# GR Engineering Services Limited

## Half Year Financial Report

## For the Half Year Ended 31 December 2018

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# DIRECTORS' REPORT

Your directors present their report on GR Engineering Services Limited (ASX:GNG) ("the consolidated entity") for the half-year ended 31 December 2018 (HY19).

**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.

Geoff Jones (Managing Director)
Phillip Lockyer (Non-Executive Chairman)
Tony Patrizi (Executive Director)
Barry Patterson (Non-Executive Director)
Terrence Strapp (Non-Executive Director) **Resigned 6 November 2018**
Peter Hood (Non-Executive Director)

**COMPANY SECRETARY**
Giuseppe (Joe) Totaro

**PRINCIPAL ACTIVITIES**
During the financial period the consolidated entity's activities have been the provision of process engineering design and construction services to the mining and mineral processing industry and the provision of operations, maintenance and well management services to the oil and gas sector.

**REVIEW OF RESULTS AND OPERATIONS**
The operating profit after tax of the consolidated entity was $2,728,227 (HY18: $7,502,976) on revenue of $91,340,775 (HY18: $177,247,075). The EBITDA of the consolidated entity was $4,929,804 (HY18: $12,073,388). These results include a further write off of the outstanding debt owed by Eastern Goldfields Limited (refer note 13 to the financial statements). The underlying EBITDA excluding this write off is $5,932,459.

**Mineral Processing Design and Construction**

The financial year ended 30 June 2018 was characterised by strong operational and revenue outcomes with the successful delivery of a number of important Western Australian gold projects towards the end of that year. Maintaining the momentum generated in FY18 into FY19 was to a large extent predicated on the commencement of work under the conditional $366.3 million engineering, procurement and construction (EPC) contract entered into with Sheffield Resources Limited's (Sheffield) wholly owned subsidiary, Thunderbird Operations Pty Ltd in November 2018. Due to delays beyond GR Engineering's control, HY19 revenue attributable to this project was limited to early engineering design procurement activities which were completed in December 2018. GR Engineering remains poised to resume work on this project pending the outcome of Sheffield's efforts to satisfy all conditions precedent under the contract.

It is pleasing to report however that during HY19 the Company was successful in securing two design and construction contracts, both of which were commenced during the half. These were the:

- $17.9 million EPC contract for the design and construction of a paste fill plant for Saracen Gold Mines Pty Ltd's Carosue Dam gold project located approximately 120 km north-east of Kalgoorlie, Western Australia. This facility is designed to be capable of producing 110 to 120 cubic metres of paste per hour, and is being constructed alongside the existing Karari pit and is designed to allow the paste produced to gravitate directly underground. Work under this contract is scheduled for completion in April 2019.

- $23.9 million EPC contract with Kirkland Lake for the design and construction of a paste production facility for its Fosterville gold mine operation located 25 km north-east of Bendigo, Victoria. Work on this project commenced in December 2018.

In addition, the Company was active on a number of design and procurement management engagements including the provision of design, procurement support, project controls and supervision for Ok Tedi Mining Limited's Crusher Replacement Project in Papua New Guinea. Work on this project commenced in September 2017 and continued throughout HY19.

HY19 saw an increase in activity through the Company's Brisbane office which is responsible for the Eastern Australian and North and South American markets. Work for a Canadian company with mining projects located in Mexico evolved into the development of a regional processing plant study that would receive ore from several regional sources. The implementation of study outcomes is scheduled to commence during FY20 pending a final investment decision. Also, the Company's reputation and presence in North America continued to grow with the award a contract as lead engineer for a feasibility study on a copper project in Montana and a process review and upgrade options study for a gold processing plant in Arizona.

## DIRECTORS' REPORT

On 22 October 2018, GR Engineering announced that it had entered into a US$17.9 million conditional EPC contract with Strandline Resources for the design and construction of a 2 Mtpa mineral processing plant and associated facilities for Strandline's Fungoni Mineral Sands Project in Tanzania. Commencement of work under the contract remains subject to a number of conditions precedent and which relate primarily to Strandline obtaining requisite approvals and project funding.

Additional opportunities in Tanzania include a contract for the design and construction of a 460,000 tonne per annum processing facility for Kibaran Resources Limited's (Kibaran) Epanko Graphite Project. In June 2018, Kibaran issued to GR Engineering a non-binding Letter of Intent providing a framework for negotiation of an early works agreement and ultimately an EPC contract.

Subsequent to the end of HY19, on 21 January 2019, GR Engineering entered into a circa $50 million conditional EPC contract with Tellus Holdings Limited for the design and construction of a fully integrated facility for the long-term storage and permanent isolation of hazardous and intractable waste and an associated kaolin mining operation located approximately 75Km north-east of Koolyanobbing, Western Australia. First stage, initial engineering design and long lead time item procurement for this project will commence during the first quarter of 2019 with full go ahead expected during June 2019.

On 5 February 2019, the Company also announced the award of a $16.3 million EPC contract with Oz Minerals Limited for the design and construction of the Northern Wellfield for the Carrapateena Project located approximately 160Km north of Port Augusta in South Australia. Work on this project includes the design, survey, supply, transportation, construction, testing and commissioning for the pipelines and transfer pumping stations associated with 4 wells to enable water to be supplied to the Carrapateena mineral processing plant which is currently under construction.

In addition, GR Engineering continues to hold its status as preferred tenderer for the design and construction of Capricorn Metals' 3.0 Mtpa carbon in leach processing plant and associated infrastructure for its Karlawinda Gold Project located near Newman in Western Australia. Selected early works for this project have been undertaken pending entry into an EPC contract with an anticipated value of $93.1 million.

**Studies and Consulting**

GR Engineering has been engaged on several engineering and consultancy assignments on a range of domestic and international assignments with scopes extending to early engineering studies, process design, procurement support and site supervision services associated with new and existing operations.

During HY19 the Company completed 18 feasibility studies and as at the end of HY19 was engaged on 31 feasibility studies, approximately 40% of which relate to gold and precious metal projects. This level of study activity continues to underpin a solid pipeline of design and construct opportunities into FY20 and beyond.

**Oil and Gas Services**

GR Engineering's oil and gas services business, Upstream Production Solutions (Upstream PS) continues to deliver successful operational outcomes for major clients.

Strong operational performance throughout the business and the early manifestation of cost efficiency programmes implemented during HY19 resulted in an improvement in margins and a solid contribution to the group's HY19 results with revenue for the half of $44.8 million and EBITDA of $2.0 million.

Management is optimistic regarding future growth prospects for Upstream PS with the continued award of additional work packages by major gas producers under well head maintenance contracts in the Bowen and Surat Basins in Queensland where approximately 3,500 wells are under management. In Western Australia and the Northern Territory, Upstream PS is working to capitalise on its reputation as a leading provider of operations and maintenance services on both onshore and offshore production facilities to pursue identified near term contract opportunities for the operation and maintenance of significant offshore production assets.

# DIRECTORS' REPORT

**Safety**

The GR Engineering group's Total Reportable Injury Frequency rate for HY19 was 4.15, comparing favourably to the FY18 result of 8.62 and industry benchmarks. Nevertheless, the Company remains focused on achieving a zero-harm workplace environment.

Please refer to the consolidated entity's ASX announcement of 22 February 2019 for a comprehensive summary of the consolidated entity's recent operational performance.

## DIVIDENDS

A fully franked dividend of 4.0 cents per share has been declared for the 6 months ended 31 December 2018. The ex-dividend date for the interim dividend is 13 March 2019, the record date for determining entitlements to the interim dividend is 14 March 2019 and the payment date for the interim dividend is 4 April 2019.

## AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS

The auditor's independence declaration to the directors is included on page 6 of the Half Year Financial Report.

## EVENTS AFTER THE REPORTING DATE

On 29 November 2018, Eastern Goldfields Limited ("EGS") announced to the market that it had entered into Voluntary Administration. This resulted in EGS not meeting its payment requirements under the Settlement Deed for the Davyhurst Gold Project Refurbishment Contract, as the final instalment of $7.25m was not received. On 1 February 2019, the Administrators Report for EGS was approved by creditors and the Deed of Company Arrangement ("DOCA") became operative on 12 February 2019. Under the terms approved, the consolidated entity expects to receive consideration of $6,147,080 for its outstanding debt from EGS. This value has been estimated based on the terms under the DOCA, which are stated as the consolidated entity receiving a cash payment out of the proposed capital raising (under the DOCA) equal to 22c in the dollar of 60% of its agreed claim of $11,554,661, and the remaining 40% of its agreed claim to be converted into equity in EGS fully paid ordinary shares at the rate of 1 cent per share. Based on the information available to the Directors and management, it was resolved to provide for an expected credit loss of $1,002,655 so the carrying value of the EGS trade receivable is equal to the amount included in the DOCA as at 31 December 2018. Completion of the DOCA is subject to conditions precedent under the agreement, which is expected to be completed by 30 April 2019.

The Company notes that Supreme Court proceedings remain on foot for claims made against third parties in relation to the Davyhurst Gold Project Refurbishment Contract.

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: 22 February 2019

## AUDITORS' INDEPENDENCE DECLARATION



**Deloitte.**

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2
Brookfield Place
123 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 Board of Directors
GR Engineering Services Limited
71 Daly Street
ASCOT WA 6104

22 February 2019

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 report of GR Engineering Services Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

N Menezes

Nicole Menezes
Partner
Chartered Accountants

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

| | *Notes* | *Half-Year Ended 31 December 2018* | *Half-Year Ended 31 December 2017* |
|---|---|---|---|
| | | *$* | *$* |
| **Revenue** | | | |
| Rendering of services | 3(a) | 91,340,775 | 177,247,075 |
| Cost of sales | | 76,733,968 | 156,385,299 |
| **Gross profit** | | **14,606,807** | **20,861,776** |
| Other income | 3(b) | 431,416 | 499,505 |
| Finance costs | 3(c) | 21,822 | 30,229 |
| Occupancy expenses | | 869,320 | 1,295,673 |
| Administrative expenses | | 8,036,118 | 7,333,167 |
| Bad debt expense | 13 | 1,003,186 | 417,445 |
| Depreciation and amortisation | 3(d) | 704,768 | 638,246 |
| **Profit before income tax** | | **4,403,010** | **11,646,521** |
| Income tax expense | | 1,674,783 | 4,143,545 |
| **Net profit for the period** | | **2,728,227** | **7,502,976** |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit or loss : | | | |
| Fair value gain (loss) on available for sale financial assets | | (74,823) | 75,486 |
| Exchange differences on translating foreign operations | | 15,864 | 107,295 |
| Total other comprehensive income, net of income tax | | (58,959) | 182,781 |
| **Total comprehensive income for the period** | | **2,669,268** | **7,685,757** |
| Profit attributable to owners of the parent | | **2,728,227** | **7,502,976** |
| Total comprehensive income attributable to owners of the parent | | **2,669,268** | **7,685,757** |
| | | *Cents per share* | *Cents per share* |
| **Earnings per Share:** | | | |
| Basic (cents per share) | | 1.78 | 4.90 |
| Diluted (cents per share) | | 1.74 | 4.79 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**AS AT 31 DECEMBER 2018**

| | Notes | 31 December 2018 | 30 June 2018 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 4 | 26,879,533 | 21,751,300 |
| Trade and other receivables | 13 | 39,420,527 | 45,648,672 |
| Inventories | | 9,243,964 | 6,884,447 |
| Other | | 388,269 | 614,173 |
| Current tax asset | | 869,988 | - |
| **Total Current Assets** | | **76,802,281** | **74,898,592** |
| **Non-Current Assets** | | | |
| Deferred tax asset | | 1,426,892 | 3,203,273 |
| Property, plant and equipment | | 3,657,543 | 3,878,743 |
| Financial assets | 10 | 2,547,087 | 2,621,911 |
| **Total Non-Current Assets** | | **7,631,522** | **9,703,927** |
| **TOTAL ASSETS** | | **84,433,803** | **84,602,519** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | 26,389,787 | 15,235,581 |
| Borrowings | | 169,073 | 336,110 |
| Provisions | | 6,917,849 | 11,651,145 |
| Unearned revenue | 5 | 414,761 | 1,831,981 |
| Income tax | | - | 390,072 |
| **Total Current Liabilities** | | **33,891,471** | **29,444,889** |
| **Non-Current Liabilities** | | | |
| Borrowings | | 104,734 | 128,932 |
| Provisions | | 2,571,705 | 2,557,618 |
| **Total Non-Current Liabilities** | | **2,676,439** | **2,686,550** |
| **TOTAL LIABILITIES** | | **36,567,910** | **32,131,439** |
| **NET ASSETS** | | **47,865,893** | **52,471,080** |
| **EQUITY** | | | |
| Issued capital | 6 | 30,510,611 | 30,445,356 |
| Reserves | | 842,756 | 566,641 |
| Retained earnings | | 16,512,526 | 21,459,083 |
| **TOTAL EQUITY** | | **47,865,893** | **52,471,080** |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

| | *Notes* | *31 December 2018* | *31 December 2017* |
|---|---|---|---|
| | | *$* | *$* |
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 95,303,597 | 196,225,119 |
| Payments to suppliers and employees | | (80,859,469) | (182,038,444) |
| Income tax paid | | (1,158,462) | (1,788,200) |
| Interest received | | 199,795 | 241,608 |
| **Net cash flows provided by operating activities** | | **13,485,461** | **12,640,083** |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (589,942) | (1,903,286) |
| Proceeds from sale of assets | | 29,000 | - |
| **Net cash flows used in investing activities** | | **(560,942)** | **(1,903,286)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Payment of finance lease liabilities | | (213,056) | (69,871) |
| Dividends paid | | (7,674,784) | - |
| **Net cash flows used in financing activities** | | **(7,887,840)** | **(69,871)** |
| | | | |
| Net increase in cash and cash equivalents | | 5,036,679 | 10,666,926 |
| Cash and cash equivalents at beginning of period | | 21,751,300 | 34,868,758 |
| Effects of exchange rate changes of balances of cash held in foreign currencies | | 91,554 | 75,013 |
| | | | |
| **Cash and cash equivalents at end of period** | 4 | **26,879,533** | **45,610,697** |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
### FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

| | Issued capital | Share Option Reserve | Performance Rights Reserve | Share Appreciation Rights Reserve | Foreign Currency Translation Reserve | Investment Revaluation Reserve | Retained Earnings | Total |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **Balance as at 30 June 2017** | 30,388,000 | 584,497 | 93,345 | 167,233 | (1,095,504) | (287,926) | 19,013,345 | 48,862,990 |
| Profit for the period | - | - | - | - | - | - | 7,502,976 | 7,502,976 |
| Other Comprehensive income for the period | - | - | - | - | 107,295 | 75,486 | - | 182,781 |
| Total Comprehensive income for the period | - | - | - | - | 107,295 | 75,486 | 7,502,976 | 7,685,757 |
| Dividends paid | - | - | - | - | - | - | - | - |
| Issue of shares | - | - | - | - | - | - | - | - |
| Share based payments | - | - | 291,438 | 118,614 | - | - | - | 410,052 |
| **Balance as at 31 December 2017** | 30,388,000 | 584,497 | 384,783 | 285,847 | (988,209) | (212,440) | 26,516,321 | 56,958,799 |
| | | | | | | | | |
| **Balance as at 30 June 2018** | 30,445,356 | 584,497 | 607,610 | 370,363 | (728,661) | (267,168) | 21,459,083 | 52,471,080 |
| Profit for the period | - | - | - | - | - | - | 2,728,227 | 2,728,227 |
| Other Comprehensive income for the period | - | - | - | - | 15,864 | (74,823) | - | (58,959) |
| Total Comprehensive income for the period | - | - | - | - | 15,864 | (74,823) | 2,728,227 | 2,669,268 |
| Dividends paid | - | - | - | - | - | - | (7,674,784) | (7,674,784) |
| Issue of shares | 65,255 | - | - | (65,255) | - | - | - | - |
| Share based payments | - | - | 219,958 | 180,371 | - | - | - | 400,329 |
| **Balance as at 31 December 2018** | 30,510,611 | 584,497 | 827,568 | 485,479 | (712,797) | (341,991) | 16,512,526 | 47,865,893 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**



## 1 CORPORATE INFORMATION

The financial report of GR Engineering Services Limited for the half year ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 22 February 2019.

GR Engineering Services Limited is a limited company incorporated and domiciled in Australia. The registered office of GR Engineering Services Limited is located at 71 Daly Street, Ascot, Western Australia.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The condensed 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. 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 2018, 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.

### (c) Standards and Interpretations adopted in the current year

The accounting policies adopted in the preparation of the half-year financial report are consistent with those applied in the preparation of the consolidated entity's annual financial report for the year ended 30 June 2018, except for new standards, amendments to standards and interpretations which became effective on 1 July 2018 as set out below.

In the current half year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the current annual reporting period.

The following new and revised Standards and Interpretations effective for the current reporting period that are relevant to the consolidated entity include:

- AASB 9 *Financial Instruments* , and relevant amending standards
- AASB 15 *Revenue from Contracts with Customers* , and relevant amending standards
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- • AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

<u>Impact on Application</u>

The adoption of the aforementioned standards have not had a quantitatively material impact on the interim financial statements of the consolidated entity as at 31 December 2018. A more detailed discussion on the impact of the adoption of AASB 9 and AASB 15 is included below.

<u>AASB 15: Revenue from Contracts with Customers</u>

AASB 15 establishes a comprehensive five-step framework for determining the timing and quantum of revenue recognised. It has replaced the existing guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts* . The core principle of AASB 15 is than an entity shall recognise revenue as control of a good or service transfers to a customer. The consolidated entity has adopted the modified transition approach.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Standards and Interpretations adopted in the current year (continued)

AASB 15: Revenue from Contracts with Customers (continued)

The consolidated entity‘s revenue streams have been determined to be the Mineral Processing and Oil and Gas sectors, consistent with the segments identified in Note 9.

It is the consolidated entity’s policy that all future significant contracts will be assessed individually under AASB 15 to ensure the appropriate application of the standard and recognition of revenue.

*Mineral Processing*

The Mineral Processing segment includes Engineering, Procurement & Construction (EPC) contracts and Engineering, Procurement, Construction & Management (EPCM) Contracts.

In these contracts, the consolidated entity provides in-house services comprising design and construction of minerals processing facilities and associated infrastructure for complete greenfields or brownfields projects including plant modifications, upgrades and expansions, plant evaluation and condition reports, plant operations and maintenance support and optimisation, plant relocation, refurbishment and recommissioning, and provision of owners representatives and teams for project management and delivery. Project management services also include project studies (concept through to bankable feasibility), engineering and procurement, construction and commissioning, asset management plans and system development, operations and technical support (audits, reviews and consulting), and infrastructure development.

Under AASB 111 *Construction Contracts*, Mineral Processing revenue was recognised for these contracts on a percentage cost of completion basis. Under AASB 15, it has been determined that the existing EPC and EPCM contracts generally contain a single performance obligation because the activities are highly integrated with each other to represent the combined output for which the customer has contracted, and therefore are not distinct from one another. Additionally, whilst some of the services could be provided to the customer individually, this is not the business practice as customers engage the consolidated entity to provide a start to end service.

The consolidated entity enters in lump sum contracts or guaranteed maximum price contracts. In some cases, variable consideration is present in the contract in the form of, for example, bonus payments or penalties based on performance, or variations. Where variable consideration is present, the constraint of estimates of variable consideration is applied as necessary by assessing the historical performance of the consolidated entity on similar contracts and consideration of factors that are outside the consolidated entity’s influence. Revenue for EPC and EPCM contracts is recognised over time because the performance creates and enhances an asset controlled by the customer as the work is performed. The asset is specific to the customer as it cannot be sold elsewhere or have another use, and the consolidated entity is entitled to payment for work performed. In recognising revenue over time, the consolidated entity measures the satisfaction of progress using cost as an input as cost faithfully depicts the transfer of value to the customer.

There was no material quantitative impact on Mineral Processing contracts on initial adoption of AASB 15.

*Oil and Gas*

Oil and Gas contracts comprise the delivery of operations and maintenance, wellsites, engineering and production assurance services to the customer base. Under these contracts, the services provided are the provision of labour as well as the procurement of equipment for the customer on an as needs basis. These arrangements can be long or short term and are generally structured as an overarching master agreement, with individual work orders made by the customer. Each work order will specify the services to be performed. The combination of the master agreement and each work order forms the contract.

Under AASB 118 *Revenue,* Oil and Gas revenue was recognised as the services were rendered on a billings basis. Under AASB 15, each work order is deemed to be a contract and each work order is generally considered to be one performance obligation. These contracts do not have a fixed fee and the customer is charged based on the number of labour hours incurred multiplied by agreed rates contained in the master agreement. Equipment may also be provided to customers which is charged on a recoverable basis as and when the equipment is procured and provided to the customer.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Standards and Interpretations adopted in the current year (continued)

AASB 15: Revenue from Contracts with Customers (continued)

Revenue for contracts in this segment is recognised over time as the customer simultaneously receives and consumes the benefits of the services being provided as they are performed. As disclosed in the previous paragraph, the consolidated entity will bill the customer on a monthly basis based on hours incurred multiplied by the agreed rates or on a cost plus basis. This will also include any recoverable expenditure incurred for equipment provided in respect of that period. Therefore, the consolidated entity has a right to consideration from its customers in an amount that corresponds directly with the value to the customer of the consolidated entity's performance completed to date and hence the consolidated entity has decided to adopt the practical expedient of recognising revenue on a billings basis.

There was no material quantitative impact on Oil & Gas contracts on initial adoption.

*Tender costs*

Tender costs are expensed as they are not incremental costs to obtaining the contract.

AASB 9: Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018 which has resulted in changes to accounting policies and the analysis for possible adjustments to amounts recognised in the Interim Financial Reports. In accordance with the transitional provisions in AASB 9, the reclassifications and adjustments are not reflected in the balance sheet as at 30 June 2018 but recognised in the opening balance sheet as at 1 July 2018. As per the new impairment model introduced by AASB 9, the consolidated entity has not recognised a loss allowance on trade and other receivables.

*Classification and Measurement*

On 1 July 2018, the consolidated entity has assessed which business models apply to the financial instruments held by the consolidated entity and have classified them into the appropriate AASB 9 categories. The main effects resulting from this reclassification are shown in the table below.

On adoption of AASB 9, the consolidated entity classified financial assets and liabilities as subsequently measured at either amortised cost or fair value, depending on the business model for those assets and on the asset's contractual cash flow characteristics. There were no changes in the measurement of the consolidated entity's financial instruments.

There was no impact on the statement of comprehensive income or the statement of changes in equity on adoption of AASB 9 in relation to classification and measurement of financial assets and liabilities.

The following table summarises the impact on the classification and measurement of the consolidated entity's financial instruments at 1 July 2018:

| Financial Assets | AASB 139 Classification | AASB 9 Classification | AASB 139 Carrying Amount | AASB 9 Carrying Amount |
|---|---|---|---|---|
| Bank deposits | Loans and receivables | Amortised cost | No change | No change |
| Trade and other receivables | Loans and receivables | Amortised cost | No change | No change |
| Financial assets * | Available-for-sale financial asset | Fair value through Other Comprehensive Income ("FVTOCI") | No change | No change |

* These investments in other listed securities were classified as Available-for-Sale under AASB 139. The consolidated entity chose to make the irrevocable election on transition to classify these investments as Equity FVTOCI as permitted by AASB 9 as these shares are not held for trading purposes.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Standards and Interpretations adopted in the current year (continued)

AASB 9: Financial Instruments (continued)

The consolidated entity does not currently enter into any hedge accounting and therefore there is no impact to the consolidated entity's Interim Financial Reports.

*Impairment*

AASB 9 introduces a new expected credit loss ("ECL") impairment model that requires the consolidated entity to adopt an ECL position across the consolidated entity's financial assets at 1 July 2018. The consolidated entity's receivables balance typically consists of trade receivables from customers, GST refunds from the Australian Tax Office and interest receivables from recognised Australian banking institutions. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, an impairment loss would be considered immaterial.

The loss allowances for financial assets are based on the assumptions about risk of default and expected loss rates. The consolidated entity uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the consolidated entity's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Given the consolidated entity's trade receivables are from reputable customers, the consolidated entity has assessed that the risk of default is minimal (except in certain one-off situations). The consolidated entity has recognised a one-off expected credit loss in respect to a specific trade receivable at 31 December 2018, as disclosed in Note 13.

Other standards

These other standards that become effective this period introduce new disclosure requirements. These include:
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

They do not affect the consolidated entity's accounting policies or any of the amounts recognised in the financial statements.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the reporting period ended 31 December 2018. Those which may be relevant to the consolidated entity are set out in the table below, but these are not expected to have any significant impact on the consolidated entity's financial statements:

| Standard / Interpretation | Application date of standard | Application date for consolidated entity |
|---|---|---|
| AASB 16 'Leases' | 1 January 2019 | 1 July 2019 |
| Interpretation 23 'Uncertainty over Income Tax Treatments' | 1 January 2019 | 1 July 2019 |
| AASB 2017-7 'Amendments – Long-term Interests in Associates and Joint Venture Amendments to IAS 28 and Illustrative Example – Long-term Interests in Associates and Joint Ventures' | 1 January 2019 | 1 July 2019 |
| AASB 2018-1 'Amendments – Annual Improvements 2015-2017 Cycle' | 1 January 2019 | 1 July 2019 |
| AASB 2018-2 'Amendments – Plan Amendment, Curtailment or Settlement (AASB 119)' | 1 January 2019 | 1 July 2019 |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Standards and Interpretations issued but not yet adopted (continued)

AASB 16: Leases

AASB 16 Leases will replace existing accounting requirements for leases under AASB 117 Leases. Under current requirements, leases are classified based on their nature as either finance leases which are recognised on the Statement of Financial Position, or operating leases, which are not recognised on the Statement of Financial Position.

Under AASB 16 Leases, the consolidated entity's accounting for operating leases as a lessee will result in the recognition of a right-of-use (ROU) asset and an associated lease liability on the Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of short-term and low value leases. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the ROU assets. There will also be additional disclosure requirements under the new standard.

*Transition*

The consolidated entity will initially apply AASB 16 on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under AASB 117, the consolidated entity can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The consolidated entity is assessing the potential impact of using these practical expedients.

Based on the current assessment and conditions of the consolidated entity, it is expected that the adoption of AASB 16 will have minimal impact if any on the financial statements of the consolidated entity. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend however on future economic conditions, including the consolidated entity's borrowing rate, the composition of the consolidated entity's lease portfolio at that time, the extent to which the consolidated entity elects to use practical expedients and recognition exemptions, and the new accounting policies, which are subject to change until the consolidated entity presents its first financial statements that include the date of initial application.

### (e) Critical accounting judgements, estimates and assumptions

As disclosed in Note 2(d), IFRS 9 came in effect on 1 July 2018 for the consolidated entity. Under IFRS 9, the consolidated entity is required to apply the "expected credit loss" method. The application of this requires significant estimation. The Directors and management utilise the most recent available information available to them such as the aging of the receivable, historical experience, historical collection rates and specific knowledge of the individual debtor situations to make their estimation of the recovery of the trade receivables. When the assessment is made that there is an expected credit loss to be incurred, a provision will be raised against a debtor to account for this expected loss. Where the estimation is different to actual results, carrying amounts are adjusted in the next financial period.

The Directors and management have assessed their aged receivables balance at the reporting date and based on the information available, they have assessed that an expected credit loss of $1,002,655 against the trade receivables is appropriate. Refer to Note 13 for further information.

As disclosed in the 30 June 2018 Annual Report, the consolidated entity includes a project completion and close out provision (liability) in design and construction project cost forecast reports of 3% of the total project costs, or such other amount as assessed by management having regard to specific project requirements. Management have performed an assessment of the warranty provision at the reporting date for adequacy to cover any possible defects that may arise from projects still under their warranty period. Based on the information available to management, they have reduced the provision to $2.72m (30 June 2018: $5.74m).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

### 3 REVENUES AND EXPENSES

| | | *31 December 2018* | *31 December 2017* |
|---|---|---|---|
| | | *$* | *$* |
| **(a)** | **Disaggregation of revenue & time of revenue recognition** | | |
| | **Rendering of services** | | |
| | Construction contracts - *over time* | 46,497,545 | 136,136,516 |
| | Operations and maintenance contracts - *at a point in time* | 44,843,230 | 41,110,559 |
| | | 91,340,775 | 177,247,075 |
| **(b)** | **Other income** | | |
| | Bank interest received | 199,795 | 241,608 |
| | Government rebates and subsidies | 8,385 | 39,971 |
| | Profit (loss) on sale of fixed assets | (77,374) | 3,966 |
| | Sundry revenue | 300,610 | 213,960 |
| | | 431,416 | 499,505 |
| **(c)** | **Finance costs** | | |
| | Interest charges on finance leases | 21,822 | 30,229 |
| **(d)** | **Depreciation and amortisation** | | |
| | Depreciation of fixed assets | 704,768 | 638,246 |
| | | 704,768 | 638,246 |
| **(e)** | **Employee benefits expense** | | |
| | Wages and Salaries | 33,432,147 | 42,046,445 |
| | Workers' compensation costs | 353,960 | 377,846 |
| | Superannuation costs | 2,968,529 | 3,454,154 |
| | Share based payments | 400,330 | 410,052 |
| | | 37,154,966 | 46,288,497 |

### 4 CASH AND CASH EQUIVALENTS

| | *31 December 2018* | *30 June 2018* |
|---|---|---|
| | *$* | *$* |
| Cash at bank and in hand | 26,879,533 | 21,751,300 |
| Short term deposits | - | - |
| | 26,879,533 | 21,751,300 |

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.

**Reconciliation of cash**
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December 2018:

| | *31 December 2018* | *30 June 2018* |
|---|---|---|
| | *$* | *$* |
| Cash at bank and in hand | 26,879,533 | 21,751,300 |
| Short-term deposits | - | - |
| | 26,879,533 | 21,751,300 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

## 5 UNEARNED REVENUE

| | 31 December 2018 $ | 30 June 2018 $ |
|---|---|---|
| Unearned revenue on construction contracts | 414,761 | 1,831,981 |
| | 414,761 | 1,831,981 |

## 6 ISSUED CAPITAL

| | 31 December 2018 No of shares | 30 June 2018 No of shares |
|---|---|---|
| *Ordinary Shares* | | |
| Issued and fully paid | 153,495,689 | 153,445,689 |

| *Issue of ordinary shares* | *No of shares* | *$* |
|---|---|---|
| At 30 June 2018 | 153,445,689 | 30,445,356 |
| Issue of shares from exercise of performance rights | 50,000 | 65,255 |
| At 31 December 2018 | 153,495,689 | 30,510,611 |

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

## 7 COMMITMENTS AND CONTINGENCIES

| | 31 December 2018 $ | 30 June 2018 $ |
|---|---|---|
| **Finance leases** | | |
| Not longer than 1 year | 176,913 | 349,379 |
| Longer than 1 year and not longer than 5 years | 107,633 | 132,608 |
| Longer than 5 years | - | - |
| Minimum lease payments | 284,546 | 481,987 |
| Less: future finance charges | (10,739) | (16,946) |
| Present value of minimum lease payments | 273,807 | 465,041 |
| | | |
| **Non-cancellable operating lease commitments** | | |
| Not longer than 1 year | 1,203,974 | 1,316,431 |
| Longer than 1 year and not longer than 5 years | 1,956,047 | 2,174,595 |
| Longer than 5 years | - | - |
| Total lease payments | 3,160,021 | 3,491,026 |
| | | |
| **Bank guarantees** | | |
| Bank guarantees issued | 13,230,770 | 13,093,965 |

The consolidated entity's standby multi-option bank facility has a limit of $70,000,000. The facilities are secured by a fixed and floating charge over all the assets of the consolidated entity.

The consolidated entity provides bank guarantees under this facility to support project performance in favour of certain clients. The amount of these bank guarantees at 31 December 2018 is $12,748,744 (30 June 2018: $12,744,809). 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 $482,026 (30 June 2018: $349,156). The amount of bank guarantees issued under this facility at 31 December 2018 is $482,026 (30 June 2018: $349,156).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

## 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

**Bond facility**

The consolidated entity has an insurance bond facility to provide retention and off site materials bonds in connection with certain projects. This consists of a $40 million insurance bond facility with Insurance Australia Limited (30 June 2018: $40,000,000) and an additional $20 million facility with Allianz Australia Insurance Limited (30 June 2018: $20,000,000). The amount of insurance bonds issued under this facility at 31 December 2018 is $1,791,497 (30 June 2018: nil).

GR Engineering Services Limited, the parent company, has provided guarantees and indemnities in relation to certain contracts entered into by its subsidiaries. Liability under these guarantees and indemnities is limited to the relevant subsidiaries' contracted limits of liability under the contracts.

## 8 DIVIDENDS

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

| | *31 December 2018* | | *31 December 2017* | |
|---|---|---|---|---|
| *Fully paid ordinary shares* | *Cents per share* | *$* | *Cents per share* | *$* |
| Dividend | 5.00 | 7,674,784 | 0.00 | - |
| | 5.00 | 7,674,784 | 0.00 | - |

A fully franked dividend of 4.0 cents per share has been declared for the six months ended 31 December 2018. The ex dividend date for the interim dividend is 13 March 2019, the record date for determining entitlements to the interim dividend is 14 March 2019 and the payment date for the interim dividend is 4 April 2019.

### 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 Managing Director. 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.

The Managing Director has chosen to classify the operations of the consolidated entity by reference to presence in an industry. The segments identified on this basis are "mineral processing" and "oil and gas".

**Segment revenues and results**

The following table shows the revenue and results of the consolidated entity summarised under these segments.

**Segment revenue**

| | *31 December 2018* *$* | *31 December 2017* *$* |
|---|---|---|
| Mineral processing | 46,497,545 | 136,136,516 |
| Oil and gas | 44,843,230 | 41,110,559 |
| Total revenue | 91,340,775 | 177,247,075 |

**Segment profit before tax**

| | *31 December 2018* *$* | *31 December 2017* *$* |
|---|---|---|
| Mineral processing | 2,806,039 | 9,885,751 |
| Oil and gas | 1,596,971 | 1,760,770 |
| Total profit before tax | 4,403,010 | 11,646,521 |

**Segment assets**

| | *31 December 2018* *$* | *30 June 2018* *$* |
|---|---|---|
| Mineral processing | 51,300,114 | 56,658,123 |
| Oil and gas | 30,586,602 | 25,322,485 |
| Corporate - securities available for sale | 2,547,087 | 2,621,911 |
| Total assets | 84,433,803 | 84,602,519 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

## 10 FINANCIAL ASSETS

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

| | *31 December 2018* | *30 June 2018* |
|---|---|---|
| | *$* | *$* |
| Shares in listed entities | 2,547,087 | 2,621,911 |

Shares held in the listed entities are measured at fair value at the end of the reporting period.

## 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 2018* | | *30 June 2018* | |
|---|---|---|---|---|
| | *Carrying amount* | *Fair value* | *Carrying amount* | *Fair value* |
| *Assets* | *$* | *$* | *$* | *$* |
| Cash at bank | 26,879,533 | 26,879,533 | 21,751,300 | 21,751,300 |
| Trade receivables | 39,420,527 | 39,420,527 | 45,648,672 | 45,648,672 |
| Available for sale securities | 2,547,087 | 2,547,087 | 2,621,911 | 2,621,911 |
| | 68,847,147 | 68,847,147 | 70,021,883 | 70,021,883 |
| *Liabilities* | | | | |
| Trade payables | 26,389,787 | 26,389,787 | 15,235,581 | 15,235,581 |
| Lease liability | 273,807 | 273,807 | 465,041 | 465,041 |
| | 26,663,594 | 26,663,594 | 15,700,622 | 15,700,622 |

The consolidated entity holds available for sale equity securities of $2,547,087 (30 June 2018: $2,621,911) which are classified as fair value hierarchy level 1, in which fair values are based on quoted prices in active markets. There have been no transfers of fair value hierarchy levels during the period.
During the period, net losses of $74,823 (31 December 2017: net gain of $75,486) have been included in other comprehensive income and are reported in the investment revaluation reserve.

## 12 KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report dated 30 June 2018.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

## 13 EVENTS AFTER THE REPORTING DATE

A fully franked dividend of 4.0 cents per share has been declared for the six months ended 31 December 2018. The ex dividend date for the interim dividend is 13 March 2019, the record date for determining entitlements to the interim dividend is 14 March 2019 and the payment date for the interim dividend is 4 April 2019.

On 29 November 2018, Eastern Goldfields Limited ("EGS") announced to the market that it had entered into Voluntary Administration. This resulted in EGS not meeting its payment requirements under the Settlement Deed for the Davyhurst Gold Project Refurbishment Contract, as the final instalment of $7.25m was not received. On 1 February 2019, the Administrators Report for EGS was approved by creditors and the Deed of Company Arrangement ("DOCA") became operative on 12 February 2019. Under the terms approved, the consolidated entity expects to receive consideration of $6,147,080 for its outstanding debt from EGS. This value has been estimated based on the terms under the DOCA, which are stated as the consolidated entity receiving a cash payment out of the proposed capital raising (under the DOCA) equal to 22c in the dollar of 60% of its agreed claim of $11,554,661, and the remaining 40% of its agreed claim to be converted into equity in EGS fully paid ordinary shares at the rate of 1 cent per share. Based on the information available to the Directors and management, it was resolved to provide for an expected credit loss of $1,002,655 so the carrying value of the EGS trade receivable is equal to the amount included in the DOCA as at 31 December 2018. Completion of the DOCA is subject to conditions precedent under the agreement, which is expected to be completed by 30 April 2019.

The consolidated entity notes that Supreme Court proceedings remain on foot for claims made against third parties in relation to the Davyhurst Gold Project Refurbishment Contract.

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.

## 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: 22 February 2019

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2
Brookfield Place
123 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

# 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 ("the Company"), which comprises the condensed consolidated statement of financial position as at 31 December 2018, 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, 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 end of the half-year or from time to time during the half-year.

*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 2018 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.

Deloitte.

*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.

*Basis for Qualified Conclusion*

The consolidated entity has trade and other receivables of $39,420,527 as at 31 December 2018. As disclosed in Note 13, included in this amount is a long outstanding trade receivable totalling $6,147,080 in respect of which we have been unable to obtain sufficient appropriate evidence to determine whether this balance will be recoverable. Accordingly, we have been unable to determine whether the recoverable amount of this trade receivable is at least equal to its carrying value. In the event that the carrying value of this trade receivable exceeds its recoverable amount, it would be necessary for the carrying value to be written down to its recoverable amount.

*Qualified Conclusion*

Based on our review, which is not an audit, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, 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 2018 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

N Menezes

**Nicole Menezes**
Partner
Chartered Accountants
Perth, 22 February 2019