)

Tony co-founded GR Engineering. Tony is a Mechanical Engineer with over 30 years' experience in the mining and minerals processing industries as a company director, operations manager, and project manager and maintenance engineer. Tony was previously the operations manager of JR Engineering which had over 300 personnel and provided workshop, maintenance, engineering and construction services to mining and mineral processing projects in Western Australia and interstate.

- Interests in ordinary shares in GR Engineering – 9,795,000
- Interests in other securities in GR Engineering - None
- Directorships in other listed entities – None



DIRECTORS' REPORT

Barry Sydney PATTERSON – Non-Executive Director
ASMM, MIMM, FAICD

Barry is a Mining Engineer with over 50 years' experience in the mining industry and is a co-founder of GR Engineering. He co-founded contract mining companies Eltin, Australian Mine Management and National Mine Management. Barry was also a co-founder of JR Engineering Services Pty Ltd.

Barry has served as a director of a number of public companies across a range of industries. He was formerly a non-executive chairman of Sonic Healthcare Limited and Silex Systems Limited and is currently a Non-Executive Director of Dacian Gold Limited.

- Interests in ordinary shares in GR Engineering - 10,500,000
- Interests in other securities in GR Engineering - None
- Special Responsibilities:
 - Chairman of the Remuneration and Nominations Committee
 - Member of the Audit and Risk Committee
 - Non-Executive Director (from 26 June 2013)
 - Non-Executive Chairman (prior to 26 June 2013)
- Directorships in other listed entities in the last 3 years:
 - Sonic Healthcare Limited (ASX:SHL) 1992 - 2010
 - Silex Systems Limited (ASX:SLX) 1993 – 2010
 - Dacian Gold Limited (ASX:DCN) 2012 - Current

Terrence (Terry) John STRAPP – Non-Executive Director
CPA, FFin., MAICD

Terry has extensive experience in banking, finance and corporate risk management and has over 30 years' experience in the mining and resource industry. He was formerly a non-executive director of The Mac Services Group Limited (resigned 2010).

Terry is a non-executive director of Ausdrill Limited.

- Interests in ordinary shares in GR Engineering - 300,000
- Interests in other securities in GR Engineering - None
- Special Responsibilities:
 - Chairman of the Audit and Risk Committee
 - Member of the Remuneration and Nominations Committee
- Directorships in other listed entities in the last 3 years:
 - Ausdrill Limited (ASX:ASL) 2005 - Present

Peter John HOOD – Non-Executive Director
BE(Chem), MAusIMM, FIChemE, FAICD

Peter is a Chemical Engineer and has over 40 years' experience in the resource and energy sectors.

He was formerly the chief executive officer of Coogee Chemicals and then oil and gas operator, Coogee Resources. Prior to that he served in senior management and project development roles for WMC Ltd in nickel and gold production.



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Peter has considerable board experience and is currently Chairman of Matrix Composites and Engineering Ltd, Deputy President of the Australian Chamber of Commerce and Industry, Immediate Past President of the Chamber of Commerce and Industry of Western Australia and former Chairman of Apollo Gas Ltd.

- Interests in ordinary shares in GR Engineering - 500,000
- Interests in other securities in GR Engineering - None
- Special Responsibilities:
 - Member of the Audit and Risk Committee
 - Member of the Remuneration and Nominations Committee
- Directorships in other listed entities in the last 3 years:
 - Apollo Gas Ltd 2009 – 2010
 - Matrix Composites & Engineering Limited (ASX:MCE) 2011 - present

MEETINGS OF DIRECTORS

The number of Meetings of the Board of Directors held during the year ended 30 June 2013 and the number attended by each director are as follows:

	FULL MEETINGS OF DIRECTORS	
	Eligible	Attended
Barry Patterson	10	8
Joe Ricciardo	10	8
Tony Patrizi	10	10
Terrence Strapp	10	10
Peter Hood	10	10

Meetings of the Audit and Risk Committee were held on 20 August 2012 and 26 February 2013. These meetings were attended by the Chairman of the Audit and Risk Committee Terrence Strapp, members of the Audit and Risk Committee Barry Patterson and Peter Hood, and Chief Financial Officer Joe Totaro. No formal meeting of the Remuneration and Nominations Committee was held during the year ended 30 June 2013.

OPTIONS

As at the date of this report, the unissued ordinary shares of GR Engineering under option are as follows:

Grant Date	Date of Expiry	Exercise Price	No. Under Option
19 April 2011	19 April 2014	\$1.50	500,000
19 April 2011	19 April 2015	\$1.80	750,000
19 April 2011	19 April 2016	\$2.10	750,000

The option holder does not have any right to participate in any issues of shares or other interests in the Company or any other entity.

For full particulars of options issued to directors as remuneration, refer to the Remuneration Report.

No shares were issued during the financial year ended 30 June 2013 due to the exercise of options.



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PERFORMANCE RIGHTS

As at the date of this report, the unissued ordinary shares of GR Engineering which are the subject of unvested performance rights are as follows:

Vesting Date	No. Performance Rights	Expiry Date	Exercise Price
21 September 2015	1,975,000	21 September 2015	-
4 October 2015	50,000	4 October 2015	-
13 May 2016	50,000	13 May 2016	-

The performance rights holders do not have any right to participate in any issues of shares or other interests in the Company or any other entity.

No shares were issued during the financial year ended 30 June 2013 due to the vesting of performance rights.

INDEMNIFYING OFFICERS OR AUDITORS

During the financial year, the Company paid insurance premiums relating to contracts insuring the directors and company secretary against liability which may arise in connection with them acting as Director or Company Secretary, to the extent permitted under the Corporations Act. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

LEGAL PROCEEDINGS

A summary of the outcome of arbitration proceedings between GR Engineering Services Limited and Gold Ridge Mining Limited has been provided in this Directors' Report under the heading *Significant Change in the State of Affairs*.

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

NON AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the year is consistent with the general standard of independence imposed by the Corporations Act 2001.

Non-audit services were reviewed by the Board to ensure they do not compromise the objectivity of the Auditor and to ensure the nature of services provided is not inconsistent with the principals of auditor independence. Set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

During the year ended 30 June 2013 fees amounting to \$49,076 were paid to Deloitte Touche Tohmatsu for non-audit services including taxation advice.



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AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration for the year ended 30 June 2013 has been reviewed and can be found at page 21 of the annual financial report.

ENVIRONMENTAL ISSUES

In conducting its business, the Company is required to obtain permits and licences from relevant state environment protection authorities. It is of paramount importance to management and the Board of Directors that as well as operating within its own Environmental Policies, the Company observes all relevant licences in good standing.

The Company has not been made aware of any areas of non-compliance in this regard.

The Company is not subject to the Energy Efficiency Opportunities Act 2006 as it does not meet the energy use threshold specified in Section 10 of that legislation. The Company's energy consumption will be monitored and will register under the act if and when the energy use threshold is exceeded.

REMUNERATION REPORT – AUDITED

The remuneration report details the amount and nature of the remuneration for the Company's key management personnel.

Directors

- Joe Ricciardo (Managing Director prior to 26 June 2013 and appointed Executive Chairman effective 26 June 2013)
- Tony Patrizi (Executive Director)
- Barry Patterson (Non-Executive Chairman prior to 26 June 2013 and appointed Non-Executive Director 26 June 2013)
- Terrence Strapp (Non-Executive Director)
- Peter Hood (Non-Executive Director)
- Geoff Jones (Appointed Managing Director 26 June 2013)

Executives

- Geoff Jones (Chief Operating Officer prior to 26 June 2013)
- David Sala Tenna (General Manager - EPC)
- Joe Totaro (Chief Financial Officer & Company Secretary)
- Rodney Schier (Engineering Manager)
- Paul Newling (Appointed General Manager – EPCM 18 February 2013)

Unless otherwise stated the named persons held their current position for the whole financial year and since the end of the financial year. At the Company's 2012 Annual General Meeting, 83% of eligible shareholders voted in favour of the remuneration report. No specific comments were made regarding the remuneration report at the meeting.



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REMUNERATION POLICY

The Company's remuneration policy has been designed to attract and retain high calibre key employees whose personal interests are aligned with success and growth of the Company and therefore shareholders.

This will be achieved by:

- Staying abreast of labour market forces thereby ensuring remuneration offered by the Company is competitive and remains so through a process of annual review.
- Devising performance based remuneration programmes.
- Utilising the Company's Equity Incentive Plan and / or Employee Share Option Plan.

NON-EXECUTIVE DIRECTORS

The Company's policy is to remunerate non-executive directors according to market rates and to reflect the time dedicated to their position and special responsibilities involved.

GR Engineering's Constitution provides that the Directors shall be paid out of the funds of the Company by way of remuneration for services such sums as may from time to time be determined by the Company in General Meeting, to be divided among the Directors in such proportions as they shall from time to time agree or in default of agreement, equally.

Directors are encouraged to hold shares in the Company to align their personal objectives with the growth and profitability of the Company.

EXECUTIVE DIRECTORS

Executive Director pay and reward is comprised of a competitive base salary. To the extent that executive directors are substantial shareholders in the Company, their personal objectives are aligned with the performance of the Company.

SENIOR EXECUTIVES

Executive remuneration is comprised of a competitive base salary, performance bonuses and share based incentive payments (at the discretion of the board). The Managing Director Geoff Jones is also incentivised through the issue of performance based options and is eligible to participate in the GR Engineering Services Limited Equity Incentive Plan through the issue of performance rights and / or share appreciation rights.

All executive remuneration packages are reviewed annually to ensure they remain competitive. Remuneration paid to directors and executives is valued at cost to the Company. Options, performance rights and share appreciation rights are valued using the Black Scholes method.



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DIRECTORS' REPORT

EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL

Name	Title	Contract Details	Non Salary Cash Incentives	Shares/ Units	Options/ Rights	Fixed Salary	Total
Joe Ricciardo	Executive Chairman as at 30 June 2013 (Managing Director prior to 26 June 2013)	Termination: 3 months notice by the Company or employee	-	-	-	100%	100%
Tony Patrizi	Executive Director	Termination: 3 months notice by the Company or employee	-	-	-	100%	100%
Barry Patterson	Non-Executive Director as at 30 June 2013 (Non-Executive Chairman prior to 26 June 2013)	By rotation and re election	-	-	-	100%	100%
Terrence Strapp	Non-Executive Director	By rotation and re election	-	-	-	100%	100%
Peter Hood	Non-Executive Director	By rotation and re election	-	-	-	100%	100%
Geoff Jones	Managing Director as at 30 June 2013 (Chief Operating Officer prior to 26 June 2013)	Fixed term to 30 June 2018. Termination: 4 months notice by the Company and 3 months notice by the employee	7.0%	-	22.0%	71%	100%
David Sala Tenna	General Manager - EPC	Termination: 3 months notice by the Company or employee	-	-	-	100%	100%
Joe Totaro	Company Secretary / Chief Financial Officer	Termination: 3 months notice by the Company or employee	-	-	-	100%	100%
Rodney Schier	Engineering Manager	Termination: 3 months notice by the Company or employee	-	-	-	100%	100%
Paul Newling	General Manager - EPCM (Commenced 18 February 2013)	Termination: 3 months notice by the Company or employee	-	-	0.6%	99.4%	100%

The terms and conditions upon which key employees are employed are set out in contracts of employment. These contracts provide for minimum notice periods prior to termination and, in some cases restrictive covenants upon termination.

The Company can terminate the contract at any time in the case of serious misconduct and termination payments may be paid in lieu of notice period.



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REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2013 - BOARD OF DIRECTORS

	Short Term Benefits		Sub Total	Post Employment Benefits	Equity Based Payments		Total	% Performance Based	
	Cash Salary & Fees	Non Cash Payments		Super-annuation	Other *	Equity			Options
	\$	\$	\$	\$	\$	\$	\$		
EXECUTIVE DIRECTORS									
Joe Ricciardo									
2013	312,642	9,173	321,815	25,712	-	-	-	347,527	0%
2012	311,926	11,855	323,781	28,073	-	-	-	351,854	0%
Tony Patrizi									
2013	318,864	14,085	332,949	25,712	-	-	-	358,661	0%
2012	311,926	15,482	327,408	28,073	-	-	-	355,481	0%
Geoff Jones***									
2013	443,580	25,996	469,576	38,787	50,000	-	157,762	716,125	29.0%
2012	431,171	20,091	451,262	38,805	-	-	240,212	730,279	32.9%
NON-EXECUTIVE DIRECTORS									
Barry Patterson									
2013	88,373	-	88,373	-	-	-	-	88,373	0%
2012	87,199	-	87,199	-	-	-	-	87,199	0%
Terrence Strapp****									
2013	59,739	-	59,739	5,377	-	-	-	65,116	0%
2012	60,000	-	60,000	5,400	-	-	-	65,400	0%
Peter Hood									
2013	60,807	-	60,807	5,472	-	-	-	66,279	0%
2012	60,000	-	60,000	5,400	-	-	-	65,400	0%
TOTAL DIRECTORS									
2013	1,284,005	49,254	1,333,259	101,060	50,000	-	157,762	1,642,081	12.7%
2012	1,262,222	47,428	1,309,650	105,751	-	-	240,212	1,655,613	14.5%

* "Other" amounts relate to performance based bonus payments, as approved by the board

** "Non-Cash payments" refer to reportable fringe benefits (fuel for personal vehicles and novated leases)

*** Geoff Jones' role as Managing Director commenced on 26 June 2013. Geoff previously held the role of Chief Operating Officer

**** Paid to SDG Nominees Pty Ltd, an entity controlled by Terrence Strapp



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REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2013 – EXECUTIVES

	Short Term Benefits			Post Employment Benefits	Equity Based Payments			Total	% Performance Based
	Cash Salary & Fees	Non Cash Payments**	Sub-Total	Super-annuation	Other*	Equity	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	
SENIOR EXECUTIVES									
David Sala Tenna – General Manager - EPC									
2013	356,862	5,968	362,830	28,253	-	-	-	391,083	0%
2012	348,624	8,500	357,124	31,376	-	-	-	388,500	0%
Joe Totaro – Company Secretary & Chief Financial Officer									
2013	213,849	8,185	222,034	19,246	-	-	-	241,280	0%
2012	211,009	7,737	218,746	18,990	-	-	-	237,736	0%
Rodney Schier – Engineering Manager									
2013	278,934	8,574	287,508	25,104	-	-	-	312,612	0%
2012	275,228	8,357	283,585	24,770	-	-	-	308,355	0%
Paul Newling – General Manager EPCM (Commenced 18 February 2013)									
2013	181,838	933	182,771	8,353	-	1,068	-	192,192	0.6%
2012	-	-	-	-	-	-	-	-	-
TOTAL SENIOR EXECUTIVES									
2013	1,031,483	23,660	1,055,143	80,956	-	1,068	-	1,137,167	0.1%
2012	834,861	24,594	859,455	75,136	-	-	-	934,591	0%
GRAND TOTAL									
2013	2,315,488	72,914	2,388,402	182,016	50,000	1,068	157,762	2,779,248	7.5%
2012	2,097,083	72,022	2,169,105	180,887	-	-	240,212	2,590,204	9.3%

* "Other" amounts refer to performance based bonus payments, as approved by the board.

** "Non-Cash payments" refer to reportable fringe benefits (fuel for personal vehicles and novated leases)



ANNUAL FINANCIAL REPORT

DIRECTORS' REPORT

LONG TERM INCENTIVES

Employee Share Option Plan

The Company has established an employee share option plan (**ESOP**). The Company may offer options to subscribe for shares in the Company to eligible persons subject to the ESOP rules. Options offered under the ESOP are to be offered on such terms as the board determines and the offer must set out specified information including the number of options, the period of the offer, calculation of the exercise price and any exercise conditions.

The exercise price is to be determined by the Board in its absolute discretion and set out in the offer provided that the exercise price is not less than the average market price on ASX on the five trading days prior to the day the Directors resolve to grant the option(s).

The Company has on issue a total of 2,500,000 options to its Managing Director, Geoff Jones which were issued on 19 April 2011 and are subject to vesting criteria and the ESOP rules. A total of 500,000 of these options expired on 19 April 2013. Key elements of the Options are summarised in the following table:

Grant Date	Vesting Date	Date of Expiry	Exercise Price	Number	Fair Value at Grant Date
19 April 2011	19 April 2013	19 April 2014	\$1.50	500,000	\$0.2450
19 April 2011	19 April 2014	19 April 2015	\$1.80	750,000	\$0.2400
19 April 2011	19 April 2015	19 April 2016	\$2.10	750,000	\$0.2600

The following share-based payment compensation relates to directors and senior management:

Name	Option series	Number granted	Number vested	% of grant vested	Number expired	Value Expired \$	% of grant expired	% of compensation for the year consisting of options
Geoff Jones	Issued 19 April 2011	2,500,000	1,000,000	40%	500,000	87,000	20%	22.0%

Equity Incentive Plan

The GR Engineering Services Limited Equity Incentive Plan (**Plan**) was adopted by the Board on 28 March 2012. In accordance with the Listing Rules of the Australian Securities Exchange (ASX), shareholder approval of the Plan was obtained at the Company's Annual General Meeting held on 30 November 2012. Under the ASX Listing Rules and *Corporations Act 2001* (Cth), the issue of securities under the Plan to directors will be subject to separate shareholder approval. As at the date of this report, no securities have been issued to Directors of the Company.

At the discretion of the Board, all eligible employees of the Company or eligible consultants may participate in the Plan. Non-executive directors are not eligible to participate in the Plan.

The Plan is designed to align the interests of executives and employees with the interests of shareholders by providing an opportunity to receive an equity interest in the Company and therefore direct participation in the benefits of future Company performance over the medium to long term.



ANNUAL FINANCIAL REPORT

DIRECTORS' REPORT

This is achieved by awarding both or either:

- Performance Rights (PR), with each PR being a right to acquire one fully paid ordinary share of the Company and vesting upon the satisfaction of certain performance conditions; and
- Share Appreciation Rights (SARs), being rights to receive a future payment in shares, equal to the amount of increase in market value of one share in the Company in a specified period between the grant of the SAR and exercise of that SAR.

Securities issued under the Plan will be subject to vesting criteria as determined by the Board and have a term of 3 years (or such term as otherwise agreed by the Board).

During the year ended 30 June 2013 2,315,000 Performance Rights were issued, with 240,000 subsequently being forfeited in accordance with the terms and conditions of the Plan. 2,075,000 performance rights were on issue as at 30 June 2013. No Share Appreciation Rights were issued during the year.

Grant Date	Vesting Date	Date of Expiry	Exercise Price	Number	Fair Value \$
11 Sept 2012	21 Sept 2015	21 Sept 2015	Nil	1,975,000	0.637
4 Oct 2012	4 Oct 2015	4 Oct 2015	Nil	50,000	0.689
13 May 2013	13 May 2016	13 May 2016	Nil	50,000	0.459

The following performance rights were issued to directors and senior management :

Name	Series	Number granted	Fair Value at grant date \$	Number vested	% of grant vested	Number expired	Value Expired \$	% of grant expired	% of compensation for the year consisting of performance rights
Paul Newling	Issued 13 May 2013	50,000	22,950	-	0%	-	-	0%	0.6%



ANNUAL FINANCIAL REPORT

DIRECTORS' REPORT

RELATIONSHIP BETWEEN COMPANY PERFORMANCE AND REMUNERATION POLICY

The table below sets out summary information about the Company's earnings and movements in shareholder wealth for the 5 years to 30 June 2013:

	2009	2010	2011	2012	2013
Revenue (\$000's)	79,074	128,217	142,512	152,838	114,695
Net profit before tax (\$000's)	22,111	24,427	29,247	19,858	11,476
Net profit after tax (\$000's)	15,471	17,836	21,098	13,115	7,539
Share Price at year end	N/A	N/A	\$1.95	\$0.90	\$0.46
Dividend (\$000's)	11,000	15,000	19,000	12,000	9,000
EPS (cents)	12.9	14.9	16.76	8.74	5.03
Diluted EPS (cents)	12.9	14.9	16.75	8.74	4.97

For comparative purposes, the number of shares assumed to be on issue for the financial year ended 30 June 2009 is 120 million. This period is prior to a share split performed at the time the Company listed in April 2011, which resulted in the issue of a further 30 million shares.

Messrs Ricciardo and Patrizi, both Executive Directors of the Company, a Non-Executive Director, two senior executives and four key employees hold significant shareholdings in the Company. As a result the performance of the Company and the personal and financial interest of its executive and management team are aligned.

The Company has issued options to its Managing Director Geoff Jones which are designed to incentivise the Managing Director and align his interests with those of all shareholders.

The ESOP and Plan have been adopted by the Company and will be implemented as the Nomination and Remuneration Committee identify the need to remunerate either existing or future employees, key employees, executives or executive directors on a performance basis.

This marks the end of the remuneration report.



ANNUAL FINANCIAL REPORT

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Directors of the Company are committed to the highest standards of corporate governance in all elements of the business of the Company including internal control, ethics, risk functions, policies and internal and external audit.

The Company's Board of Directors has adopted a comprehensive corporate governance policy and manual based on ASX guidelines. The Board continually seeks to review and develop additional structures to be implemented as the Company's activities develop in size, nature and scope.

Please refer to the Corporate Governance Statement contained in this report.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Geoff Jones', written in a cursive style.

Geoff Jones
Managing Director

Date: 21 August 2013



ANNUAL FINANCIAL REPORT

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
GR Engineering Services Limited
179 Great Eastern Highway
BELMONT WA 6104

21 August 2013

Dear Board Members

GR Engineering Services 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 GR Engineering Services Limited.

As lead audit partner for the audit of the financial statements of GR Engineering Services Limited for the financial year ended 30 June 2013, 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

Neil Smith
Partner
Chartered Accountants



ANNUAL FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated	
		2013	2012
		\$	\$
Revenue	5	114,695,369	152,837,930
Other income	6	1,788,315	2,150,714
Expenses			
Employee benefits expense	7	(35,457,023)	(38,382,854)
Superannuation expense	7	(2,673,625)	(2,777,017)
Depreciation and amortisation expense		(974,792)	(685,665)
Workers compensation expense		(274,952)	(207,197)
Equity based payments		(451,187)	(240,212)
Finance costs	7	(104,036)	(88,133)
Direct materials and subcontractor costs		(57,557,030)	(86,542,699)
Accountancy & audit fees		(260,222)	(256,888)
Marketing		(36,461)	(168,478)
Bad debts	10	(906,933)	-
Occupancy		(1,975,472)	(1,921,977)
Administration		(4,335,971)	(3,859,463)
Profit before income tax expense		<u>11,475,980</u>	<u>19,858,061</u>
Income tax expense	8	(3,936,509)	(6,742,606)
Profit after income tax expense for the year attributable to the owners of GR Engineering Services Limited	20	<u>7,539,471</u>	<u>13,115,455</u>
Other comprehensive income for the year, net of income tax		-	-
Items that may be reclassified subsequently to profit or loss :			
Exchange differences on translating foreign operations		10,233	-
Other comprehensive income for the year, net of income tax		<u>10,233</u>	<u>-</u>
Total comprehensive income for the year attributable to the owners of GR Engineering Services Limited		<u>7,549,704</u>	<u>13,115,455</u>
Profit attributable to owners of the parent		<u>7,539,471</u>	<u>13,115,455</u>
Total comprehensive income attributable to the owners of the parent		<u>7,549,704</u>	<u>13,115,455</u>
		Cents	Cents
Basic earnings per share	30	5.03	8.74
Diluted earnings per share	30	4.97	8.74

The accompanying notes form part of these Financial Statements



ANNUAL FINANCIAL REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	Consolidated 2013 \$	2012 \$
Assets			
Current assets			
Cash and cash equivalents	9	16,218,685	33,861,242
Trade and other receivables	10	29,003,868	25,378,835
Inventories	11	648,345	578,464
Other	12	158,752	231,305
Total current assets		<u>46,029,650</u>	<u>60,049,846</u>
Non-current assets			
Trade and other receivables	10	13,231,115	-
Property, plant and equipment	13	2,671,952	2,191,887
Deferred tax	8	1,627,036	1,832,680
Total non-current assets		<u>17,530,103</u>	<u>4,024,567</u>
Total assets		<u>63,559,753</u>	<u>64,074,413</u>
Liabilities			
Current liabilities			
Trade and other payables	14	5,208,885	10,258,673
Borrowings	15	370,725	246,701
Income tax	8	2,247,969	694,564
Provisions	16	3,195,243	3,872,639
Unearned revenue	17	10,146,686	6,101,140
Total current liabilities		<u>21,169,508</u>	<u>21,173,717</u>
Non-current liabilities			
Borrowings	15	537,632	232,335
Provisions	16	661,861	478,500
Total non-current liabilities		<u>1,199,493</u>	<u>710,835</u>
Total liabilities		<u>22,369,001</u>	<u>21,884,552</u>
Net assets		<u>41,190,752</u>	<u>42,189,861</u>
Equity			
Issued capital	18	28,501,548	28,501,548
Reserves	19	752,254	290,834
Retained profits	20	11,936,950	13,397,479
Total equity		<u>41,190,752</u>	<u>42,189,861</u>

The accompanying notes form part of these Financial Statements



ANNUAL FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Receipts from customers		125,095,913	157,194,026
Payments to suppliers and employees		(118,907,104)	(139,689,706)
Income tax paid		(2,177,460)	(3,455,894)
Interest received		1,491,003	2,191,766
Net cash flows from operating activities	9	<u>5,502,352</u>	<u>16,240,192</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(724,141)	(908,324)
Proceeds from sale of property, plant and equipment		-	-
Investment in term deposits for project security		(13,231,115)	(2,300,398)
Net cash flows used in investing activities		<u>(13,955,256)</u>	<u>(3,208,722)</u>
Cash flows from financing activities			
Payment of finance lease liabilities		(301,394)	(450,303)
(Payments) / Proceeds from borrowings		-	853
Dividends paid		(9,000,000)	(12,000,000)
Net cash flows from/(used in) financing activities		<u>(9,301,394)</u>	<u>(12,449,450)</u>
Net increase/(decrease) in cash and cash equivalents		(17,754,298)	582,020
Cash and cash equivalents at beginning of period		33,861,242	33,279,222
Effects of exchange rate changes of balances of cash held in foreign currencies		111,741	-
Cash and cash equivalents at end of period	9	<u>16,218,685</u>	<u>33,861,242</u>

The accompanying notes form part of these Financial Statements



ANNUAL FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Issued capital \$	Share Option Reserve \$	Performance Rights Reserve \$	Foreign Currency Translation Reserve \$	Retained Earnings \$	Total \$
Balance as at 1 July 2011	28,501,548	50,622	-	-	12,282,024	40,834,194
Profit for the year	-	-	-	-	13,115,455	13,115,455
Other Comprehensive income for the year net of income tax	-	-	-	-	-	-
Total Comprehensive income for the year	-	-	-	-	13,115,455	13,115,455
Declared dividend	-	-	-	-	(12,000,000)	(12,000,000)
Share based payments	-	240,212	-	-	-	240,212
Balance as at 30 June 2012	28,501,548	290,834	-	-	13,397,479	42,189,861
Profit for the year	-	-	-	-	7,539,471	7,539,471
Other Comprehensive income for the year net of income tax	-	-	-	10,233	-	10,233
Total Comprehensive income for the year	-	-	-	10,233	7,539,471	7,549,704
Declared dividend	-	-	-	-	(9,000,000)	(9,000,000)
Share based payments	-	157,762	293,425	-	-	451,187
Balance as at 30 June 2013	28,501,548	448,596	293,425	10,233	11,936,950	41,190,752

The accompanying notes form part of these Financial Statements



ANNUAL FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 1. General information

The financial report covers GR Engineering Services Limited as a consolidated entity consisting of GR Engineering Services Limited and the entities it controlled during the year. The financial report is presented in Australian dollars, which is GR Engineering Services Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

GR Engineering Services Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office
71-73 Daly Street
BELMONT WA 6104

Principal place of business
179 Great Eastern Highway
BELMONT WA 6104

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 21 August 2013. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period beginning 1 July 2012.

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements:

- *AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'*

From 1 July 2012, the Consolidated Entity applied amendments to AASB 101 '*Presentation of Items of Other Comprehensive Income*' outlined in AASB 2011-9 '*Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*'. The change in the accounting policy only relates to disclosures and has had no impact on the earnings of the Consolidated Entity. The changes have been applied retrospectively and require the Consolidated Entity to separately present those items of other comprehensive income that maybe reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. These changes have been included in the Statement of Profit or Loss and Other Comprehensive Income.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.



ANNUAL FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the year ended 30 June 2013.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<ul style="list-style-type: none"> AASB 9 'Financial Instruments' (December 2009), AASB 2009- 11 'Amendments to Australian Accounting Standards arising from AASB 9' AASB 9 'Financial Instruments' (December 2010) and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)' AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures' 	1 January 2015	30 June 2016
<ul style="list-style-type: none"> AASB 10 'Consolidated Financial Statements' 	1 January 2013	30 June 2014
<ul style="list-style-type: none"> AASB 11 'Joint Arrangements' 	1 January 2013	30 June 2014
<ul style="list-style-type: none"> AASB 12 'Disclosure of Interests in Other Entities' 	1 January 2013	30 June 2014
<ul style="list-style-type: none"> AASB 127 'Separate Financial Statements' (2011) 	1 January 2013	30 June 2014
<ul style="list-style-type: none"> AASB 128 'Investments in Associates and Joint Ventures' (2011) 	1 January 2013	30 June 2014
<ul style="list-style-type: none"> AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13' 	1 January 2013	30 June 2014
<ul style="list-style-type: none"> AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)' 	1 January 2013	30 June 2014
<ul style="list-style-type: none"> AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements' 	1 July 2013	30 June 2014
<ul style="list-style-type: none"> AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards' 	1 January 2013	30 June 2014
<ul style="list-style-type: none"> AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)' 	1 January 2013	30 June 2014



ANNUAL FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<ul style="list-style-type: none">AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)'	1 January 2014	30 June 2015
<ul style="list-style-type: none">AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	1 January 2013	30 June 2014
<ul style="list-style-type: none">AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014
<ul style="list-style-type: none">AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015

The impact of these recently issued or amended standards and interpretations have not been determined as yet by the consolidated entity.

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 consolidated entity. For the purposes of preparing the consolidated financial statements, the consolidated entity is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the consolidated entity comply with International Financial Reporting Standards ('IFRS').

Basis of preparation

Historical cost convention

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 below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Significant accounting policies (continued)

Accounting for Construction Contracts

Where 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 reporting date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

Contract costs are recognised as expenses in the period in which they are incurred. Where construction contracts are still in the completion stage, they are included as work in progress.

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

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of GR Engineering Services Limited ('company' or 'parent entity') as at 30 June 2013 and the results of all subsidiaries for the year then ended. GR Engineering Services Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Significant accounting policies (continued)

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director of the consolidated entity.

Foreign currency translation

The financial report is presented in Australian dollars, which is GR Engineering Services Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The functional currency of GR Engineering Services (UK) Limited is Great British pounds. The functional currency of all other subsidiaries of the consolidated entity is United States dollars.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured.

Sales revenue

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Significant accounting policies (continued)

Revenue recognition (continued)

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Income tax

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

Deferred income tax is provided for on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Significant accounting policies (continued)

Income tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

Unearned income

Unearned income classified as a current liability consists of customer advances for construction work in progress. The consolidated entity recognises a liability upon receipt of customer advances and then subsequently recognised as revenue when earned.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Significant accounting policies (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost 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. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Property, plant and equipment - over 2.5 to 20 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the profit or loss in the cost of sales line item.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the period the item is derecognised.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Significant accounting policies (continued)

Leases

Finance leases, which transfer to the consolidated entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

Impairment of non-financial assets

At each reporting date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Significant accounting policies (continued)

Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised and as well as through the amortisation process.

Provisions

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

Where the consolidated entity expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits

Wages and salaries, annual leave and sick leave

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

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

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

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Significant accounting policies (continued)

Employee benefits (continued)

Share-based payments

Share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the share based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of equity instruments that will eventually vest. At the end of each reporting period, the consolidated entity 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.

Share based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of GR Engineering Services Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Significant accounting policies (continued)

De-recognition of financial instruments

The de-recognition of a financial instrument takes place when the consolidated entity no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Where 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 reporting date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

Contract costs are recognised as expenses in the period in which they are incurred. Where construction contracts are still in the completion stage, they are included as work in progress.

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



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Because the consolidated entity predominantly undertakes projects on an Engineering, Procurement & Construction (“EPC”) turnkey design and construction contract basis, all the risk associated with cost, time, plant performance and plant warranty (defects period) rests with the consolidated entity. As such the consolidated entity is responsible for the total “make-good” of any defects of underperformance.

The consolidated entity includes a project completion and close out provision (liability) in design and construction project cost forecast reports, nominally being 3% of the project costs. This percentage has been assessed based on management’s best estimate.

Note 4. Operating segments

Operating segments have been identified on the basis of internal reports of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified as the Board of Directors. On a regular basis, the board receives financial information on a company basis similar to the financial statements presented in the financial report, to manage and allocate their resources.

Note 5. Revenue

	Consolidated	
	2013	2012
	\$	\$
Rendering of services – construction contracts	114,695,369	152,837,930

Note 6. Other income

	Consolidated	
	2013	2012
	\$	\$
Net foreign exchange gain/(loss)	94,891	(154,467)
Net gain/(loss) on disposal of property, plant and equipment	368	(3,411)
Net gain on disposal of inventories	99,882	-
Subsidies and grants	836	1,742
Interest revenue	1,491,003	2,191,766
Other revenue	101,335	115,084
Other income	<u>1,788,315</u>	<u>2,150,714</u>



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 7. Expenses

	Consolidated	
	2013	2012
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and leasing charges on finance leases	<u>104,036</u>	<u>88,133</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>2,673,625</u>	<u>2,777,017</u>
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	<u>35,457,023</u>	<u>38,382,854</u>



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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 8. Income tax expense

Major components of income tax expense for the years ended 30 June 2013 and 2012 are:

Income tax recognised in the Consolidated statement of profit or loss

	Consolidated	
	2013	2012
	\$	\$
<i>Current income</i>		
Current income tax charge	3,913,457	5,229,578
Foreign tax on Gold Ridge project	884	6,517
Foreign tax on other projects	-	34,180
Adjustments in respect of current income tax of previous years	(182,692)	82,707
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	204,860	1,389,624
Income tax expense reported in statement of profit or loss	<u>3,936,509</u>	<u>6,742,606</u>
A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the consolidated entity's effective income tax rate for the years ended 30 June 2013 and 2012 is as follows:		
Accounting profit before income tax	11,475,980	19,858,061
At the statutory income tax rate of 30% (2012: 30%)	3,442,794	5,957,418
Add:		
Non-deductible expenses	163,550	174,424
Adjustments in respect of previous current income tax	(293,555)	153,264
Expenses in relation to Gold Ridge project	623,720	-
Less:		
Adjustments in respect of previous deferred income tax	-	457,500
At effective income tax rate of 34.3% (2012: 33.8%)	<u>3,936,509</u>	<u>6,742,606</u>
Income tax expense reported in statement of profit or loss	<u>3,936,509</u>	<u>6,742,606</u>



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 8. Income tax expense (continued)

	Consolidated	
	2013	2012
	\$	\$
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
<i>Deferred income tax assets</i>		
Accrued employee entitlements	347,080	363,646
Accrued superannuation	215,625	212,263
Accrued audit fees	12,750	-
Leasing	(54,987)	(47,914)
Section 40/880 deduction	268,745	396,228
Provision for long service leave	198,558	143,550
Provision for doubtful debts	-	-
Provision for project returns	28,810	173,995
Provision for warranty	582,683	624,151
Construction Industry long service leave	6,587	9,517
Carry forward tax losses – overseas subsidiaries	65,645	-
	<u>1,671,496</u>	<u>1,875,436</u>
<i>Deferred income tax liabilities</i>		
Prepayments	-	(3,613)
Accrued interest	(13,991)	(39,143)
Other accrued income	(17)	-
Unrealised foreign exchange gain	(30,452)	-
	<u>(44,460)</u>	<u>(42,756)</u>
Net deferred tax asset	<u>1,627,036</u>	<u>1,832,680</u>
Current tax asset and liabilities		
<i>Current tax liabilities</i>		
Income tax payable	<u>2,247,969</u>	<u>694,564</u>



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2013	2012
	\$	\$
Cash on hand	64,612	1,000
Cash at bank	8,154,073	8,835,242
Cash on deposit	8,000,000	25,025,000
	<u>16,218,685</u>	<u>33,861,242</u>

The fair value of cash and cash equivalents is \$16,218,685 (2012: \$33,861,242).

Cash at bank and in hand earns interest at floating rates based on daily bank rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the consolidated entity, and earn interest at the respective short-term deposit rates.

The consolidated entity also holds \$18,266,375 (2012: \$5,035,260) in term deposits to secure bank guarantees for current projects. This amount is included in trade and other receivables note 10 as a non-current asset.

A summary of cash on hand including all cash on term deposit is as follows :

	2013	2012
	\$	\$
Cash at bank	8,218,685	8,836,242
Cash on deposit (Current asset)	8,000,000	25,025,000
Term deposits held for project security (Current asset)	5,035,260	5,035,260
Term deposits held for project security (Non-current asset)	13,231,115	-
	<u>34,485,060</u>	<u>38,896,502</u>

Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

	2013	2012
	\$	\$
Cash at bank	8,218,685	8,836,242
Cash on deposit	8,000,000	25,025,000
	<u>16,218,685</u>	<u>33,861,242</u>



ANNUAL FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 9. Current assets - cash and cash equivalents (continued)

Reconciliation from the net profit after tax to the net cash flow from operations	2013 \$	2012 \$
Net profit after tax	7,539,471	13,115,455
<i>Non-cash items</i>		
Depreciation	974,792	685,665
Profit/loss on sale of asset	-	3,411
Share based employee payments	451,187	240,212
Net foreign exchange (gain)/loss	(101,508)	-
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivables	(3,552,479)	4,164,582
(Increase)/decrease in inventories	(69,882)	1,095,454
(Increase)/decrease in deferred tax asset	205,644	1,389,624
(Decrease)/increase in trade and other payables	(5,043,128)	(4,533,331)
(Decrease)/increase in provisions	(500,696)	(2,332,332)
(Decrease)/increase in tax liabilities	1,553,405	1,897,089
Increase in unearned income	4,045,546	514,363
Net cash from operating activities	<u>5,502,352</u>	<u>16,240,192</u>

Non-cash transactions

During the year ended 30 June 2013, the consolidated entity entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- the consolidated entity acquired \$773,155 of equipment under finance leases (2012: \$86,174)

Note 10. Trade and other receivables

Current assets – trade and other receivables

	Consolidated	
	2013 \$	2012 \$
Trade receivables	23,783,582	21,220,067
Less: Provision for impairment of receivables	-	(1,525,000)
	<u>23,783,582</u>	<u>19,695,067</u>
Term deposits held for project security*	5,035,260	5,035,260
Other receivables	156,134	560,067
Accrued revenue	28,892	88,441
	<u>29,003,868</u>	<u>25,378,835</u>



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 10. Trade and other receivables (continued)

Non-current assets – trade and other receivables

	Consolidated	
	2013	2012
	\$	\$
Term deposits held for project security*	13,231,115	-

* The consolidated entity holds \$18,266,375 (2012: \$5,035,260) in term deposits to secure bank guarantees for current projects. The term deposits remain in place for the life of the projects so although they are cash balances they are classified as other receivables. Of this amount, \$13,231,115 relates to a project to be completed in the 2014-2015 financial year so this term deposit is classed as non-current (2012: nil).

A summary of term deposits held for project security is as follows:

	2013	2012
	\$	\$
Term deposits held for project security (Current asset)	5,035,260	5,035,260
Term deposits held for project security (Non-current asset)	13,231,115	-
	<u>18,266,375</u>	<u>5,035,260</u>

Impairment of receivables

Movements in the provision for impairment of receivables are as follows:

	2013	2012
	\$	\$
Opening balance	1,525,000	1,525,000
Receivables written off during the year as uncollectable	(1,525,000)	-
Closing balance	<u>-</u>	<u>1,525,000</u>

Bad debts written off during the year as uncollectable amount to \$906,933 (2012: nil)

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$956,129 as at 30 June 2013 (\$5,147,472 as at 30 June 2012).

The reduction in this balance is predominantly due to the settlement of legal proceedings with Gold Ridge Mining Limited. Settlement involved a net payment of \$2,650,000 to the consolidated entity and a write off of \$906,933 in bad debts over and above the amount provided for doubtful debts (\$1,525,000).

The ageing of the past due but not impaired receivables are as follows:

	2013	2012
	\$	\$
0 to 3 months overdue	749,127	220,815
3 to 6 months overdue	65,649	280,751
Over 6 months overdue	141,353	4,645,906
	<u>956,129</u>	<u>5,147,472</u>

In determining the recoverability of a trade receivable, the consolidated entity considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 11. Current assets - inventories

	Consolidated	
	2013	2012
	\$	\$
Consumables - at cost	<u>648,345</u>	<u>578,464</u>

Note 12. Current assets - other

	Consolidated	
	2013	2012
	\$	\$
Prepayments	<u>158,752</u>	<u>231,305</u>

Note 13. Non-current assets - property, plant and equipment

	Consolidated	
	2013	2012
	\$	\$
Plant and equipment - at cost	3,835,644	3,121,811
Less: Accumulated depreciation	<u>(2,255,340)</u>	<u>(1,568,673)</u>
	<u>1,580,304</u>	<u>1,553,138</u>
Plant and equipment under lease	2,440,924	1,710,209
Less: Accumulated depreciation	<u>(1,349,276)</u>	<u>(1,071,460)</u>
	<u>1,091,648</u>	<u>638,749</u>
	<u>2,671,952</u>	<u>2,191,887</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant & Equipment Under Lease	Plant & Equipment	Total
	\$	\$	\$
Balance at 1 July 2011	760,763	1,211,876	1,972,639
Additions	86,174	822,150	908,324
Write off of assets	-	(3,411)	(3,411)
Transfers in/(out)	35,091	(35,091)	-
Depreciation expense	<u>(243,279)</u>	<u>(442,386)</u>	<u>(685,665)</u>
Balance at 30 June 2012	<u>638,749</u>	<u>1,553,138</u>	<u>2,191,887</u>
Additions	773,155	684,784	1,457,939
Write off of assets	-	(3,083)	(3,083)
Transfers in/(out)	(14,386)	14,386	-
Depreciation expense	<u>(308,221)</u>	<u>(666,570)</u>	<u>(974,791)</u>
Balance at 30 June 2013	<u>1,089,297</u>	<u>1,582,655</u>	<u>2,671,952</u>



ANNUAL FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 14. Current liabilities - trade and other payables

	Consolidated	
	2013	2012
	\$	\$
Trade payables	3,699,455	8,075,027
Accrued expenses	282,737	290,901
GST payable	472,709	592,908
Other payables	753,984	1,299,837
	<u>5,208,885</u>	<u>10,258,673</u>

Refer to note 22 for further information on financial instruments.

Trade payables are non-interest bearing and are normally settled on 30 day terms.
The net of GST payable and GST receivable is remitted to the appropriate tax body on a monthly basis.

Note 15. Borrowings Current liabilities – borrowings

	Consolidated	
	2013	2012
	\$	\$
Lease liability	<u>370,725</u>	<u>246,701</u>

Non-current liabilities – borrowings

	Consolidated	
	2013	2012
	\$	\$
Lease liability	<u>537,632</u>	<u>232,335</u>

Refer to note 22 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2013	2012
	\$	\$
Lease liability	<u>908,357</u>	<u>479,036</u>

Assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 16. Provisions

Current liabilities - provisions

	Consolidated	
	2013	2012
	\$	\$
Annual leave	1,156,934	1,212,153
Warranties	1,942,275	2,080,502
Project returns	96,034	579,984
	3,195,243	3,872,639

	2013	2012
	\$	\$
Movement in provisions		
<i>Provision for annual leave</i>		
Balance at beginning of year	1,212,153	1,013,497
Additional provisions recognised	1,324,654	1,247,680
Amounts used	(1,379,873)	(1,049,024)
Balance at end of year	1,156,934	1,212,153
<i>Provision for warranty and defects liability</i>		
Balance at beginning of year	2,080,502	4,608,135
Reduction in provisions	(138,227)	(2,527,633)
Amounts used	-	-
Balance at end of year	1,942,275	2,080,502
<i>Provision for project returns</i>		
Balance at beginning of year	579,984	865,192
Additional provisions recognised	(291,868)	1,007,984
Amounts used	(192,082)	(1,293,192)
Balance at end of year	96,034	579,984

Non-current liabilities – provisions

	Consolidated	
	2013	2012
	\$	\$
Long service leave	661,861	478,500
	661,861	478,500

	2013	2012
	\$	\$
Movement in provisions		
<i>Provision for long service leave</i>		
Balance at beginning of year	478,500	228,370
Additional provisions recognised	183,361	250,130
Amounts used	-	-
Balance at end of year	661,861	478,500



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FOR THE YEAR ENDED 30 JUNE 2013

Note 17. Current liabilities - Unearned revenue

	Consolidated	
	2013	2012
	\$	\$
Unearned Revenue	<u>10,146,686</u>	<u>6,101,140</u>

Contracts in progress

	Consolidated	
	2013	2012
	\$	\$
Progress billings	101,485,086	213,719,843
Construction costs to date plus recognised profits	<u>91,338,400</u>	<u>207,618,703</u>
	<u>10,146,686</u>	<u>6,101,140</u>

Note 18. Equity - issued capital

	Consolidated		Consolidated	
	2013	2012	2013	2012
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>150,000,000</u>	<u>150,000,000</u>	<u>28,501,548</u>	<u>28,501,548</u>

Ordinary shares

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

Changes to the Corporation Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the consolidated entity does not have a limited amount of authorised capital and issued shares do not have a par value.

Options

As at 30 June 2013, the unissued ordinary shares of the consolidated entity under option totalled 2,000,000 (as at 30 June 2012: 2,500,000):

Number of shares under option	Grant date	Expiry date	Exercise price
500,000	19/4/2011	19/4/2014	\$1.50
750,000	19/4/2011	19/4/2015	\$1.80
750,000	19/4/2011	19/4/2016	\$2.10

Performance rights

As at 30 June 2013, the consolidated entity had issued a total of 2,075,000 performance rights (as at 30 June 2012: nil):

Number of performance rights	Grant date	Expiry date	Exercise price
1,975,000	11/9/2012	21/9/2015	Nil
50,000	4/10/2012	4/10/2015	Nil
50,000	13/5/2013	13/5/2016	Nil



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FOR THE YEAR ENDED 30 JUNE 2013

Note 19. Equity - reserves

	Consolidated	
	2013 \$	2012 \$
Foreign currency reserve	10,233	-
Performance rights reserve	293,425	-
Share options reserve	448,596	290,834
	<u>752,254</u>	<u>290,834</u>

Foreign currency reserve

Balance at beginning of year	-	-
Additional amounts recognised	10,233	-
Balance at end of year	<u>10,233</u>	<u>-</u>

The above foreign currency reserve represents foreign exchange differences resulting from translation of foreign currency amounts held in subsidiaries of the consolidated entity.

Performance rights reserve

Balance at beginning of year	-	-
Additional amounts recognised	293,425	-
Balance at end of year	<u>293,425</u>	<u>-</u>

The above performance rights reserve relates to performance rights granted by the consolidated entity to its employees under its equity incentive plan.

Share options reserve

Balance at beginning of year	290,834	50,622
Additional amounts recognised	157,762	240,212
Balance at end of year	<u>448,596</u>	<u>290,834</u>

The above share options reserve relates to share options granted by the consolidated entity to its employees under its employee share option plan.

Note 20. Equity - retained profits

	Consolidated	
	2013 \$	2012 \$
Retained profits at the beginning of the financial year	13,397,479	12,282,024
Profit after income tax expense for the year	7,539,471	13,115,455
Payment of dividends	(9,000,000)	(12,000,000)
Retained profits at the end of the financial year	<u>11,936,950</u>	<u>13,397,479</u>



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FOR THE YEAR ENDED 30 JUNE 2013

Note 21. Equity - dividends

Dividends

	Consolidated	
	2013	2012
	\$	\$
Year ended 30 June 2012		
Dividend paid 10 November 2011 (fully franked at 30% tax rate) : 4 cents per ordinary share		6,000,000
Dividend paid 13 March 2012 (fully franked at 30% tax rate) : 4 cents per ordinary share		6,000,000
Year ended 30 June 2013		
Dividend paid 28 September 2012 (fully franked at 30% tax rate) : 4 cents per ordinary share	6,000,000	
Dividend paid 18 March 2013 (fully franked at 30% tax rate) : 2 cents per ordinary share	3,000,000	
	<u>9,000,000</u>	<u>12,000,000</u>

On 21 August 2013, the consolidated entity declared a fully franked dividend of 3.0 cents per share, an aggregate of \$4,500,000. The Record Date of the dividend is 17 September 2013 and the proposed payment date is 1 October 2013.

Franking credits

	Consolidated	
	2013	2012
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>(79,040)</u>	<u>1,663,271</u>

Note 22. Financial instruments

Financial risk management objectives

The consolidated entity is exposed to risks in relation to its financial instruments. These risks include market risk (consisting of foreign currency risk and interest rate risk), credit risk and liquidity risk.

A summary of the consolidated entity's financial instruments are as follows:

	2013	2012
	\$	\$
Financial Assets		
Cash and cash equivalents	16,218,685	33,861,242
Trade and other receivables	42,234,983	25,378,835
Total financial assets	<u>58,453,668</u>	<u>59,240,077</u>
Financial Liabilities		
Trade and other payables	5,208,885	10,258,673
Finance lease liabilities	908,357	479,036
Total financial liabilities	<u>6,117,242</u>	<u>10,737,709</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 22. Financial instruments (continued)

Capital Management

The consolidated entity manages its capital to ensure the ability to continue as a going concern while maximising the return to stakeholders. The capital structure of the consolidated entity consists of equity in the form of issued capital, reserves and retained earnings. There is no requirement for borrowings at this stage, as there are sufficient reserves of cash balances.

Market risk

Foreign currency risk

The consolidated entity and the parent entity undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity holds a cash balance in United States dollars, this balance is translated into Australian dollars at the prevailing exchange rate at 30 June 2013 of AUD \$1 = USD \$0.91 (2012: nil). The following table details the consolidated entity's sensitivity to a 10% increase and decrease in the value of the Australian dollar against the United States dollar :

2013	Effect of increase in exchange rate			Effect of decrease in exchange rate		
	Change in exchange rate %	Effect on profit before tax	Effect on equity	Change in exchange rate %	Effect on profit before tax	Effect on equity
Unrealised Exchange Gain/Loss	10% Increase	<u>(86,364)</u>	<u>(86,364)</u>	10% Decrease	<u>105,556</u>	<u>105,556</u>



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 22. Financial instruments (continued)

Interest rate risk

The board has considered the consolidated entity's exposure to interest rate risk by analysing the effect on profit and equity of an interest rate increase or decrease of one percentage point in the following table:

Consolidated - 2013	Effect of increase in interest rate			Effect of decrease in interest rate		
	Increase in interest rate	Effect on profit before tax	Effect on equity	Decrease in interest rate	Effect on profit before tax	Effect on equity
Interest revenue	1%	321,643	321,643	1%	(321,643)	(321,643)
Interest expense	1%	(3,130)	(3,130)	1%	3,130	3,130
		<u>318,513</u>	<u>318,513</u>		<u>(318,513)</u>	<u>(318,513)</u>

Consolidated - 2012	Effect of increase in interest rate			Effect of decrease in interest rate		
	Increase in interest rate	Effect on profit before tax	Effect on equity	Decrease in interest rate	Effect on profit before tax	Effect on equity
Interest revenue	1%	435,856	435,856	1%	(435,856)	(435,856)
Interest expense	1%	(206)	(206)	1%	205	205
		<u>435,650</u>	<u>435,650</u>		<u>(435,651)</u>	<u>(435,651)</u>

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The consolidated entity uses independent rating agencies, publicly available financial information and other trading records to rate its major customers. Legally binding contracts are entered into to determine payment terms in relation to major projects.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The consolidated entity does not have significant credit risk exposure to any single counterparty or group of counterparties.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the consolidated entity's short-, medium- and long-term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 22. Financial instruments (continued)

Liquidity and interest rate risk tables

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2013	Weighted average interest rate %	Remaining contractual maturities			Total \$
		Less than 6 months \$	6 to 12 months \$	Over 12 months \$	
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	-	5,208,885	-	-	5,208,885
<i>Interest-bearing - fixed rate</i>					
Lease liability	9.14%	178,937	191,788	537,632	908,357
Total non-derivatives		5,387,822	191,788	537,632	6,117,242

Consolidated - 2012	Weighted average interest rate %	Remaining contractual maturities			Total \$
		Less than 6 months \$	6 to 12 months \$	Over 12 months \$	
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	-	10,258,673	-	-	10,258,673
<i>Interest-bearing - fixed rate</i>					
Lease liability	9.37%	136,866	109,835	232,335	479,036
Total non-derivatives		10,395,539	109,835	232,335	10,737,709



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FOR THE YEAR ENDED 30 JUNE 2013

Note 22. Financial instruments (continued)

Fair value of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the consolidated entity are as follows:

Consolidated	2013		2012	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<i>Assets</i>				
Cash at bank	8,218,685	8,218,685	8,836,242	8,836,242
Cash on deposit	8,000,000	8,000,000	25,025,000	25,025,000
Trade receivables	42,234,983	42,234,983	25,378,835	25,378,835
	<u>58,453,668</u>	<u>58,453,668</u>	<u>59,240,077</u>	<u>59,240,077</u>
<i>Liabilities</i>				
Trade payables	5,208,885	5,208,885	10,258,673	10,258,673
Lease liability	908,357	908,357	479,036	479,036
	<u>6,117,242</u>	<u>6,117,242</u>	<u>10,737,709</u>	<u>10,737,709</u>

Note 23. Key management personnel disclosures

Directors

The following persons were directors of GR Engineering Services Limited during the financial year:

Executive directors

Joe Ricciardo - Executive Chairman	Appointed 26 June 2013 (Managing Director prior to this date)
Tony Patrizi - Executive Director	
Geoff Jones - Managing Director	Appointed 26 June 2013 (Chief Operating Officer prior to this date)

Non-executive directors

Barry Patterson - Non-Executive Director	Appointed 26 June 2013 (Non-Executive Chairman prior to this date)
Terry Strapp - Non-Executive Director	
Peter Hood - Non-Executive Director	

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Executives

David Sala Tenna - General Manager EPC Division	
Joe Totaro - Chief Financial Officer and Company Secretary	
Rodney Schier - Engineering Manager	
Paul Newling - General Manager EPCM Division	Appointed 18 February 2013



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 23. Key management personnel disclosures (continued)

Remuneration of key management personnel

Information on remuneration of key management personnel is set out in the Remuneration Report in the Directors Report.

The aggregate compensation made to key management personnel of the consolidated entity is set out below:

	Consolidated	
	2013	2012
	\$	\$
Short term benefits	2,388,402	2,169,105
Post employment benefits	182,016	180,887
Share based payments	158,830	240,212
Other	50,000	-
	<u>2,779,248</u>	<u>2,590,204</u>

Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2013	Balance at	Received	Additions/	Disposals/	Balance at
	the start of	as part of	other	other	the end of
	the year	remuneration			the year
<i>Ordinary shares</i>					
Joe Ricciardo	9,025,000	-	773,578	-	9,798,578
Tony Patrizi	9,025,000	-	770,000	-	9,795,000
Barry Patterson	10,500,000	-	-	-	10,500,000
Terry Strapp	300,000	-	-	-	300,000
Peter Hood	500,000	-	-	-	500,000
Geoffrey Jones	150,000	-	250,000	-	400,000
David Sala Tenna	13,825,000	-	-	-	13,825,000
Joe Totaro	9,000,000	-	500,000	-	9,500,000
Rodney Schier	8,100,000	-	-	-	8,100,000
Paul Newling	-	-	-	-	-
	<u>60,425,000</u>	<u>-</u>	<u>2,293,578</u>	<u>-</u>	<u>62,718,578</u>



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 23. Key management personnel disclosures (continued)

Remuneration of key management personnel (continued)

	Balance at the start of the year	Received as part of remuneration	Additions/ other	Disposals/ other	Balance at the end of the year
2012					
<i>Ordinary shares</i>					
Joe Ricciardo	12,000,000	-	-	(2,975,000)	9,025,000
Tony Patrizi	12,000,000	-	-	(2,975,000)	9,025,000
Barry Patterson	12,000,000	-	-	(1,500,000)	10,500,000
Terry Strapp	300,000	-	-	-	300,000
Peter Hood	500,000	-	-	-	500,000
Geoffrey Jones	150,000	-	-	-	150,000
David Sala Tenna	16,800,000	-	-	(2,975,000)	13,825,000
Joe Totaro	12,000,000	-	-	(3,000,000)	9,000,000
Rodney Schier	9,600,000	-	-	(1,500,000)	8,100,000
Paul Newling	-	-	-	-	-
	<u>75,350,000</u>	-	-	<u>-(14,925,000)</u>	<u>60,425,000</u>

Option holding

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2013					
<i>Options over ordinary shares</i>					
Geoffrey Jones	2,500,000	-	-	(500,000)	2,000,000
	<u>2,500,000</u>	-	-	<u>(500,000)</u>	<u>2,000,000</u>
2012					
<i>Options over ordinary shares</i>					
Geoffrey Jones	2,500,000	-	-	-	2,500,000
	<u>2,500,000</u>	-	-	-	<u>2,500,000</u>



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 23. Key management personnel disclosures (continued)

Remuneration of key management personnel (continued)

Performance rights

The number of performance rights issued to directors and other members of key management personnel of the consolidated entity is set out below :

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2013					
<i>Performance rights</i>					
Paul Newling	-	50,000	-	-	50,000
	-	50,000	-	-	50,000

There were nil performance rights on issue prior to 1 July 2012.

Other transactions with key management personnel

Other than the transactions noted in note 27, there have been no other transactions noted with key management personnel.

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company, and its network firms:

	Consolidated	
	2013	2012
	\$	\$
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements	126,141	129,137
<i>Other services - Deloitte Touche Tohmatsu</i>		
Tax compliance	30,576	25,860
Professional services in relation to transfer pricing	18,500	-
	<u>175,217</u>	<u>154,997</u>
<i>Other services - Deloitte Corporate Finance Pty Ltd</i>		
Professional services in relation to Initial Public Offering	-	2,667



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FOR THE YEAR ENDED 30 JUNE 2013

Note 25. Contingent liabilities

The consolidated entity has bank guarantees in place as at 30 June 2013 of \$20,368,209 (2012: \$9,002,427).

The consolidated entity has a bank guarantee facility with the National Australia Bank to provide bank guarantees to support project performance in favour of certain clients of the consolidated entity. The facility has an approved limit of \$15,000,000. The facility is secured by a fixed and floating charge over all the assets of the consolidated entity and letters of set-off against cash term deposits equating to 50% of the amount of bank guarantees on issue at any given time. The amount of bank guarantees issued under this facility at 30 June 2013 is \$7,012,655 (2012: \$8,141,565). The consolidated entity has a bank guarantee facility with National Australia Bank to provide guarantees for the security of rental properties to the value of \$860,862 (2012: \$860,862). The amount of bank guarantees issued under this facility at 30 June 2013 is \$860,862 (2012: \$860,862).

The consolidated entity has a further bank guarantee facility with HSBC Bank Australia Limited to provide bank guarantees to support project performance in favour of certain UK based clients of GR Engineering Services (UK) Limited. The aggregate of this facility is GBP £7,545,545, with a stand alone limit of GBP £7,545,545. The facility is secured by a term deposit letter of set-off over an AUD \$13,265,289 term deposit (2012: nil). The amount of bank guarantees issued under this facility at 30 June 2013 is GBP £7,545,545 (2012: nil).

The consolidated entity has a \$20 million insurance bond facility with Assetinsure Pty Ltd. Part of this facility will be utilised to provide Wolf Minerals (UK) Limited with retention and off site materials bonds in connection with the Hemerdon Tungsten & Tin Project. This facility is unutilised at 30 June 2013.

Note 26. Commitments

The consolidated entity has leased certain of its office equipment under finance leases. The average lease term is 3 years (2012: 3 years). The consolidated entity has options to purchase the equipment for a nominal amount at the end of the lease terms. The consolidated entity's obligations under finance leases are secured by the lessors' title to the leased assets.

	Consolidated	
	2013	2012
	\$	\$
Finance Leases		
Not longer than 1 year	425,877	281,914
Longer than 1 year and not longer than 5 years	574,515	250,013
Longer than 5 years	-	-
Minimum lease payments	<u>1,000,392</u>	<u>531,927</u>
Less: future finance charges	(92,036)	(52,891)
Present value of minimum lease payments	<u>908,356</u>	<u>479,036</u>

The consolidated entity has operating leases that relate to leases of office buildings with lease terms of between 2 and 5 years. All operating lease contracts contain clauses for market rental reviews.

	2013	2012
	\$	\$
Non-Cancellable Operating Lease Commitments		
Not longer than 1 year	1,844,059	1,727,652
Longer than 1 year and not longer than 5 years	3,890,934	2,872,652
Longer than 5 years	-	-
Total lease payments	<u>5,734,993</u>	<u>4,600,304</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 27. Related party transactions

During the year ended 30 June 2013 the consolidated entity leased office space at 71-73 Daly Street from Ashguard Pty Ltd. Directors of the consolidated entity, namely Joe Ricciardo, Tony Patrizi, and Barry Patterson, each have a non controlling interest in Ashguard Pty Ltd. Total payments to Ashguard Pty Ltd in the year ended 30 June 2013 amounted to \$302,626 including GST (2012: \$286,497). The balance payable at 30 June 2013 is \$21,934 (2012: \$21,482).

During the year ended 30 June 2013 the consolidated entity was provided engineering services by Optiro Pty Ltd, a company in which Joe Ricciardo and Tony Patrizi each hold non-controlling interests. Total payments to Optiro Pty Ltd in the year ended 30 June 2013 amounted to \$35,876 including GST (2012: nil). The balance payable at 30 June 2013 is nil (2012: nil).

During the year ended 30 June 2013 the consolidated entity provided engineering services and procurement of materials for Crushing Services International Pty Ltd (a subsidiary of Mineral Resources Limited), a company in which Joe Ricciardo is a non-executive director. The total amount invoiced to Crushing Services International Pty Ltd in the year ended 30 June 2013 was \$823,801 including GST (2012: \$3,679,173). The balance outstanding at 30 June 2012 is \$46,640 (2012: \$336,519).



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NOTES TO THE FINANCIAL STATEMENTS

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Note 28. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2013	2012
	\$	\$
Profit after income tax	<u>7,758,287</u>	<u>13,115,455</u>
Total comprehensive income	<u>7,758,287</u>	<u>13,115,455</u>

Statement of financial position

	Parent	
	2013	2012
	\$	\$
Total current assets	<u>46,280,145</u>	<u>60,049,846</u>
Total assets	<u>63,810,248</u>	<u>64,074,413</u>
Total current liabilities	<u>21,831,370</u>	<u>21,173,717</u>
Total liabilities	<u>22,369,002</u>	<u>21,884,552</u>
Equity		
Issued capital	28,501,548	28,501,548
Performance rights reserve	293,425	-
Share options reserve	448,596	290,834
Retained profits	<u>12,197,677</u>	<u>13,397,479</u>
Total equity	<u>41,441,246</u>	<u>42,189,861</u>

The contingent liabilities and commitments of the parent entity are the same as those of the consolidated entity.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 29. Events after the reporting period

Dividend declaration

On 21 August 2013, the consolidated entity declared a fully franked dividend of 3.0 cents per share, an aggregate of \$4,500,000. The Record Date of the dividend is 17 September 2013 and the proposed payment date is 1 October 2013.

No other matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 30. Earnings per share

	Consolidated	
	2013	2012
	\$	\$
Profit after income tax attributable to the owners of GR Engineering Services Limited	7,539,471	13,115,455
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	150,000,000	150,000,000
Adjustments for calculation of diluted earnings per share:		
Weighted average number of employee performance rights issued	1,569,315	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	151,569,315	150,000,000
	Cents	Cents
Basic earnings per share	5.03	8.74
Diluted earnings per share	4.97	8.74

Note: the options outstanding at 30 June 2013 and 30 June 2012 are out of the money and therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 31. Share-based payments

The consolidated entity has established an employee share option plan named the GR Engineering Services Limited Employee Share Option Plan (ESOP). The consolidated entity may offer options to subscribe for shares in the consolidated entity to eligible persons under the ESOP. Options offered under the employee share option plan are to be offered on such terms as the board determines and the offer must set out specified information including the number of options, the period of the offer, calculation of the exercise price and any exercise conditions.

The exercise price is to be determined by the Board in its absolute discretion and set out in the offer provided that the exercise price is not less than the average market price on ASX on the five trading days prior to the day the Directors resolve to grant the option(s).

The following equity based payment arrangements existed at 30 June 2013:

The consolidated entity has issued a total of 2,500,000 Options to its Chief Operating Officer, which confer the right of one ordinary share for every option held. These options have exercise conditions attached, whereby they will lapse if the employee ceases to become an eligible person, for any reason other than a specified reason as outlined in the terms of the option.

On 19 April 2013, 500,000 of these options expired.

Set out below are summaries of options granted under the plan:

2013

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
19/4/2011	19/4/2013	\$1.25	500,000	-	-	(500,000)	-
19/4/2011	19/4/2014	\$1.50	500,000	-	-	-	500,000
19/4/2011	19/4/2015	\$1.80	750,000	-	-	-	750,000
19/4/2011	19/4/2016	\$2.10	750,000	-	-	-	750,000
			<u>2,500,000</u>	-	-	<u>(500,000)</u>	<u>2,000,000</u>

2012

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
19/4/2011	19/4/2013	\$1.25	500,000	-	-	-	500,000
19/4/2011	19/4/2014	\$1.50	500,000	-	-	-	500,000
19/4/2011	19/4/2015	\$1.80	750,000	-	-	-	750,000
19/4/2011	19/4/2016	\$2.10	750,000	-	-	-	750,000
			<u>2,500,000</u>	-	-	-	<u>2,500,000</u>



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 31. Share-based payments (continued)

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2013 Number	2012 Number
19/4/2011	19/4/2013	-	500,000
19/4/2011	19/4/2014	500,000	-
Total exercisable		<u>500,000</u>	<u>500,000</u>

The weighted average share price during the financial year is \$0.79 (2012: \$1.72). The weighted average remaining contractual life of share options outstanding at 30 June 2013 is 704 days (2012: 914).

The fair value of options granted was calculated using a Black-Scholes option pricing model applying inputs as follows:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Share price at grant date	\$1.00	\$1.00	\$1.00	\$1.00
Exercise price	\$1.25	\$1.50	\$1.80	\$2.10
Expected volatility	50.00%	50.00%	50.00%	50.00%
Dividend yield	4.00%	4.00%	4.00%	4.00%
Risk-free interest rate	3.10%	3.10%	3.10%	3.10%
Fair value at grant date	\$0.174	\$0.245	\$0.240	\$0.260

An Equity Incentive Plan was adopted by the consolidated entity on 28 March 2012. At the discretion of the Board, all eligible employees of the Company or eligible consultants may participate in the Plan. Non-executive directors are not eligible to participate in the Plan.

The Plan is designed to align the interests of executives and employees with the interests of shareholders by providing an opportunity to receive an equity interest in the Company and therefore direct participation in the benefits of future Company performance over the medium to long term.

The consolidated entity issued a total of 2,215,000 performance rights on 11 September 2012 to a total of 86 employees and long term contractors under an Equity Incentive Plan. Each right entitles the employee to acquire one fully paid share in the consolidated entity for nil consideration, subject to the employees meeting a service term of three years from the date of grant.

A further 50,000 rights were issued to two employees on 4 October 2012. A third tranche of 50,000 rights were issued to an employee on 13 May 2013, these further tranches of rights have a three year service term from the date of issue.

A total of 240,000 rights have lapsed in the financial year ended 30 June 2013, due to resignations and redundancies of employees entitled to the rights.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 31. Share-based payments (continued)

The fair value of performance rights granted during the year was calculated using a Black-Scholes pricing model applying inputs as follows:

	Tranche 1	Tranche 2	Tranche 3
Number issued	2,215,000	50,000	50,000
Number lapsed	(240,000)	-	-
Grant date	11 Sep 2012	4 Oct 2012	13 May 2013
Exercise price	Nil	Nil	Nil
Vesting date	21 Sep 2015	4 Oct 2015	13 May 2016
Expiry date	21 Sep 2015	4 Oct 2015	13 May 2016
Vesting period (years)	3	3	3
Vesting conditions	Nil	Nil	Nil
Fair value	\$0.637	\$0.689	\$0.459

Movement in performance rights

	2013	
	Number of performance rights	Weighted average exercise price
Balance at beginning of year	-	-
Granted during the year	2,315,000	-
Forfeited during the year	(240,000)	-
Balance at end of year	<u>2,075,000</u>	

The weighted average fair value of performance rights granted at 30 June 2013 is \$0.63. The weighted average exercise price of these performance rights at 30 June 2013 is nil. The weighted average remaining contractual life of performance rights outstanding at 30 June 2013 is 819 days. There were nil performance rights on issue as at 30 June 2012.



ANNUAL FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Note 32. Subsidiaries

The consolidated financial statements incorporate the following subsidiaries at the end of the reporting period.

Name of subsidiary	Country of incorporation	Equity holding	
		2013 %	2012 %
GR Engineering Services (Indonesia) Pty Limited	Australia	100	100
GR Engineering Services (Argentina) Pty Limited	Australia	100	100
PT GR Engineering Services Indonesia *	Indonesia	100	100
GR Engineering Services (Africa)	Mauritius	100	100
GR Engineering Services (UK) Limited	United Kingdom	100	100
GR Engineering Services (Ghana) Limited **	Ghana	100	100
GR Engineering Services (Côte D'Ivoire) **	Côte D'Ivoire	100	100
GR Engineering Services (Mali) **	Mali	100	100
GR Engineering Services (Tengrela) ***	Côte D'Ivoire	100	-

* PT GR Engineering Services Indonesia is 90% owned by GR Engineering Services Limited and 10% owned by GR Engineering Services (Indonesia) Pty Limited

** GR Engineering Services (Ghana) Limited, GR Engineering Services (Côte D'Ivoire) and GR Engineering Services (Mali) are 100% owned by GR Engineering Services (Africa).

*** GR Engineering Services (Tengrela) was incorporated during the financial year but the entity is dormant as at 30 June 2013.



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DIRECTORS' DECLARATION

The directors declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable;
- (b) In the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;
- (c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) The directors have been given the declarations required by s.295A of the Corporations Act 2001

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

A handwritten signature in black ink, appearing to read 'Geoff Jones', written in a cursive style.

Name: Geoff Jones

Date: 21st August 2013



INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the members of GR Engineering Services Limited

Report on the Financial Report

We have audited the accompanying financial report of GR Engineering Services Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 22 to 66.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



ANNUAL FINANCIAL REPORT

INDEPENDENT AUDITOR'S REPORT

Deloitte

Auditor's Independence Declaration

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

Opinion

In our opinion:

- (a) the financial report of GR Engineering Services Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 19 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of GR Engineering Services Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants
Perth, 21 August 2013



CORPORATE GOVERNANCE STATEMENT

GR Engineering Services Ltd ("**the Company**") has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the Corporate Governance Principles and Recommendations ("**Principles & Recommendations**") as published by the ASX Corporate Governance Council.

A summary of the Company's corporate governance practices is set out below.

Summary of Board Charter

The role of the Board is to provide leadership for and supervision of the Company's senior management. The Board provides the strategic direction of the Company and regularly measures the progression by senior management of that strategic direction. The Board is responsible for promoting the success of the Company through its oversight role. The Board also reviews the Company's policies on risk oversight and management, internal compliance and control, its Code of Conduct, and legal compliance. There are mechanisms in place so that the Board can satisfy itself that senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risk and material business risk. The Board monitors and reviews senior management's performance and implementation of strategy.

The Board Charter also sets out quantitative and qualitative materiality thresholds.

The Board delegates to senior management the responsibility of the day-to-day activities in fulfilling the Board's responsibility. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director then directly to the Chair or the lead independent Director, as appropriate.

The Board Charter describes the division of responsibilities between the Chair, the lead independent Director and the Managing Director.

The role of non-executive and independent directors is also set out in the Board Charter.

Summary of Audit and Risk Committee Charter

The role of the audit and risk committee is to monitor and review the integrity of the financial reporting of the Company and to review significant financial reporting judgments. The audit and risk committee is also to review the Company's internal financial control system and risk management systems and to monitor, review and oversee the external audit function.

The audit and risk committee has the power to conduct or authorise investigations into any matters within the audit and risk committee's scope of responsibilities. The audit and risk committee has the authority, as it deems necessary or appropriate, to retain independent legal, accounting or other advisors.

The audit and risk committee also assesses whether external reporting is consistent with audit and risk committee members' information and knowledge and is adequate for shareholder needs and assesses the management processes supporting external reporting.

Summary of Nomination Committee Charter

The role of the nomination committee is to effectively examine the selection and appointment practices of the Company. The nomination committee regularly reviews the size and composition of the Board and makes recommendations to the Board on any appropriate changes. The nomination committee identifies and assesses necessary and desirable Director competencies with a view to enhancing the Board.



CORPORATE GOVERNANCE STATEMENT

The nomination committee also regularly reviews the time required from non-executive Directors and whether non-executive Directors are meeting that requirement.

Initial Director appointments are made by the Board. Any new Director will be required to stand for election at the Company's next annual general meeting following their appointment.

Summary of Remuneration Committee Charter

The function of the remuneration committee is to review and make appropriate recommendations on remuneration packages of executive Directors, non-executive Directors and senior executives. The remuneration committee is also responsible for reviewing any employee incentive and equity-based plans, including the appropriateness of performance hurdles and total payments proposed.

Summary of Remuneration Policy

Emoluments of Directors and senior executives are set by reference to payments made by other companies of similar size and industry, and by reference to the skills and experience of the Directors and executives.

The Company's policy is to remunerate non-executive Directors at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive Directors is not linked to individual performance. This policy is subject to annual review. From time to time, and subject to obtaining the relevant approvals, the Company may grant options to non-executive Directors. The grant of options is designed to recognise and reward efforts as well as to provide non-executive Directors with additional incentive to continue those efforts for the benefit of the Company.

Executive pay and reward consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant regulatory and shareholder approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles.

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Summary of Code of Conduct

The Code of Conduct sets out the principles and standards which the Board, management and employees of the Company are encouraged to strive towards when dealing with each other, shareholders, other stakeholders and the broader community.

The Company is to comply with all legislative and common law requirements which affect its business. The Company will deal with others in a way that is fair and will not engage in deceptive practices.

The Code of Conduct sets out directives for Directors, management and staff relating to conflicts of interests, protection of the Company's assets and confidentiality.

Summary of Policy and Procedure for Selection and (Re)Appointment of Directors

In considering new candidates, the nomination committee evaluates the range of skills, experience and expertise of the existing Board. In particular, the nomination committee is to identify the particular skills that will best increase the Board's effectiveness. In this process, consideration is also given to the balance of independent Directors on the Board, while reference is made to the Company's size and operations as they evolve from time to time. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

All Directors are required to consider the number and nature of their directorships and calls on their time from other commitments.

Shareholders shall be informed of the names and details of candidates submitted for election as Directors, in order to enable shareholders to make an informed decision regarding the election.



CORPORATE GOVERNANCE STATEMENT

Summary of Process for Performance Evaluation

The Chair evaluates the performance of the Board by way of an informal round-table discussion with all directors and through questionnaires completed by each director.

The Chair reviews the performance of the committees of the Board by way on an informal round-table discussion with all directors and through questionnaires completed by each director who is a member of the committee being evaluated.

Individual director's performance evaluations are completed by the Chair. The Chair meets with each individual director and reviews questionnaires completed by each director.

The Managing Director's performance evaluation is conducted by the Chair. The Chair conducts a performance evaluation of the Managing Director by way of meeting with the Managing Director and with an informal round-table discussion with all directors, and by reference to the Managing Director's key performance indicators which are set by the Nomination Committee.

The Managing Director reviews the performance of the senior executives. The Managing Director conducts a performance evaluation of the senior executives by way of on-going informal monitoring throughout each financial year and at an annual formal interview.

Summary of Policy for Trading in Company Securities

The Board has adopted a policy which prohibits dealing in the Company's securities by directors, officers, specified employees (including connected persons) and, contractors when those persons possess inside information. The policy also contains a blackout period within which directors, officers and employees are prohibited from trading. The policy prohibits short term or speculative trading of the Company's securities. Trading may be permitted in a blackout period in certain exceptional circumstances subject to obtaining prior written clearance. Directors, officers and specified employees are required to obtain clearance prior to trading at all times.

Summary of Diversity Policy

The Board has adopted a Diversity Policy which describes the Company's commitment to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees, to enhance Company performance. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Diversity Policy outlines the process by which the Board will set measurable objectives to achieve the aims of its Diversity Policy. The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of any diversity objectives.

Women comprise approximately 19% of the Company's total workforce and approximately 14% of the Company's professionally qualified personnel. Women are not represented in the Company's senior executive team.

The Board recognises the under representation by women in its professional and executive workforce. Therefore and subject to identifying female candidates with the requisite qualifications and experience, it is the Board's objective to improve on this percentage and if possible increase it to 15% by 30 June 2014.

The Company will continue to facilitate flexible working hours to enable all employees to meet ongoing training and education and in particular in enable female staff members to balance their professional and domestic commitments. This is an important element of the Company's strategy of attracting more professionally qualified women to its workforce.

The Company listed on ASX in April 2011 after an exhaustive search for Board members of suitable skills, experience and qualifications. The Board is comprised of three male non-executive and three male executive directors. The Board recognises that it would be beneficial to have on its Board an independent female non-executive director to widen the Board's skill set and to add experience and broadened perspective to the assessment of information and decision making. However, the



CORPORATE GOVERNANCE STATEMENT

Company has not sought to expand its Board during the year under review and therefore has not sought candidates for any Board position.

Subject to the Company achieving this strategy for growth, the Board will identify a suitable candidate for an additional non-executive directorship. Consistent with its policy on gender diversity the Company will consider a female for this position provided that the appointment satisfies Board composition requirements at the time.

Summary of Compliance Procedures

The Board has adopted Compliance Procedures to assist it to comply with the Listing Rules disclosure requirements. Under the Compliance Procedures, a responsible officer is appointed who is primarily responsible for ensuring the Company complies with its disclosure obligations. The duties of the responsible officer are set out in the Compliance Procedures. The Compliance Procedures provide guidelines as to the type of information that needs to be disclosed and encourages thorough recording of disclosure decision making. The Compliance Procedures contain information on avoiding a false market, safeguarding confidentiality of corporate information, and information on external communication for the purpose of protecting the Company's price sensitive information. The Compliance Procedures also provide guidance relating to potential disclosure material.

Summary of Procedure for the Selection, Appointment and Rotation of External Auditor

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as per the recommendations of the Audit and Risk Committee.

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period.

The Audit and Risk Committee will review the performance of the external auditor on an annual basis and make any recommendations to the Board.

Summary of Shareholder Communication Strategy

The Board aims to ensure that the shareholders are informed of all major developments affecting the Company. The Company provides shareholder materials directly to shareholders through electronic means. A shareholder may request a hard copy of the Company's annual report to be posted to them. The Company maintains a website on which the Company makes certain information available on a regular basis.

Summary of Risk Management Policy

The Board has adopted a Risk Management Policy. Under the policy, the Board delegates day-to-day management of risk to the Managing Director, with the assistance of senior management as required. The Policy sets out the role and accountabilities of the Managing Director. It also contains the Company's risk profile and describes some of the policies and practices the Company has in place to manage specific business risks.

The Managing Director is required to report on the progress of, and on all matters associated with risk management. The Managing Director is to report to the Board as to the effectiveness of the Company's management of its material business risks at least annually.

The Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself at least annually that management has developed and implemented a sound system of risk management and internal control.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

ASX Corporate Governance Council Principles and Recommendations



CORPORATE GOVERNANCE STATEMENT

The Board sets out below its "if not, why not" report. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and a reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

The Company has not made an early transition to the amended 2nd edition Principles & Recommendations and the following "if not, why not" report reflects this. The Company will report against the 2nd edition Principles & Recommendations for its financial year commencing 1 July 2011.

Recommendation	ASX P & R ¹	If not, why not ²	Recommendation	ASX P & R ¹	If not, why not ²
1.1	✓		4.1	✓	
1.2	✓		4.2	✓	
1.3 ³	n/a	n/a	4.3	✓	
2.1	✓		4.4 ³	n/a	n/a
2.2		✓	5.1	✓	
2.3	✓		5.2 ³	n/a	n/a
2.4	✓		6.1	✓	
2.5	✓		6.2 ³	n/a	n/a
2.6 ³	n/a	n/a	7.1	✓	
3.1	✓		7.2	✓	
3.2	✓		7.3	✓	
3.3	✓		7.4 ³	n/a	n/a
3.4	✓	✓	8.1	✓	
3.5	n/a		8.2	✓	
			8.3 ³	n/a	n/a

1 Indicates where the Company has followed the Principles & Recommendations.

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Company has established the functions reserved to the Board and those delegated to seniors executives and has set out these functions in its Board Charter, summarised above in the section titled "Summary of Board Charter".

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

Refer to the section titled "Summary of Process for Performance Evaluation" above.

Recommendation 1.3: Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

Disclosure:



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CORPORATE GOVERNANCE STATEMENT

A summary of the Company's Board Charter is noted above under the section titled "Summary of Board Charter" and will also be made publicly available on the Company's website at www.gres.com.au under the section marked Corporate Governance.

The Company will from time to time conduct performance evaluations of its senior executives in accordance with the Company's Process for Performance Evaluation.

Principle 2: Structure the board to add value

Recommendation 2.1: A majority of the board should be independent Directors.

Disclosure:

The Board has a majority of Directors who are independent.

The independent Directors of the Company are Peter Hood, Terrence Strapp and Barry Patterson (deemed independent).

The Board deems Barry Patterson to be an independent director notwithstanding his substantial shareholding in the Company because he is not a member of management and is otherwise free of any business or other relationship (including those referred to in Box 2.1 of the Principles & Recommendations and the Company's Policy on Assessing the Independence of Directors) that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgment. Furthermore, Barry Patterson's interests as a major shareholder are considered by the Board to be in line with the interests of all other shareholders.

The non independent Directors of the Company are Joseph Ricciardo, Tony Patrizi and Geoff Jones.

Recommendation 2.2: The Chair should be an independent Director.

Disclosure:

The position of Chair of the Board was held by Barry Patterson prior to 26 June 2013, after this date this position is held by Joseph Ricciardo.

Joseph Ricciardo holds a substantial shareholding in the Company so is not considered to be independent, however the Board maintains that Mr Ricciardo applies independent judgement to any issues which come under the role of the Chairman.

Recommendation 2.3: The roles of Chair and Chief Executive Officer should not be exercised by the same individual.

Disclosure:

The Managing Director is Geoff Jones who is not currently Chair of the Board.

Recommendation 2.4: The Board should establish a Nomination Committee.

Disclosure:

The Board has established a Nomination Committee.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

Disclosure:

Refer to the section titled "Summary of Process for Performance Evaluation" above.

Recommendation 2.6: Companies should provide the information indicated in the *Guide to Reporting on Principle 2*.



CORPORATE GOVERNANCE STATEMENT

Disclosure:

A profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors Report.

As noted above, the independent Directors of the Company are Peter Hood, Terrence Strapp and Barry Patterson (deemed independent). These directors are independent as they are non executive Directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds.

To assist Directors with independent judgement, it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

The Board has established a Nomination Committee. Barry Patterson (chair), Peter Hood, Terrence Strapp and Joe Ricciardo are members of the Nomination Committee. The Company's Nomination Committee Charter is summarised above in the section titled "Summary of Nomination Committee Charter."

Performance evaluations of the Board, its Committees and the Directors will be conducted from time to time in accordance with the Company's Process for Performance Evaluation.

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure summarised in the section titled "Summary of Policy and Procedure for Selection and (Re)Appointment of Directors" above.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that Director's last election or appointment (whichever is longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or a third or the total number of Directors must resign. A Director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of Directors is not automatic.

Principle 3: Promote ethical and responsible decision-making

Recommendation 3.1: Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Code of Conduct is summarised above in the section titled "Summary of Code of Conduct".

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish



CORPORATE GOVERNANCE STATEMENT

measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.

Disclosure:

A summary of the Company's Diversity Policy is summarised above in the Section titled "Summary of Diversity Policy".

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

Disclosure:

A summary of the Company's Diversity Policy containing measurable objectives for achieving gender diversity is summarised above in the section titled "Summary of Diversity Policy".

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

Disclosure:

A summary of the Company's Diversity Policy disclosing the proportion of women employees in the organisation, women in senior executive positions and women on the Board is summarised above in the section titled Summary of Diversity Policy.

Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principal 3.

Disclosure:

A summary of the Company's Gender Diversity Policy is summarised above under the section "Summary of Diversity Policy".

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1: The Board should establish an Audit and Risk Committee.

Disclosure:

The Company has established an Audit and Risk Committee

Recommendation 4.2: The Audit and Risk Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members

Disclosure:

The Audit and Risk Committee comprises three directors, Terrence Strapp (Chair), Peter Hood and Barry Patterson all of whom are independent non-executive Directors.

Recommendation 4.3: The Audit and Risk Committee should have a formal charter.

Disclosure:

The Company has adopted an Audit and Risk Committee Charter, which is summarised above in the section titled "Summary of Audit and Risk Committee Charter".



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Recommendation 4.4: Companies should provide the information indicated in the *Guide to reporting on Principle 4*.

Disclosure:

As noted above, the Company has established a separate Audit and Risk Committee. The Audit and Risk Committee is comprised of the following members Terrence Strapp (chair), Peter Hood and Barry Patterson. The Company's Audit and Risk Committee Charter is summarised above in the section titled "Summary of Audit and Risk Committee Charter."

Details of each of the Director's qualifications are set out in the Directors Report.

The Company has established procedures for the selection, appointment and rotation of its external auditor. These are summarised under the section titled "Summary of Procedure for the Selection, Appointment and Rotation of External Auditor" above.

Principle 5: Make timely and balanced disclosures

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance. These are summarised under the section titled "Summary of Compliance Procedures" above.

Recommendation 5.2: Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

Disclosure:

A summary of the Company's policy to guide compliance with ASX Listing Rule disclosure is included above under the section titled "Summary of Compliance Procedures."

Principle 6: Respect the rights of shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings. This is summarised under the section titled "Summary of Shareholder Communication Strategy" above.

Recommendation 6.2: Companies should provide the information indicated in the *Guide to reporting on Principle 6*.

Disclosure:

A summary of the Company's shareholder communication strategy is included above in the section titled "Summary of Shareholder Communication Strategy."

It is the Company's policy to require the external auditor to attend its annual general meeting and be available to respond to shareholder questions.

Principle 7: Recognise and manage risk



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Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. This policy is summarised under the section titled "Summary of Risk Management Policy" above.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:

The Board has required management to design, implement and maintain risk management and internal controls systems to manage the Company's material business risks. The Board also requires management to report to in confirming that those risks are being managed effectively.

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

The Board will require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to provide a declaration to the Board in accordance with section 295A of the Corporations Act and to assure the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4: Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

Disclosure:

A summary of the Company's Risk Management Policy is included above in the section titled "Summary of Risk Management Policy."

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: The Board should establish a Remuneration Committee.

Notification of departure:

The Company has established a Remuneration Committee.

Recommendation 8.2: The Remuneration Committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair and has at least three members.

Disclosure:

The Company has established a Nomination and Remuneration Committee. The Remuneration Committee is comprised of Barry Patterson (Chair), Terrence Strapp, Peter Hood and Joe Ricciardo. Messrs Patterson, Strapp and Hood are independent directors.



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Recommendation 8.3: Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.

Disclosure:

Refer to the section titled "Summary of Remuneration Policy" above.

Recommendation 8.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

Disclosure:

As noted above, the Company has established a separate Remuneration Committee. The Remuneration Committee is comprised of the following members Barry Patterson (Chair), Terrence Strapp, Peter Hood and Joe Ricciardo. The Company's Remuneration Committee Charter is summarised above in the section titled "Summary of Remuneration Committee Charter."

There are no termination or retirement benefits for non-executive Directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in invested entitlements under any equity based remuneration schemes.



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ADDITIONAL ASX INFORMATION

The shareholder information set out below was applicable as at 20 August 2013:

- the twenty largest shareholders held 86.2% of the Ordinary Shares; and
- there were 1,051 ordinary shareholders.

Distribution of securities

Analysis of number of equity security holders by size of holding:

Range	Total	Units	% shares issued
1 - 1,000	69	39,411	0.03
1,001 - 5,000	362	1,155,571	0.77
5,001 - 10,000	244	2,038,562	1.36
10,001 - 100,000	329	11,063,195	7.38
100,001 - 1,000,000	31	9,552,079	6.37
1,000,001 - 9,999,999,999	16	126,151,182	84.10
Rounding			-0.01
Total	1,051	150,000,000	100.00

The number of shareholders holding less than a marketable parcel of ordinary shares is 69.

Equity security holders

Top 20 Shareholders as at 20 August 2013:

Name	Number of shares held	% of shares issued
1. Mr David Joseph Sala Tenna + Ms Jane Frances Sala Tenna	13,825,000	9.22
2. Citicorp Nominees Pty Ltd	13,499,058	9.00
3. Joley Pty Ltd	12,000,000	8.00
4. Polly Pty Ltd	10,500,000	7.00
5. Quintal Pty Ltd	10,500,000	7.00
6. Paksian Pty Ltd	9,798,578	6.53
7. Kingarth Pty Ltd	9,025,000	6.02
8. Mr Giuseppe Totaro	9,000,000	6.00
9. Ms Barbara Ann Woodhouse	8,150,000	5.43
10. Ms Beverley June Schier	8,100,000	5.40
11. National Nominees Limited	6,250,183	4.17
12. Ledgking Pty Ltd	6,000,000	4.00
13. Mr Stephen Paul Kendrick	3,491,000	2.33
14. JP Morgan Nominees Australia Limited	2,434,136	1.62
15. HSBC Custody Nominees (Australia) Limited	2,053,071	1.37
16. Kendrick Investments Pty Ltd	1,384,000	0.92
17. Mr Cono Antonino Angelo Ricciardo	980,000	0.65
18. Mr Cono Antonino Angelo Ricciardo + Mr Brett Alan Turner	772,109	0.51
19. Kingarth Pty Ltd	770,000	0.51
20. HSBC Custody Nominees (Australia) Limited	692,927	0.46
	129,230,062	86.14



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ADDITIONAL ASX INFORMATION

Substantial Shareholders

Name	Number of shares held	% of total shares issued
1. Mr David Joseph Sala Tenna + Ms Jane Frances Sala Tenna	13,825,000	9.22
2. Commonwealth Bank of Australia	13,289,175	8.86
3. Joley Pty Ltd	12,000,000	8.00
4. Polly Pty Ltd	10,500,000	7.00
5. Quintal Pty Ltd	10,500,000	7.00
6. Paksian Pty Ltd	9,798,578	6.53
7. Kingarth Pty Ltd	9,795,000	6.50
8. Mr Giuseppe Totaro	9,500,000	6.33
9. Ms Barbara Ann Woodhouse	8,150,000	5.43
10. Ms Beverley June Schier	8,100,000	5.40

Voting Rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options over ordinary shares

There are no voting rights attached to Options over the Company's shares.

Performance Rights

There are no voting rights attached to Performance Rights over the Company's shares.

Options on issue

The following options over ordinary shares are on issue to Geoff Jones, the Company's Managing Director:

<i>Number</i>	<i>Grant Date</i>	<i>Expiry Date</i>	<i>Exercise Price</i>
500,000	19 April 2011	19 April 2014	\$1.50
750,000	19 April 2011	19 April 2015	\$1.80
750,000	19 April 2011	19 April 2016	\$2.10

Performance rights

The following performance rights are on issue:

<i>Number</i>	<i>Grant Date</i>	<i>Expiry Date</i>	<i>Exercise Price</i>
1,975,000	11 September 2012	21 September 2015	-
50,000	4 October 2012	4 October 2015	-
50,000	13 May 2013	13 May 2016	-

Company Secretary

Mr Giuseppe (Joe) Totaro

Registered Office

71-73 Daly Street
BELMONT WA 6104

Principal Place of Business

179 Great Eastern Highway
BELMONT WA 6104
Telephone: (61 8) 6272 6000
Facsimile: (61 8) 6272 6001



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ADDITIONAL ASX INFORMATION

Share Registry

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000

On-Market Buyback

The Company has no current on-market buy back scheme.

Restricted Securities

There are no securities subject to any voluntary escrow or any transfer restrictions.