

**GR Engineering Services Limited**  
**Half Year Financial Report**  
**For the Half Year Ended 31 December 2013**

# **GR ENGINEERING SERVICES LIMITED**

## **HALF-YEAR FINANCIAL REPORT**

### **TABLE OF CONTENTS**

---

<b>DIRECTORS' REPORT</b>	<b>3</b>
<b>AUDITORS' INDEPENDENCE DECLARATION</b>	<b>4</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>5</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>6</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>7</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>8</b>
<b>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>9</b>
<b>DIRECTORS' DECLARATION</b>	<b>16</b>
<b>INDEPENDENT AUDITOR'S REVIEW REPORT</b>	<b>17</b>

# GR ENGINEERING SERVICES LIMITED

## HALF-YEAR FINANCIAL REPORT

### DIRECTORS' REPORT

---

Your directors present their report on GR Engineering Services Limited (ASX.GNG) ("the consolidated entity") for the half-year ended 31 December 2013.

#### DIRECTORS

The names of the consolidated entity's directors in office during the half year and until the date of this report follow. The Directors were in office for this entire period unless otherwise stated.

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

Giuseppe (Joe) Totaro

#### PRINCIPAL ACTIVITIES

During the financial period the consolidated entity's activities have been the provision of high quality process engineering design and construction services to the mining and mineral processing industry.

#### REVIEW OF RESULTS AND OPERATIONS

The operating profit after tax of the consolidated entity was \$7,312,536. (2012: \$1,250,521)

Operationally, all projects advanced satisfactorily and the consolidated entity was successful in maintaining its record of no lost time injuries.

The consolidated entity continued to demonstrate its expertise and capabilities in the design and construction of processing facilities relating to both precious and non-precious metals.

This was demonstrated by the successful execution of a project for the refurbishment and upgrade of an iron ore processing facility in South Australia, the engineering and design pursuant to an EPC contract for the design and construction of a tungsten and tin processing facility in the United Kingdom and continued success with the design and construction management of a major gold processing facility in West Africa.

During the period under review, the consolidated entity completed 10 feasibility studies and was engaged on a further 10 studies as at the half year.

On 13 December 2013, the consolidated entity announced the acquisition of Production Solutions, an independent leading provider of specialist operations and management and well management services to the oil and gas sector across Australia and South East Asia. This acquisition will result in the consolidated entity gaining access to new and more consistent revenue streams and growth opportunities, particularly in the growing Australian coal seam gas industry.

Please refer to the consolidated entity's ASX announcement of 24 February 2014 for a comprehensive summary of the consolidated entity's recent operational performance.

#### DIVIDENDS


A dividend of 3 cents per share franked to 40% has been declared for the six months ended 31 December 2013. The ex dividend date for the interim dividend is 11 March 2014, the record date for determining entitlements to the interim dividend is 17 March 2014 and the payment date for the interim dividend is 28 March 2014.

#### AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS

The auditor's independence declaration to the directors is included on page 4 of the Half-Year Financial Report.

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

On behalf of the Directors

  
\_\_\_\_\_  
Geoff Jones  
Managing Director  
Date: 24 February 2014

**GR ENGINEERING SERVICES LIMITED  
HALF-YEAR FINANCIAL REPORT**

**AUDITORS' INDEPENDENCE DECLARATION**

---



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

Woodside Plaza  
Level 14  
240 St Georges Terrace  
Perth WA 6000  
GPO Box A46  
Perth WA 6837 Australia

Tel: +61 8 9365 7000  
Fax: +61 8 9365 7001  
www.deloitte.com.au

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

24 February 2014

Dear Board Members

**GR Engineering Services Limited – Independence Declaration**

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 review of the financial statements of GR Engineering Services Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

**Neil Smith**  
Partner  
Chartered Accountants

**GR ENGINEERING SERVICES LIMITED**  
**HALF-YEAR FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	<i>Notes</i>	<i>Half-Year Ended 31 December 2013 \$</i>	<i>Half-Year Ended 31 December 2012 \$</i>
<b>Revenue</b>			
Rendering of services		49,723,537	56,639,592
Cost of Sales		35,858,259	47,990,084
<b>Gross profit</b>		<b>13,865,278</b>	<b>8,649,508</b>
Other Income	3(a)	296,825	897,079
Finance costs	3(b)	46,805	35,644
Occupancy expenses		932,071	936,250
Administrative expenses		4,542,008	4,938,510
Bad debt expense		146,340	881,933
Depreciation	3(c)	543,995	434,467
<b>Profit before income tax</b>		<b>7,950,884</b>	<b>2,319,783</b>
Income tax expense	14	638,348	1,069,262
<b>Net profit for the period</b>		<b>7,312,536</b>	<b>1,250,521</b>
<b>Other comprehensive income</b>			
<u>Items that may be reclassified subsequently to profit or loss :</u>			
Fair value loss on available for sale financial assets		(75,739)	-
Exchange differences on translating foreign operations		471,894	-
Total other comprehensive income, net of income tax		396,155	-
<b>Total comprehensive income for the period</b>		<b>7,708,691</b>	<b>1,250,521</b>
Profit attributable to owners of the parent		<b>7,312,536</b>	<b>1,250,521</b>
Total comprehensive income attributable to owners of the parent		<b>7,708,691</b>	<b>1,250,521</b>
<b>Earnings per Share:</b>			
		<i>Cents per share</i>	<i>Cents per share</i>
Basic (cents per share)		4.88	0.83
Diluted (cents per share)		4.79	0.83

**GR ENGINEERING SERVICES LIMITED**  
**HALF-YEAR FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2013**

	<i>Notes</i>	<i>31 December 2013</i>	<i>30 June 2013</i>
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	28,222,652	16,218,685
Trade and other receivables		14,036,986	29,003,868
Inventories		643,800	648,345
Other		1,010,062	158,752
<b>Total Current Assets</b>		<b>43,913,500</b>	<b>46,029,650</b>
<b>Non-Current Assets</b>			
Trade and other receivables		14,006,236	13,231,115
Deferred tax asset		1,193,548	1,627,036
Property, plant and equipment		2,084,139	2,671,952
Financial assets	10	673,235	-
<b>Total Non-Current Assets</b>		<b>17,957,158</b>	<b>17,530,103</b>
<b>TOTAL ASSETS</b>		<b>61,870,658</b>	<b>63,559,753</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		4,523,143	5,208,885
Borrowings		307,945	370,725
Provisions		3,242,284	3,195,243
Unearned revenue	5	7,312,826	10,146,686
Income tax		326,180	2,247,969
<b>Total Current Liabilities</b>		<b>15,712,378</b>	<b>21,169,508</b>
<b>Non-Current Liabilities</b>			
Borrowings		402,678	537,632
Provisions		1,068,501	661,861
<b>Total Non-Current Liabilities</b>		<b>1,471,179</b>	<b>1,199,493</b>
<b>TOTAL LIABILITIES</b>		<b>17,183,557</b>	<b>22,369,001</b>
<b>NET ASSETS</b>		<b>44,687,102</b>	<b>41,190,752</b>
<b>EQUITY</b>			
Issued capital	6	28,501,548	28,501,548
Reserves		1,436,068	752,254
Retained earnings		14,749,486	11,936,950
<b>TOTAL EQUITY</b>		<b>44,687,102</b>	<b>41,190,752</b>

**GR ENGINEERING SERVICES LIMITED**  
**HALF-YEAR FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	<i>Notes</i>	<i>31 December</i> <i>2013</i>	<i>31 December</i> <i>2012</i>
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		63,350,692	57,456,300
Payments to suppliers and employees		(45,548,347)	(56,688,370)
Income tax paid		(2,126,648)	(1,905,899)
Interest received		690,175	709,809
<b>Net cash flows from/(used in) operating activities</b>		<b>16,365,872</b>	<b>(428,160)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		56,868	-
Purchase of property, plant and equipment		(21,595)	(584,204)
Return from (investment in) term deposits for project security		764,477	-
Deposit paid for acquisition of business	13	(575,000)	-
<b>Net cash flows from/(used in) investing activities</b>		<b>224,750</b>	<b>(584,204)</b>
<b>Cash flows from financing activities</b>			
Payment of finance lease liabilities		(197,734)	(116,901)
Proceeds from borrowings		-	333,008
Dividends paid		(4,500,000)	(6,000,000)
<b>Net cash flows from/(used in) financing activities</b>		<b>(4,697,734)</b>	<b>(5,783,893)</b>
Net increase/(decrease) in cash and cash equivalents		11,892,888	(6,796,257)
Cash and cash equivalents at beginning of period		16,218,685	33,861,242
Effects of exchange rate changes of balances of cash held in foreign currencies		111,079	-
<b>Cash and cash equivalents at end of period</b>	<b>4</b>	<b>28,222,652</b>	<b>27,064,985</b>

**GR ENGINEERING SERVICES LIMITED**  
**HALF-YEAR FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Issued capital	Share Option Reserve	Performance Rights Reserve	Share Appreciation Rights Reserve	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at 30 June 2012</b>	28,501,548	290,834	-	-	-	-	13,397,479	42,189,861
Profit for the period	-	-	-	-	-	-	1,250,521	1,250,521
Other Comprehensive income for the period	-	-	-	-	-	-	-	-
Total Comprehensive income for the period	-	-	-	-	-	-	1,250,521	1,250,521
Dividends	-	-	-	-	-	-	(6,000,000)	(6,000,000)
Share based payments	-	85,629	160,033	-	-	-	-	245,662
<b>Balance as at 31 December 2012</b>	28,501,548	376,463	160,033	-	-	-	8,648,000	37,686,044
<b>Balance as at 30 June 2013</b>	28,501,548	448,596	293,425	-	10,233	-	11,936,950	41,190,752
Profit for the period	-	-	-	-	-	-	7,312,536	7,312,536
Other Comprehensive income for the period	-	-	-	-	471,894	(75,739)	-	396,155
Total Comprehensive income for the period	-	-	-	-	471,894	(75,739)	7,312,536	7,708,691
Dividends	-	-	-	-	-	-	(4,500,000)	(4,500,000)
Share based payments	-	54,530	155,134	77,995	-	-	-	287,659
<b>Balance as at 31 December 2013</b>	28,501,548	503,126	448,559	77,995	482,127	(75,739)	14,749,486	44,687,102



# GR ENGINEERING SERVICES LIMITED

## HALF-YEAR FINANCIAL REPORT

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

---

#### 1 CORPORATE INFORMATION

The financial report of GR Engineering Services Limited for the half year ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 24 February 2014.

GR Engineering Services Limited is a limited company incorporated and domiciled in Australia. The registered office of GR Engineering Services Limited is located at 179 Great Eastern Highway, Belmont, Western Australia.

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of preparation

The condensed 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. 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.

The accounting policies and methods of computation adoption in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated entity's annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

##### (b) Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

# GR ENGINEERING SERVICES LIMITED

## HALF-YEAR FINANCIAL REPORT

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

---

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (c) Adoption of new and revised Accounting Standards

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, being the half year ended 31 December 2013.

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

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

The adoption of these standards and interpretations did not have a material impact on the consolidated entity.

##### (d) Standards and Interpretations issued but not yet effective

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 half year ending 31 December 2013. Management is in the process of assessing the impact of the adoption of these standards and interpretations on the consolidated entity.

**GR ENGINEERING SERVICES LIMITED**  
**HALF-YEAR FINANCIAL REPORT**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

**3 REVENUES AND EXPENSES**

	<i>31 December</i> 2013	<i>31 December</i> 2012
	\$	\$
<b>(a) Other income</b>		
Bank interest received	690,175	709,809
Government rebates and subsidies	244	594
Profit on disposal of inventories	-	99,882
Profit (loss) on sale of fixed assets	(8,545)	-
Sundry revenue	(385,049)	86,794
	<u>296,825</u>	<u>897,079</u>
<b>(b) Finance costs</b>		
Interest charges on finance leases	46,805	35,644
<b>(c) Depreciation</b>		
Depreciation	543,995	434,467
<b>(d) Employee benefits expense</b>		
Wages and Salaries	15,057,155	17,939,130
Workers' compensation costs	54,864	144,120
Superannuation costs	1,153,861	1,345,439
Share based payments	287,659	245,662
	<u>16,553,539</u>	<u>19,674,351</u>

**GR ENGINEERING SERVICES LIMITED**  
**HALF-YEAR FINANCIAL REPORT**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

**4 CASH AND CASH EQUIVALENTS**

	<i>31 December</i> 2013 \$	<i>30 June</i> 2013 \$
Cash at bank and in hand	17,722,652	8,218,685
Short term deposits	10,500,000	8,000,000
	<u>28,222,652</u>	<u>16,218,685</u>

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 \$17,501,898 (30 June 2013: \$18,266,375) 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, \$14,006,236 relates to a project to be completed in the 2014-2015 financial year so this term deposit is classed as non-current (30 June 2013: \$13,231,115).

The total cash at bank, short term deposits and term deposits held for project security is shown below :

	<i>31 December</i> 2013 \$	<i>30 June</i> 2013 \$
Cash at bank and in hand	17,722,652	8,218,685
Short term deposits	10,500,000	8,000,000
Term deposits held for security of project bank guarantees	17,501,898	18,266,375
	<u>45,724,550</u>	<u>34,485,060</u>

**Reconciliation of cash**

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December 2013:

	<i>31 December</i> 2013 \$	<i>30 June</i> 2013 \$
Cash at bank and in hand	17,722,652	8,218,685
Short-term deposits	10,500,000	8,000,000
	<u>28,222,652</u>	<u>16,218,685</u>

**5 UNEARNED REVENUE**

	<i>31 December</i> 2013 \$	<i>30 June</i> 2013 \$
Unearned revenue on construction contracts	7,312,826	10,146,686
	<u>7,312,826</u>	<u>10,146,686</u>

**GR ENGINEERING SERVICES LIMITED**  
**HALF-YEAR FINANCIAL REPORT**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

**6 ISSUED CAPITAL**

	<i>31 December</i> 2013	<i>30 June</i> 2013
	<i>No of shares</i>	<i>No of shares</i>
<i>Ordinary Shares</i>		
Issued and fully paid	<u>150,000,000</u>	<u>150,000,000</u>
<i>Issue of ordinary shares</i>	<i>No of shares</i>	<i>\$</i>
At 30 June 2013	150,000,000	28,501,548
Issue of shares	-	-
At 31 December 2013	<u>150,000,000</u>	<u>28,501,548</u>

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

**7 COMMITMENTS AND CONTINGENCIES**

	<i>31 December</i> 2013	<i>30 June</i> 2013
	<i>\$</i>	<i>\$</i>
<b>Finance leases</b>		
Not longer than 1 year	347,925	425,877
Longer than 1 year and not longer than 5 years	423,013	574,515
Longer than 5 years	-	-
Minimum lease payments	<u>770,938</u>	<u>1,000,392</u>
Less: future finance charges	(60,315)	(92,036)
Present value of minimum lease payments	<u>710,623</u>	<u>908,356</u>
<b>Non-cancellable operating lease commitments</b>		
Not longer than 1 year	1,406,423	1,844,059
Longer than 1 year and not longer than 5 years	2,364,344	3,890,934
Longer than 5 years	-	-
Total lease payments	<u>3,770,767</u>	<u>5,734,993</u>
<b>Bank guarantees</b>		
Bank guarantees issued	<u>19,267,178</u>	<u>20,368,209</u>

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 31 December 2013 is \$4,642,694 (30 June 2013: \$7,012,655). 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 \$941,714 (30 June 2013: \$860,862). The amount of bank guarantees issued under this facility at 31 December 2013 is \$617,308 (30 June 2013: \$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 \$14,006,236 term deposit (30 June 2013: \$13,265,289). The amount of bank guarantees issued under this facility at 31 December 2013 is GBP £7,545,545 (30 June 2013: £7,545,545).

**Bond facility**

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. The amount of insurance bonds issued under this facility at 31 December 2013 is \$7,012,588 (30 June 2013: nil).

**GR ENGINEERING SERVICES LIMITED**  
**HALF-YEAR FINANCIAL REPORT**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

**8 DIVIDENDS**

During the half year, the consolidated entity made the following dividend payments :

	31 December 2013		31 December 2012	
	Cents per share	\$	Cents per share	\$
Fully paid ordinary shares				
Dividend	3.00	4,500,000	4.00	6,000,000
	<u>3.00</u>	<u>4,500,000</u>	<u>4.00</u>	<u>6,000,000</u>

A dividend of 3 cents per share franked to 40% has been declared for the six months ended 31 December 2013. The ex dividend date for the interim dividend is 11 March 2014, the record date for determining entitlements to the interim dividend is 17 March 2014 and the payment date for the interim dividend is 28 March 2014.

**9 SEGMENT INFORMATION**

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.

**10 FINANCIAL ASSETS**

**Available for sale financial assets held at fair value**

	31 December 2013	30 June 2013
	\$	\$
Shares in listed entities	<u>673,235</u>	-

Shares held in the listed entity Mutiny Gold Limited are measured at fair value at the end of the reporting period. The number of shares held at 31 December 2013 is 21,038,603 (30 June 2013: nil).

**11 FINANCIAL INSTRUMENTS**

**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 :

	31 December 2013		30 June 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>Assets</i>	\$	\$	\$	\$
Cash at bank	17,722,652	17,722,652	8,218,685	8,218,685
Cash on deposit	10,500,000	10,500,000	8,000,000	8,000,000
Trade receivables	28,043,222	28,043,222	42,234,983	42,234,983
Available for sale securities	673,235	673,235	-	-
	<u>56,939,109</u>	<u>56,939,109</u>	<u>58,453,668</u>	<u>58,453,668</u>
<i>Liabilities</i>				
Trade payables	4,523,143	4,523,143	5,208,885	5,208,885
Lease liability	710,623	710,623	908,357	908,357
	<u>5,233,766</u>	<u>5,233,766</u>	<u>6,117,242</u>	<u>6,117,242</u>

**Fair value of financial instruments**

The group holds available for sale equity securities of \$673,235 (30 June 2013: nil) which are classified as fair value hierarchy level 1, in which fair values are based on quoted prices in active markets. There has been no transfers of fair value hierarchy levels during the period.

During the period, net losses of \$75,739 (30 June 2013: nil) have been included in other comprehensive income and are reported in the investment revaluation reserve.

**GR ENGINEERING SERVICES LIMITED  
HALF-YEAR FINANCIAL REPORT**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

**12 KEY MANAGEMENT PERSONNEL**

Remuneration arrangements of key management personnel are disclosed in the annual financial report dated 30 June 2013.

*Share appreciation rights*

As at 31 December 2013, the consolidated entity had issued a total of 3,269,337 performance rights to Geoff Jones, Managing Director, as part of the consolidated entity's equity incentive plan (as at 30 June 2013: nil).

The share appreciation rights will be subject to vesting conditions, namely the participant being employed by the consolidated entity as Managing Director and the share price being equal to or greater than the exercise price at the vesting date.

<b>Number of share appreciation rights</b>	<b>Grant date</b>	<b>Vesting date</b>	<b>Exercise price</b>	<b>Performance condition share price targets</b>
1,600,000	12/11/2013	30/06/2014	\$0.50	\$0.60
727,273	12/11/2013	30/06/2015	\$0.50	\$0.72
432,433	12/11/2013	30/06/2016	\$0.50	\$0.86
296,297	12/11/2013	30/06/2017	\$0.50	\$1.04
213,334	12/11/2013	30/06/2018	\$0.50	\$1.24

*Options*

As at 31 December 2013 there were nil unissued ordinary shares of the consolidated entity under option (as at 30 June 2013: 2,000,000). A total of 2,000,000 options previously issued to Geoff Jones, Managing Director, were cancelled on 12 November 2013.

**13 ACQUISITION**

The consolidated entity has announced the acquisition of Production Solutions. The acquisition will be effected through a wholly owned subsidiary, Upstream Production Solutions Pty Ltd, which was incorporated as a subsidiary of the consolidated entity on 8 November 2013. The purchase price for this acquisition is \$5,750,000. Settlement of this transaction is subject to the satisfaction of a range of conditions precedent which are usual in a transaction of this nature. These conditions precedent have not been met at the date of signing of the half year report, so the acquisition is yet to take effect. A deposit of \$575,000 has been paid by the consolidated entity on 13 December 2013, which is included in these financial statements.

**14 INCOME TAX**

Income tax expense for the half year ended 31 December 2013 includes a research and development tax incentive refund of \$1,923,504 received in November 2013 as an amendment to a research and development tax incentive return for the year ended 30 June 2012.

**15 EVENTS AFTER THE REPORTING DATE**

A dividend of 3 cents per share franked to 40% has been declared for the six months ended 31 December 2013. The ex dividend date for the interim dividend is 11 March 2014, the record date for determining entitlements to the interim dividend is 17 March 2014 and the payment date for the interim dividend is 28 March 2014.

There has been no other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

# GR ENGINEERING SERVICES LIMITED

## HALF-YEAR FINANCIAL REPORT

### DIRECTORS' DECLARATION

---

The directors declare that:

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

(b) In the directors' opinion, the attached financial statements and notes thereto are in compliance 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.

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

On behalf of the Directors



Name: Geoff Jones  
Managing Director  
Date: 24 February 2014



# Independent Auditor's Review Report to the Members of GR Engineering Services Limited

We have reviewed the accompanying half-year financial report of GR Engineering Services Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 16.

## *Directors' Responsibility for the Half-Year Financial Report*

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

## *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of GR Engineering Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## *Auditor's Independence Declaration*

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

## *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



**Neil Smith**  
Partner  
Chartered Accountants  
Perth, 24 February 2014