GR Engineering Services Limited
ENGINEERING CONSULTANTS AND CONTRACTORS

ABN 12 121 542 738

2014 ANNUAL REPORT

Dear Shareholder

It is with pleasure that I present to you GR Engineering Services Limited's (**GR Engineering** or the **Company**) Annual Report for the financial year ended 30 June 2014 (**FY14**).

Although a challenging year in many respects, FY14 was also a rewarding period during which the Company continued to benefit from the implementation of its overseas growth strategy, successfully executed work involving the application of the Company's renowned process engineering capability to iron ore processing and importantly, secured future growth opportunities through its diversification into the oil and gas industry.

A prime example of the successful implementation of the Company's international growth strategy is Wolf Minerals (UK) Limited's Hemerdon Tungsten Project in England. With a value of approximately $140 million this Engineering, Procurement and Construction (EPC) contract is the largest project undertaken by GR Engineering to date. Site access at Hemerdon was granted in February 2014 and I am pleased to report that this project is running on budget and on time.

In addition, the Company continues to manage the construction of the Syama gold processing facility in Mali. This project is executed on an EPCM basis demonstrating the Company's capacity to apply EPC contracting disciplines to EPCM engagements and to execute large overseas projects adopting a range of contracting models.

Projects completed during FY14 included the refurbishment and upgrade of an iron ore processing facility in South Australia for one of Australia's leading steel producers. This brownfields project was also delivered on time and on budget and was important in establishing GR Engineering's credentials in delivering value add process engineering solutions to the iron ore industry.

In June 2014, the Company was awarded an EPC contract by Rio Tinto associated with the Moisture Reduction Project for Rio Tinto's Greater Paraburdoo operations in Western Australia, further demonstrating GR Engineering's expertise and growing reputation in iron ore processing.

These positive operational outcomes were achieved despite another year of difficult trading conditions. Commodity prices have remained subdued and in some cases volatile. Combined with a persistently strong Australian dollar, these factors have contributed to a contraction in investment by miners generally and gold producers in particular. It is therefore important to the long term growth of GR Engineering that it continues to apply its services to a wide range of commodities in a range of jurisdictions and to seek merger and acquisition opportunities which meet the Company's investment criteria.

Such an acquisition was completed in April 2014 with the purchase of the Upstream Production Solutions business (UPS). With approximately 125 employees, UPS is a leading independent provider of specialist operations and maintenance and well management services to the growing oil and gas sector across Australia and south-east Asia. The acquisition of UPS will enable the Company to diversify its sector exposure while preserving the group's technical base. I would like to take this opportunity to welcome all employees of Upstream Production Solutions into the GR Engineering group and I look forward to being a part of that business's development in coming years.

CHAIRMAN'S LETTER

CONTINUED

During FY14, GR Engineering completed 13 studies and as at 30 June was engaged on 14 studies of which 5 related to overseas projects. These studies relate to a range of commodities including gold, manganese, copper, silver, bauxite, tin, nickel and iron ore.

In presenting GR Engineering's FY13 Annual Report I took great pride in advising that the Company had achieved three consecutive years without incurring a Lost Time Injury (LTI). FY14 continued on a similar vein until May 2014 when regrettably an LTI was sustained by a site worker at Hemerdon.

This incident highlighted the fact that irrespective of the strength of our safety culture, the potential for harm or injury in any work environment but particularly industrial work environments is ever present and we must strive to manage work practices and safety attitudes to the smallest of detail.

During FY14 the Company generated consolidated group revenue of $114.2 million a decrease of $0.5 million or 0.4% against FY13. Despite relatively flat revenue, careful project management and cost reduction measures implemented prior to the commencement of the year resulted a Profit Before Tax result of $16.8 million dollars, an increase of $5.3 million or 46.1% over FY 13. This result was assisted by a one off Gain on Acquisition of $3.04 million associated with the acquisition of UPS.

As at 30 June 2014, GR Engineering held cash and receivables of $50.5 million, net of trade creditors and remained virtually debt free. In March 2014, the Company was successful in renegotiating its bank guarantee facility resulting in a doubling of its bonding capacity to $30 million and more importantly, more favourable terms in relation to security requirements resulting in approximately $15 million in additional free cash.

Having regard to these factors and the Company's financial performance in FY14, your Directors have resolved to declare a fully franked dividend of 4.0 cents per share bringing the full year payment to 7.0 cents per share. The Record Date for this dividend is 16 September 2014 and the Payment Date is 30 September 2014.

Your Board of Directors remains focused on overseeing the continuing development of the Company's overseas growth strategy, the pursuit of contract opportunities across a wide range of commodities, the preservation of a strong Balance Sheet and above all ensuring that policies, procedures and practices for the safety and protection of our employees are stringently adhered to.

Finally I would like to express my gratitude to my fellow Board members for their valued insight and support throughout the year and to recognise the efforts of entire GR Engineering workforce, including our colleagues at UPS. To our valued clients, may I take this opportunity to also thank you for your business and support throughout FY14.

JOE MARIO PAUL RICCIARDO
Executive Chairman

56%

EBITDA
FY14 $17.2 million

46%

PBT
FY14 $16.8 million

89%

NPAT
FY14 14.2 million

88%

EPS
FY14 9.4 cents

246%

Cash flow from operations
FY14 $18.7 million

“ Upstream Production Solutions is a leading provider of products and services to the Australian and international Oil & Gas industry. ”

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 2013 to 30 June 2014 and the independent auditor's report thereon.

The names of the Company's Directors in office during the financial year ended 30 June 2014 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)
Joseph Mario Paul RICCIARDO	(Executive Chairman)
Tony Marco PATRIZI	(Executive Director)
Barry Sydney PATTERSON	(Non-Executive Director)
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 is a certified practicing accountant (CPA) with over 28 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. On 23 April 2014, the Company's wholly owned subsidiary, Upstream Production Solutions Pty Ltd, completed the acquisition of Production Solutions, a business engaged in delivering operations and maintenance and well management services to the oil and gas industry.

DIVIDENDS PAID DURING THE YEAR

- Fully franked dividend of 3.00 cents per share paid on 1 October 2013
- Dividend of 3.00 cents per share franked to 40% paid on 28 March 2014
- Subsequent to 30 June 2014, a fully franked dividend of 4.0 cents per share was recommended by the Directors to be paid on 30 September 2014.

REVIEW OF OPERATIONS

The financial year ended 30 June 2014 saw the continuation of market conditions and sentiments experienced by the mining industry in FY13. Faced with ongoing volatility in commodity prices and a persistently strong Australian dollar, producers continued their focus on reducing operating costs and applying higher approval thresholds to investment cases resulting in an overall reduction in capital investment.

Despite this difficult trading environment, GR Engineering was able to produce solid and consistent financial and operational outcomes during FY14. This was predominantly the result of the greater contribution of overseas revenue, a greater contribution to revenue by the iron ore sector, the successful execution of EPCM engagements, the winning of repeat business and through the acquisition of the Upstream Production Solutions business.

It is pleasing to note that these outcomes arose from the roll out of the Company's growth strategy being to pursue growth through geographical expansion, to seek opportunities involving iron ore and subject to satisfying the Company's investment criteria, to pursue growth through acquisitions.

A prime example of the successful implementation of the Company's geographical expansion strategy is the Hemerdon Tungsten/Tin Project in the United Kingdom. The value of this Engineering, Procurement and Construction (EPC) project is approximately $140 million and is the largest project undertaken by GR Engineering to date.

As at the date of this report, the Company had deployed senior project management, engineering staff and construction personnel to England as the Hemerdon Tungsten/Tin Project commences construction and to coordinate the logistics associated with the procurement of goods and services from countries worldwide. Together with locally sourced contractors and employees, site management is dedicated to ensuring that the project continues to run on time and on budget and above all to ensure the occupational health and safety of all personnel.

It is disappointing to note that in May 2014, after nearly four consecutive years of Lost Time Injury (LTI) free days, a subcontractor's employee engaged on the Hemerdon site sustained such an injury. This incident highlighted the need to ensure that safety considerations precede and permeate every function performed by the Company and that this mindset is continually reinforced to all personnel.

Additional overseas activity included the construction management of the Syama gold processing facility in Mali. This project is being executed on an Engineering, Procurement and Construction Management (EPCM) basis demonstrating GR Engineering's capacity to apply EPC contracting disciplines to a range of contracting models on both domestic and overseas projects.

An important aspect of GR Engineering's growth strategy is to secure work involving iron ore processing. It is therefore particularly pleasing to report that during FY14 work was completed on the upgrade of an iron ore processing facility in South Australia for a leading Australian steel producer. This project brought with it particular operational challenges as the work performed required meticulous scheduling to minimise disruption to the operation of the wider facility. In addition the project was executed on a tight schedule to coordinate the progress of work with regular plant shutdowns. Notwithstanding these challenges, this project was also completed on time and on budget. GR Engineering's exemplary safety performance on site was officially recognised with the award by the client of two Safety Excellence Awards.

The Company's credentials in the provision of engineering and construction expertise to the iron ore industry were further recognised with the award in June 2014 of an EPC contract by Rio Tinto to implement the Moisture Reduction Project at its Greater Paraburdoo operations in Western Australia.

In October 2013, the Company was awarded Preferred Contractor status by MZI Resources Limited (MZI) for the design and construction of the circa $55 million Keysbrook mineral sands processing facility in Western Australia. Early engineering works for this project were commenced in FY14, with GR Engineering expecting to enter into an EPC contract for full project design and construction upon, amongst other things, MZI making a final investment decision.

GR Engineering remains alert to potential project opportunities but recognises that economic conditions remain subdued in the industry. With an experienced workforce, excellent reputation and strong balance sheet it remains well poised to avail itself of opportunities arising from the eventual improvement in these conditions.

During FY14 the Company completed 13 studies of which 5 related to overseas projects. These studies related to a range of minerals, precious metals, base metals and bulk commodities. As at 30 June 2014 GR Engineering was involved on a further 14 studies also involving a wide range of commodities and many jurisdictions.

In April 2014 GR Engineering's wholly owned subsidiary, Upstream Production Solutions Pty Ltd completed the acquisition of Production Solutions a leading independent provider of specialist operations and maintenance and well management services to the oil and gas sector in Australia and across South-East Asia. These assets now form GR Engineering's oil and gas services business unit, Upstream Production Solutions.

This acquisition involved integrating the UPS business, including its 125 employees, IT and financial reporting systems into the GR Engineering group. This was largely achieved by 23 April 2014 when operational control of the business transferred to GR Engineering. Since then UPS has generated operational and financial outcomes consistent with budget expectations.

Looking ahead, GR Engineering intends to provide UPS's experienced management team with the financial resources and engineering expertise to pursue the many opportunities presented by the Australian and South-East Asian oil and gas sector.

FINANCIAL POSITION

GR Engineering generated revenue of $114.2 million and net operating cash flow of $18.8 million for the year ended 30 June 2014.

During the year the Company paid $9.0 million in dividends and held cash, including term deposits to secure contingent liabilities under its bank guarantee facilities, of $37.4 million as at 30 June 2014, an increase of $2.9 million over cash held as at the close of the previous financial year.

GROWTH STRATEGY

GR Engineering remains alert to opportunities within Australia and at the same time will continue to seek overseas opportunities. This strategy held the Company in good stead during FY14 and has provided GR Engineering with good visibility into FY15. Excluding any potential revenue contribution from the design and construction of the $55 million Keysbrook mineral sands processing facility which is expected to commence in FY15, GR Engineering has approximately $110 million in contracted revenue in FY15. This forecast revenue is predominantly the result of contributions from the Wolf Minerals Tungsten Project in the UK and the Moisture Reduction Project at Rio Tinto's Greater Paraburdoo Iron Ore Operations in Western Australia.

The Company continues to pursue opportunities involving the application of its process engineering skills to the iron ore sector, building on the results achieved in FY14.

The acquisition of the Upstream Production Solutions (UPS) business has given the Company an additional avenue for growth and it is the Company's intention to provide UPS with the financial and management resources needed to pursue operations and maintenance and well management opportunities in Australia's and South-East Asia's growing oil and gas sector. Upstream Production Solutions has forecast revenues of $37 million of which approximately 70% is contracted in FY15.

GR Engineering will continue to apply the systems and disciplines developed over many years as an EPC contractor to a wider range of contracting models including EPCM engagements with the view to further broadening its revenue base.

With a strong balance sheet, excellent market reputation and available operational capacity, GR Engineering is well positioned to take advantage of any strengthening in Australia's mining industry.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Increase to Bank Guarantee Facility

On 5 March 2014 the Company entered into an agreement with National Australia Bank providing for an increase in the Company's bank guarantee facility to $30 million secured by letters of set-off against cash term deposits equating to 25% of the amount of bank guarantees on issue at any given time.

Purchase of Production Solutions

On 13 December 2013 the Company's wholly owned subsidiary, Upstream Production Solutions Pty Ltd entered into a contract for the purchase of Production Solutions, a provider of specialist operations and maintenance and well management services to the oil and gas industry. Consideration for the business was $5,750,000. The transaction was completed on 23 April 2014.

FUTURE DEVELOPMENTS

Information regarding likely developments in the operations of the consolidated entity in future financial years is referred to in the Review of Operations and Growth Strategy in above sections of this Directors' Report.

EVENTS AFTER BALANCE SHEET DATE

On 25 August 2014, the Company declared a fully franked dividend of 4.0 cents per share, an aggregate of $6,016,318. The Record Date of the dividend is 16 September 2014 and the proposed payment date is 30 September 2014.

BOARD OF DIRECTORS

Joe Mario Paul RICCIARDO – Executive Chairman

BAppSc (Mech Eng)

Joe co-founded GR Engineering. He is a Mechanical Engineer with over 35 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
- Special Responsibilities – Chairman
- 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 over 30 years' experience in construction, engineering, minerals processing and project development in Australia and overseas. Geoff previously worked for Baulderstone 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 – 857,949
- Interests in other securities in GR Engineering – Share Appreciation Rights – 1,669,337
- Special Responsibilities – Managing Director
- Directorships in other listed entities in the last 3 years:
  - Brumby Resources Limited (ASX:BMY) 2006 – Present
  - Energy Metals Limited (ASX:EME) 2008 – Present
  - Azumah Resources Limited (ASX:AZM) 2009 – Present

Tony Marco PATRIZI – Executive Director

BE (Mech Eng)

Tony co-founded GR Engineering. Tony is a Mechanical Engineer with over 31 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

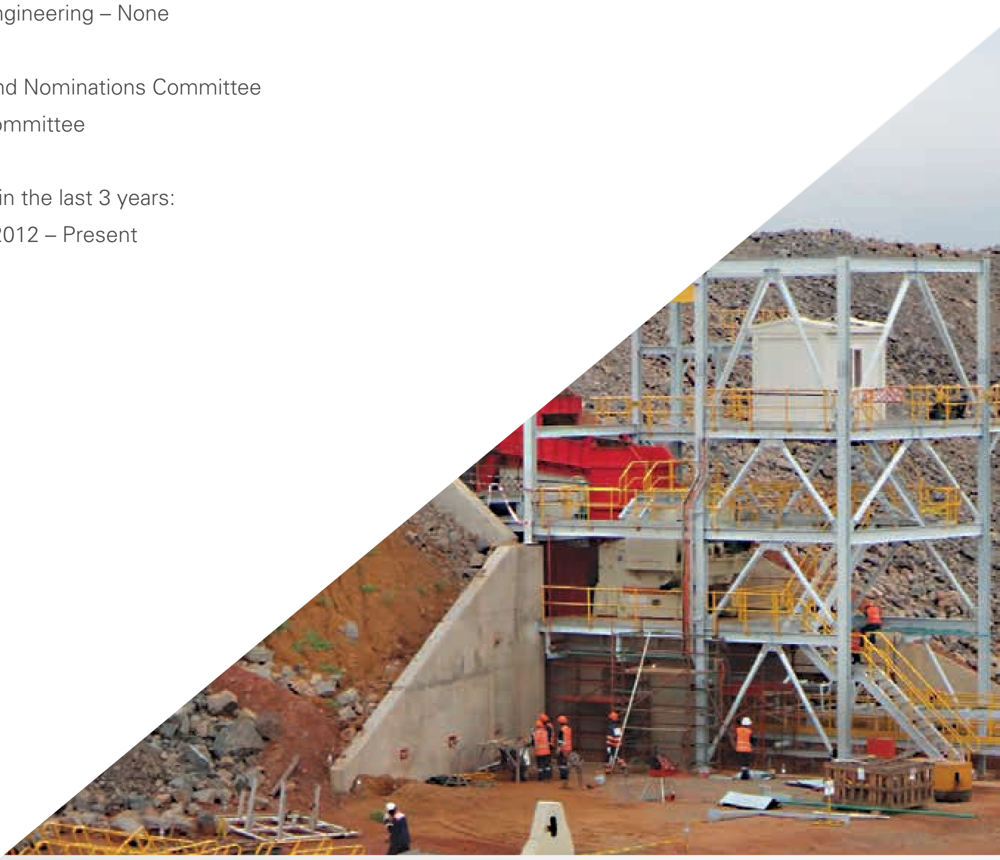
Barry Sydney PATTERSON – Non-Executive Director

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
- Directorships in other listed entities in the last 3 years:
  - Dacian Gold Limited (ASX:DCN) 2012 – Present



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 – 380,000
- 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.

Peter has considerable board experience and is currently Chairman of Matrix Composites and Engineering Ltd, 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:
  - 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 2014 and the number attended by each director are as follows:

FULL MEETINGS OF DIRECTORS

	Eligible	Attended
Joe Ricciardo	10	9
Geoff Jones	10	10
Tony Patrizi	10	10
Terrence Strapp	10	10
Peter Hood	10	9
Barry Patterson	10	5

Meetings of the Audit and Risk Committee were held on 21 August 2014 and 21 February 2014. 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 2014.

OPTIONS

As at the date of this report, there were no unissued ordinary shares of GR Engineering under option. The following options which had been issued to Geoff Jones pursuant to the Company's Share Option Plan were cancelled by a resolution of shareholders on 12 November 2013:

Grant Date	Date of Expiry	Exercise Price	No. Under Option
19/04/2011	19/04/2014	$1.50	500,000
19/04/2011	19/04/2015	$1.80	750,000
19/04/2011	19/04/2016	$2.10	750,000

No shares were issued during the financial year ended 30 June 2014 due to the exercise of options.

SHARE APPRECIATION RIGHTS

As at the date of this report, Share Appreciation Rights granted are as follows:

Grant Date	Vesting & Exercise Date	Exercise Price	Quantity
12/11/2013	30/06/2015	Nil	727,273
12/11/2013	30/06/2016	Nil	432,433
12/11/2013	30/06/2017	Nil	296,297
12/11/2013	30/06/2018	Nil	213,334

For full particulars of the Share Appreciation Rights issued to Directors as remuneration, refer to the Remuneration Report.

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
21/09/2015	1,730,000	21/09/2015	-
04/102015	25,000	04/10/2015	-
31/03/2016	127,500	31/03/2016	-
13/05/2016	50,000	13/05/2016	-
31/03/2017	127,500	31/03/2017	-
31/03/2018	127,500	31/03/2018	-
31/03/2019	127,500	31/03/2019	-

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 2014 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

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 2014 fees amounting to $31,171 were paid to Deloitte Touche Tohmatsu for non-audit services including taxation advice.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration for the year ended 30 June 2014 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	
Geoff Jones	Managing Director
Joe Ricciardo	Executive Chairman
Tony Patrizi	Executive Director
Barry Patterson	Non-Executive Director
Terrence Strapp	Non-Executive Director
Peter Hood	Non-Executive Director
Executives	
David Sala Tenna	General Manager – EPC
Joe Totaro	Chief Financial Officer and Company Secretary
Rodney Schier	Engineering Manager
Paul Newling	General Manager – EPCM

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 2013 Annual General Meeting, 99% of eligible shareholders voted in favour of the remuneration report. No specific comments were made regarding the remuneration report at the meeting.

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.

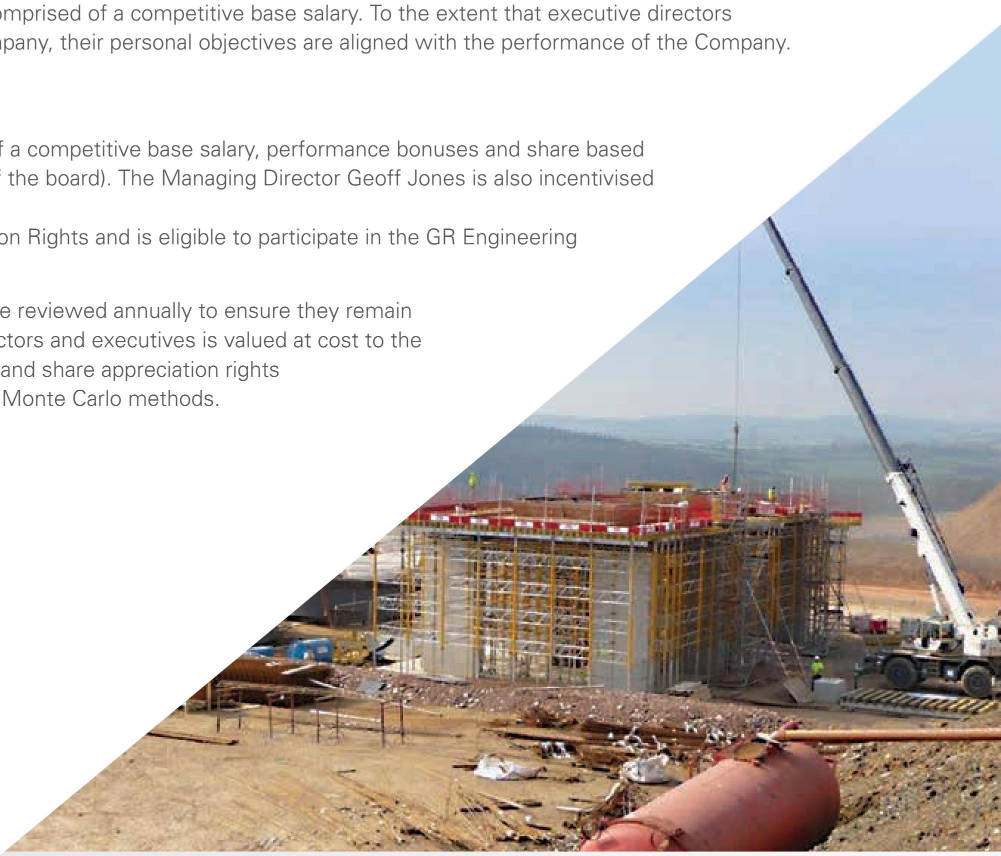
EXECUTIVE DIRECTORS

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 Share Appreciation Rights and is eligible to participate in the GR Engineering Services Limited Equity Incentive Plan.

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 and Monte Carlo methods.



EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL

Name and Title	Contract Details	Non Salary Cash Incentives	Shares/ Units	Options/ Rights	Fixed Salary	Total
Joe Ricciardo Executive Chairman	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	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	Fixed term to 30 June 2018. Termination: 6 months notice by the Company and 3 months notice by the employee	-	-	48.1%	51.9%	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	Termination: 3 months notice by the Company or employee	-	-	1.4%	98.6%	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.

REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2014 – BOARD OF DIRECTORS

	Short Term Benefits			Post Employment Benefits		Equity Based Payments			
	Cash Salary & Fees $	Non Cash Payments ** $	Sub Total $	Super-annuation $	Other* $	Equity $	Options $	Total $	Perfor-mance Based %
Executive Directors									
Joe Ricciardo * **									
2014	70,663	8,203	78,866	6,536	-	-	-	85,402	0.0
2013	312,642	9,173	321,815	25,712	-	-	-	347,527	0.0
Tony Patrizi ****									
2014	287,616	14,017	301,633	17,774	-	-	-	319,407	0.0
2013	318,864	14,085	332,949	25,712	-	-	-	358,661	0.0
Geoff Jones									
2014	457,225	24,075	481,300	17,774	-	366,098	96,904	962,076	48.1%
2013	443,580	25,996	469,576	38,787	50,000	-	157,762	716,125	29.0%
Non-Executive Directors									
Barry Patterson									
2014	57,000	-	57,000	5,272	-	-	-	62,272	0.0
2013	88,373	-	88,373	-	-	-	-	88,373	0.0
Terrence Strapp *****									
2014	57,000	-	57,000	5,272	-	-	-	62,272	0.0
2013	59,739	-	59,739	5,377	-	-	-	65,116	0.0
Peter Hood									
2014	57,000	-	57,000	5,272	-	-	-	62,272	0.0
2013	60,807	-	60,807	5,472	-	-	-	66,279	0.0
TOTAL DIRECTORS									
2014	**986,504**	**46,295**	**1,032,799**	**57,900**	**-**	**366,098**	**96,904**	**1,553,701**	**29.8**
2013	**1,284,005**	**49,254**	**1,333,259**	**101,060**	**50,000**	**-**	**157,762**	**1,642,081**	**12.7**

* "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)

*** Reduction in benefits due to change in role to part-time Executive Chairman

**** Reduction in benefits due to overall reduction in salaries

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

REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2014 – EXECUTIVES

	Short Term Benefits			Post Employment Benefits		Equity Based Payments			
	Cash Salary & Fees $	Non Cash Payments ** $	Sub Total $	Super-annua-tion $	Other* $	Equity $	Options $	Total $	Perfor-mance Based %
Senior Executives									
David Sala Tenna – General Manager – EPC									
2014	343,224	7,551	350,775	17,774	-	-	-	368,549	0.0%
2013	356,862	5,968	362,830	28,253	-	-	-	391,083	0.0%
Joe Totaro – Company Secretary & Chief Financial Officer									
2014	224,855	9,582	234,437	20,799	-	-	-	255,236	0.0%
2013	213,849	8,185	222,034	19,246	-	-	-	241,280	0.0%
Rodney Schier – Engineering Manager									
2014	261,468	8,288	269,756	24,185	-	-	-	293,941	0.0%
2013	278,934	8,574	287,508	25,104	-	-	-	312,612	0.0%
Paul Newling – General Manager EPCM									
2014	449,224	5,067	454,291	17,774	-	6,497	-	478,562	1.4%
2013	181,838	933	182,771	8,353	-	1,068	-	192,192	0.6%
TOTAL SENIOR EXECUTIVES									
2014	1,278,771	30,488	1,309,259	80,532	-	6,497	-	1,396,288	0.5%
2013	1,031,483	23,660	1,055,143	80,956	-	1,068	-	1,137,167	0.1%
GRAND TOTAL									
2014	**2,265,275**	**76,783**	**2,342,058**	**138,432**	**-**	**372,595**	**96,904**	**2,949,989**	**15.9%**
2013	**2,315,488**	**72,914**	**2,388,402**	**182,016**	**50,000**	**1,068**	**157,762**	**2,779,248**	**7.5%**

* "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)

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).

As at the commencement of the year ended 30 June 2014, the Company had 2,000,000 options on issue to its Managing Director, Geoff Jones. Key elements of these options are summarised in the following table.

Grant Date	Vesting Date	Date of Expiry	Exercise Price	Number	Fair Value at Grant Date
19/04/2011	19/04/2013	19/04/2014	$1.50	500,000	$0.2450
19/04/2011	19/04/2014	19/04/015	$1.80	750,000	$0.2400
19/04/2011	19/04/2015	19/04/2016	$2.10	750,000	$0.2600

Shareholders approved the cancellation of these options at the Annual General Meeting held on 12 November 2013. At that Annual General Meeting, shareholders approved the granting of Share Appreciation Rights to Managing Director, Geoff Jones. Key elements of these Share Appreciation Rights are summarised in the Equity Incentive Plan section below.

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. 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.

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 2014 510,000 Performance Rights were issued and 270,000 were forfeited in accordance with the terms and conditions of the Plan. 2,315,000 Performance Rights were on issue as at 30 June 2014.

Grant Date	Vesting Date	Date of Expiry	Exercise Price	Number	Fair Value
11/09/2012	21/09/2015	21/09/2015	Nil	1,730,000	$0.637
04/10/2012	04/10/2015	04/10/2015	Nil	25,000	$0.689
13/05/2013	13/05/2016	13/05/2016	Nil	50,000	$0.459
30/04/2014	31/03/2016	31/03/2016	Nil	127,500	$0.571
30/04/2014	31/03/2017	31/03/2017	Nil	127,500	$0.511
30/04/2014	31/03/2018	31/03/2018	Nil	127,500	$0.458
30/04/2014	31/03/2019	31/03/2019	Nil	127,500	$0.410

The Performance rights issued or lapsed in the current financial year do not relate to key management personnel.

LONG TERM INCENTIVES (continued)

Equity Incentive Plan (continued)

The following share-based payment compensation relates to Share Appreciation Rights issued to directors and senior management:

Name	Grant Date	Vesting Date	Date Exercised	Number of Shares Issued on Vesting Date	Exercise Price $	Quantity	Fair Value $	% of compensation for the year consisting of performance rights
Geoff Jones	12/11/2013	30/06/2014	30/06/2014	407,949	Nil	1,600,000	$0.1774	38.0
	12/11/2013	30/06/2015			Nil	727,273	$0.1827	
	12/11/2013	30/06/2016			Nil	432,433	$0.1761	
	12/11/2013	30/06/2017			Nil	296,297	$0.1619	
	12/11/2013	30/06/2018			Nil	213,334	$0.1508	

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 2014:

	2010	2011	2012	2013	2014
Revenue ($000's)	128,217	142,512	152,838	114,695	114,183
Net profit before tax ($000's)	24,427	29,247	19,858	11,476	16,787
Net profit after tax ($000's)	17,836	21,098	13,115	7,539	14,164
Share Price at year end ($)	N/A	1.95	0.90	0.46	0.70
Dividend ($000's)	15,000	19,000	12,000	9,000	9,000
EPS (cents)	14.90	16.76	8.74	5.03	9.44
Diluted EPS (cents)	14.90	16.75	8.74	4.97	9.26

For comparative purposes, the number of shares assumed to be on issue for the financial year ended 30 June 2010 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 share appreciation rights 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.

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:

	Balance at the start of the year	Received as part of remuneration	Additions/ other	Disposals/ other	Balance at the end of the year
2014					
Ordinary shares					
Joe Ricciardo	9,798,578	-	-	-	9,798,578
Tony Patrizi	9,795,000	-	-	-	9,795,000
Barry Patterson	10,500,000	-	-	-	10,500,000
Terry Strapp	300,000	-	80,000	-	380,000
Peter Hood	500,000	-	-	-	500,000
Geoff Jones	400,000	407,949	50,000	-	857,949
David Sala Tenna	13,825,000	-	-	-	13,825,000
Joe Totaro	9,500,000	-	-	-	9,500,000
Rodney Schier	8,100,000	-	-	-	8,100,000
Paul Newling	-	-	-	-	-
	62,718,578	**407,949**	**130,000**	**-**	**63,256,527**
2013					
Ordinary shares					
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
Geoff 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	-	-	-	-	-
	60,425,000	**-**	**2,293,578**	**-**	**62,718,578**

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the year ended 30 June 2014 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 2014 amounted to $300,847 including GST (2013: $302,626). The balance payable at 30 June 2014 is $22,570 (2013: $21,934).

In previous financial years 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 2014 amounted to Nil (2013: $35,876). The balance payable at 30 June 2014 is Nil (2013: Nil).

During the year ended 30 June 2014 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 2014 was $153,274 including GST (2013: $823,801). The balance outstanding at 30 June 2014 is Nil (2013: $46,640).

During the year ended 30 June 2014 the consolidated entity provided engineering services and procurement of materials for PIHA Pty Ltd (a subsidiary of Mineral Resources Limited), a company in which Joe Ricciardo is a non-executive director. The total amount invoiced to PIHA Pty Ltd in the year ended 30 June 2014 was $80,300 including GST (2013: $56,482). The balance outstanding at 30 June 2014 is $48,180 (2013: Nil).

During the year ended 30 June 2014 the consolidated entity provided engineering services and procurement of materials for Azumah Resources Limited, a company in which Geoff Jones is a non-executive director. The total amount invoiced to Azumah Resources Limited in the year ended 30 June 2014 was $26,848 including GST (2013: $64,272). The balance outstanding at 30 June 2014 is $19,750 (2013: Nil).

The terms and conditions of the transactions and the associated agreements to which they relate (where applicable) that have been set out above are at arms length and on normal commercial terms.

This marks the end of the remuneration 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

GEOFF JONES
Managing Director

26 August 2014

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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26 August 2014

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

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 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
REVENUE	5	114,182,880	114,695,369
Other income	6	4,410,411	1,788,315
EXPENSES			
Employee benefits expense	7	(29,320,690)	(35,457,023)
Superannuation expense	7	(2,252,373)	(2,673,625)
Depreciation and amortisation expense		(1,639,164)	(974,792)
Workers compensation expense		(185,877)	(274,952)
Equity based payments		(759,823)	(451,187)
Finance costs	7	(81,029)	(104,036)
Direct materials and subcontractor costs		(60,993,558)	(57,557,030)
Accountancy and audit fees		(430,849)	(260,222)
Marketing		(62,017)	(36,461)
Bad debts	10	(146,340)	(906,933)
Occupancy		(1,951,214)	(1,975,472)
Administration		(3,983,782)	(4,335,971)
Profit before income tax expense		16,786,575	11,475,980
Income tax expense	8	(2,622,989)	(3,936,509)
Profit after income tax expense for the year attributable to the owners of GR Engineering Services Limited	22	14,163,586	7,539,471
Other comprehensive income for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on available for sale financial assets		(142,852)	-
Exchange differences on translating foreign operations		(414,488)	10,233
Other comprehensive income for the year, net of income tax		(557,340)	10,233
Total comprehensive income for the year attributable to the owners of GR Engineering Services Limited		13,606,246	7,549,704
Profit attributable to owners of the parent		14,163,586	7,539,471
Total comprehensive income attributable to the owners of the parent		13,606,246	7,549,704
		Cents	**Cents**
Basic earnings per share	32	9.44	5.03
Diluted earnings per share	32	9.26	4.97

The accompanying notes form part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

		Consolidated	
	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	32,193,955	16,218,685
Trade and other receivables	10	34,674,786	29,003,868
Inventories	11	2,355,304	648,345
Other	12	738,393	158,752
Total current assets		69,962,438	46,029,650
Non-current assets			
Trade and other receivables	10	3,891,099	13,231,115
Property, plant and equipment	13	2,040,901	2,671,952
Financial assets	14	601,704	-
Intangible assets	15	3,647,664	-
Deferred tax	8	546,612	1,627,036
Total non-current assets		10,727,980	17,530,103
TOTAL ASSETS		80,690,418	63,559,753
LIABILITIES			
Current liabilities			
Trade and other payables	16	21,609,153	5,208,885
Borrowings	17	287,966	370,725
Income tax	8	1,889,743	2,247,969
Provisions	18	4,873,459	3,195,243
Unearned revenue	19	3,818,279	10,146,686
Total current liabilities		32,478,600	21,169,508
Non-current liabilities			
Borrowings	17	247,412	537,632
Provisions	18	1,407,585	661,861
Total non-current liabilities		1,654,997	1,199,493
Total liabilities		34,133,597	22,369,001
NET ASSETS		46,556,821	41,190,752
EQUITY			
Issued capital	20	28,785,355	28,501,548
Reserves	21	670,930	752,254
Retained profits	22	17,100,536	11,936,950
TOTAL EQUITY		46,556,821	41,190,752

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

The accompanying notes form part of these Financial Statements.

	Note	Consolidated 2014 $	Consolidated 2013 $
Cash flows from operating activities			
Receipts from customers		114,143,457	125,095,913
Payments to suppliers and employees		(93,543,588)	(118,907,104)
Income tax paid		(3,070,409)	(2,177,460)
Interest received		1,264,723	1,491,003
Net cash flows from operating activities	9	18,794,183	5,502,352
Cash flows from investing activities			
Purchase of property, plant and equipment		(43,946)	(724,141)
(Investment)/divestment in term deposits for project security		13,026,944	(13,231,115)
Net cash outflow on acquisition of business	34	(5,750,000)	-
Investment in financial assets		(56,804)	-
Net cash flows used in investing activities		7,176,194	(13,955,256)
Cash flows from financing activities			
Payment of finance lease liabilities		(358,129)	(301,394)
Dividends paid		(9,000,000)	(9,000,000)
Net cash flows from/(used in) financing activities		(9,358,129)	(9,301,394)
Net increase/(decrease) in cash and cash equivalents		16,612,248	(17,754,298)
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		(636,978)	111,741
Cash and cash equivalents at end of period	9	32,193,955	16,218,685

The accompanying notes form part of these Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	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 2012	28,501,548	290,834	-	-	-	-	13,397,479	42,189,861
Profit for the period	-	-	-	-	-	-	7,539,471	7,539,471
Other Comprehensive income for the period	-	-	-	-	10,233	-	-	10,233
Total Comprehensive income for the period	-	-	-	-	10,233	-	7,539,471	7,549,704
Dividends	-	-	-	-	-	-	(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
Profit for the period	-	-	-	-	-	-	14,163,586	14,163,586
Other Comprehensive income for the period	-	-	-	-	(414,488)	(142,852)	-	(557,340)
Total Comprehensive income for the period	-	-	-	-	(414,488)	(142,852)	14,163,586	13,606,246
Dividends	-	-	-	-	-	-	(9,000,000)	(9,000,000)
Issue of shares	283,807	-	-	(283,807)	-	-	-	-
Share based payments	-	96,904	296,821	366,098	-	-	-	759,823
Balance as at 30 June 2014	28,785,355	545,500	590,246	82,291	(404,255)	(142,852)	17,100,536	46,556,821

The accompanying notes form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

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	*Principal place of business*
179 Great Eastern Highway BELMONT WA 6104	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 25 August 2014. 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 2013.

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result the consolidated entity only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. In the current year the individual key management personnel disclosure previously required by AASB 124 (Note 23 and 27 in the 30 June 2013 financial statements) is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	The consolidated entity has applied the amendments to AASB 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments have been applied retrospectively. As the consolidated entity does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the consolidated financial statements.
AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'	This standard makes amendment to AASB 1048 'Interpretation of Standards' following the withdrawal of Australian Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia'. The adoption of this amending standard does not have any material impact on the consolidated financial statements
AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part A Conceptual Framework)	This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The adoption of this amending standard does not have any material impact on the consolidated financial statements.
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	AASB 11 replaces AASB 131 'Interests in Joint Ventures', and the guidance contained in a related interpretation, Interpretation 113 'Jointly Controlled Entities – Non-Monetary Contributions by Venturers', has been incorporated in AASB 128 (as revised in 2011). AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. The adoption of this amending standard does not have any material impact on the consolidated financial statements.
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 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	The consolidated entity has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements. The adoption of this amending standard does not have any material impact on the consolidated financial statements.
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	This standard amends AASB 10 and various Australian Accounting Standards to revise the transition guidance on the initial application of those Standards. This standard also clarifies the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of this amending standard does not have any material impact on the consolidated financial statements.
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	In the current year, the consolidated entity has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time. The adoption of this amended standard does not have any material impact on the consolidated financial statements.

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

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 2014.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments' and the relevant amending standards. Final IFRS 9 'Financial Instruments' has been issued by IASB which has a mandatory effective date for annual periods beginning on or after 1 January 2018.	01/01/2018	30/06/2019
AASB 1031 'Materiality' (2013)	01/01/2014	30/06/2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	01/01/2014	30/06/2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	01/01/2014	30/06/2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	01/01/2014	30/06/2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	01/01/2014	30/06/2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	01/01/2014	30/06/2015
AASB 2014-1 'Amendments to Australian Accounting Standards' Part A , B and C	01/07/2014	30/06/2015
AASB 2014-1 'Amendments to Australian Accounting Standards' Part D	01/01/2016	30/06/2017
AASB 2014-1 'Amendments to Australian Accounting Standards' Part E	01/01/2015	30/06/2016
INT 21 'Levies'	01/01/2014	30/06/2015

At the date of authorisation of the financial statements, the following International Accounting Standards Board ('IASB') Standard, relevant to the Company, were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
IFRS 15 'Revenue from Contracts with Customers'	01/01/2017	30/06/2018

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. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the consolidated entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee uNilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

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 other foreign 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.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

Available for sale financial assets

Listed shares and listed redeemable notes held by the consolidated entity that are traded in an active market are classified as available for sale and are stated at fair value.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available for sale equity instruments are recognised in profit or loss when the consolidated entity's right to receive the dividends is established.

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.

When an available for sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 used 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.

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.

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 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.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the consolidated entity, liabilities incurred by the consolidated entity to the former owners of the acquire and the equity instruments issued by the consolidated entity in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the consolidated entity entered into to replace share-based payment arrangements of the acquire are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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.

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 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.

	2014	2013
Segment revenue	**$**	**$**
Mineral processing	109,945,226	114,695,369
Oil and gas	4,237,654	-
Total revenue	114,182,880	114,695,369

	2014	2013
Segment profit before tax	**$**	**$**
Mineral processing	14,353,376	11,475,980
Oil and gas	2,433,199	-
Total profit before tax	16,786,575	11,475,980

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2013: Nil).

Segment assets and liabilities

Segment assets	2014 $	2013 $
Mineral processing	67,084,984	63,559,753
Oil and gas	13,605,434	-
Total assets	80,690,418	63,559,753

Depreciation and amortisation	2014 $	2013 $
Mineral processing	1,009,408	974,792
Oil and gas	629,756	-
Total depreciation and amortisation	1,639,164	974,792

Segment liabilities	2014 $	2013 $
Mineral processing	29,541,239	22,369,001
Oil and gas	4,592,358	-
Total liabilities	34,133,597	22,369,001

Geographical information

The following table shows the revenue from external customers of the consolidated entity summarised by location.

Revenue	2014 $	2013 $
Australia	46,871,453	86,124,889
Overseas	67,311,427	28,570,480
Total revenue	114,182,880	114,695,369

Non-current assets

All non-current assets of the consolidated entity are held in Australia.

Information about major customers

During the financial year two customers individually provided more than 10% of total revenue each for the consolidated entity.

NOTE 5. REVENUE

	Consolidated	
	2014	2013
	$	$
Rendering of services – construction contracts	109,945,226	114,695,369
Rendering of services – operations and maintenance contracts	4,237,654	-
Total revenue	114,182,880	114,695,369

NOTE 6. OTHER INCOME

Net foreign exchange gain/(loss)	143,706	94,891
Net gain/(loss) on disposal of property, plant and equipment	(21,183)	368
Net gain on disposal of inventories	-	99,882
Subsidies and grants	495	836
Interest revenue	1,264,723	1,491,003
Gain on bargain purchase of business	3,035,549	-
Other revenue	(12,879)	101,335
Other income	4,410,411	1,788,315

NOTE 7. EXPENSES

Profit before income tax includes the following specific expenses:

Finance costs		
Interest and leasing charges on finance leases	81,029	104,036
Employee benefits		
Employee benefits expense excluding superannuation	29,320,690	35,457,023
Defined contribution superannuation expense	2,252,373	2,673,625
Total employee benefits	31,573,064	38,130,648

NOTE 8. INCOME TAX EXPENSE

Major components of income tax expense for the years ended 30 June 2014 and 2013 are:

	Consolidated	
	2014	2013
	$	$
Income tax recognised in the Consolidated statement of profit or loss		
Current income		
Current income tax charge	5,215,891	3,913,457
Foreign tax on Gold Ridge project	-	884
Foreign tax on other projects	-	-
Adjustments in respect of current income tax of previous years	(2,503,708)	(182,692)
Deferred income tax		
Relating to origination and reversal of temporary differences	(767,821)	204,860
Adjustments in respect of previous deferred income tax	678,627	-
Income tax expense reported in statement of profit or loss	2,622,989	3,936,509
Income tax recognised in statement of changes in equity		
Deferred income tax		
Revaluation of shares held in Mutiny Gold Limited	61,222	-
Income tax expense reported in equity	61,222	-

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 2014 and 2013 is as follows:

	2014	2013
Accounting profit before income tax	16,786,575	11,475,980
At the statutory income tax rate of 30% (2013: 30%)	5,035,973	3,442,794
Add:		
Non-deductible expenses	(610,670)	163,550
Foreign tax on projects	22,767	-
Adjustments in respect of previous current income tax	(1,890,726)	(293,555)
Expenses in relation to Gold Ridge project	-	623,720
Derecognition of prior year overseas losses	65,645	-
Less:		
Adjustments in respect of previous deferred income tax	-	-
At effective income tax rate of 15.6% (2013: 34.3%)	2,622,989	3,936,509
Income tax expense reported in statement of profit or loss	2,622,989	3,936,509

NOTE 8. INCOME TAX EXPENSE (continued)

	Consolidated 2014 $	Consolidated 2013 $
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
Deferred income tax assets	40,993	347,080
Accrued employee entitlements	16,079	215,625
Accrued superannuation	19,500	12,750
Accrued audit fees	(43,585)	(54,987)
Leasing	133,001	268,745
Section 40/880 deduction	64,654	198,558
Provision for long service leave	-	-
Provision for doubtful debts	-	28,810
Provision for project returns	804,968	582,683
Provision for warranty	-	6,587
Construction Industry long service leave	-	65,645
Carry forward tax losses – overseas subsidiaries	10,125	(30,452)
Unrealised foreign exchange (gain)/loss	9,965	-
Lease termination	94,806	-
Payables – Upstream Production Solutions subsidiary	547,490	-
Accrued employee entitlements – Upstream Production Solutions subsidiary	61,222	-
Shares in listed entity (Mutiny Gold Limited)	1,759,218	1,641,044
Deferred income tax liabilities		
Prepayments	(3,577)	-
Accrued interest	(20,426)	(13,991)
Other accrued income	(8)	(17)
Assets capitalised for tax	(720)	-
Net trade debtors – Upstream Production Solutions subsidiary	(72,906)	-
Prepayments – Upstream Production Solutions subsidiary	(634)	-
Customer contracts – Upstream Production Solutions subsidiary	(1,094,298)	-
Plant and equipment – Upstream Production Solutions subsidiary	(20,037)	-
	(1,212,606)	(14,008)
Net deferred tax asset	546,612	1,627,036
Current tax asset and liabilities		
Current tax liabilities		
Income tax payable	1,889,743	2,247,969

NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2014	2013
	$	$
Cash on hand	42,129	64,612
Cash at bank	12,651,826	8,154,073
Cash on deposit	19,500,000	8,000,000
	32,193,955	16,218,685

The fair value of cash and cash equivalents is $32,193,955 (2013: $16,218,685).

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 $5,239,431 (2013: $18,266,375) in term deposits to secure bank guarantees for current projects. This amount is included in trade and other receivables Note 10.

A summary of all cash including term deposits is as follows:

Cash at bank and on hand	12,693,955	8,218,685
Cash on deposit (Current asset)	19,500,000	8,000,000
Term deposits held for project security (Current asset)	1,348,332	5,035,260
Term deposits held for project security (Non-current asset)	3,891,099	13,231,115
	37,433,386	34,485,060

Reconciliation of cash

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

Cash at bank and on hand	12,693,955	8,218,685
Cash on deposit	19,500,000	8,000,000
	32,193,955	16,218,685

NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS (continued)

	Consolidated	
	2014	2013
	$	$
Reconciliation from the net profit after tax to the net cash flow from operations		
Net Profit after tax	14,163,586	7,539,471
Non-cash items		
Depreciation and amortisation	1,639,164	974,792
Profit/loss on sale of asset	21,183	-
Share based employee payments	759,823	451,187
Net foreign exchange (gain)/loss	222,490	(101,508)
Gain on bargain purchase of business	(3,035,549)	-
Acquisition of shares as consideration for services	(748,974)	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(3,087,761)	(3,552,479)
(Increase)/decrease in inventories	4,545	(69,882)
(Increase)/decrease in deferred tax asset	(89,195)	205,644
(Decrease)/increase in trade and other payables	15,494,222	(5,043,128)
(Decrease)/increase in provisions	855,255	(500,696)
(Decrease)/increase in tax liabilities	(358,226)	1,553,405
Increase in unearned income	(7,046,380)	4,045,546
Net cash from operating activities	18,794,183	5,502,352

NON-CASH TRANSACTIONS

During the year ended 30 June 2014 and year ending 30 June 2013, the following non-cash investing and financing activities occurred, which are not reflected in the consolidated statement of cash flows:

– during the year ended 30 June 2014 the consolidated entity acquired Nil equipment under finance leases (2013: $773,155).

NOTE 10. TRADE AND OTHER RECEIVABLES

Current assets – trade and other receivables

	Consolidated 2014 $	Consolidated 2013 $
Trade receivables	33,250,872	23,783,582
Less: Provision for impairment of receivables	-	-
	33,250,872	23,783,582
Term deposits held for project security*	1,348,332	5,035,260
Other receivables	25,266	156,134
Accrued revenue	50,316	28,892
	34,674,786	29,003,868

Non-current assets – trade and other receivables

	2014 $	2013 $
Term deposits held for project security*	3,891,099	13,231,115

* The consolidated entity holds $5,239,431 (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, $3,891,099 relates to bank guarantees to be returned in the 2015-2016 financial year so this term deposit is classed as non-current (2013: $13,231,115).

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

	2014 $	2013 $
Term deposits held for project security (Current asset)	1,348,332	5,035,260
Term deposits held for project security (Non-current asset)	3,891,099	13,231,115
	5,239,431	18,266,375

Impairment of receivables

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

	2014 $	2013 $
Opening balance	-	1,525,000
Receivables written off during the year as uncollectable	-	(1,525,000)
Closing balance	-	-

Bad debts written off during the year as uncollectable amount to $146,340 (2013: $906,933).

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $1,290,828 as at 30 June 2014 ($956,129 as at 30 June 2013).

NOTE 10. TRADE AND OTHER RECEIVABLES (continued)

	Consolidated 2014 $	Consolidated 2013 $
The ageing of the past due but not impaired receivables are as follows:		
0 to 3 months overdue	836,366	749,127
3 to 6 months overdue	454,462	65,649
Over 6 months overdue	-	141,353
	1,290,828	956,129

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.

NOTE 11. CURRENT ASSETS – INVENTORIES

	2014 $	2013 $
Consumables – at cost	643,800	648,345
Work in progress	1,711,504	-
	2,355,304	648,345

NOTE 12. CURRENT ASSETS – OTHER

	2014 $	2013 $
Prepayments	738,393	158,752

NOTE 13. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	2014 $	2013 $
Plant and equipment – at cost	4,263,196	3,837,995
Less: Accumulated depreciation	(2,902,953)	(2,255,340)
	1,360,243	1,582,655
Plant and equipment under lease	2,171,734	2,438,573
Less: Accumulated depreciation	(1,491,076)	(1,349,276)
	680,658	1,089,297
	2,040,901	2,671,952

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 2012	638,749	1,553,138	2,191,887
Additions	773,155	684,784	1,457,939
Disposals, Write off of assets	-	(3,083)	(3,083)
Transfers in/(out)	(14,386)	14,386	-
Depreciation expense	(308,221)	(666,570)	(974,791)
Balance at 30 June 2013	1,089,297	1,582,655	2,671,952
Additions	-	86,696	86,696
Transferred on acquisition of business	-	400,000	400,000
Disposals, Write off of assets	(73,413)	(5,400)	(78,813)
Transfers in/(out)	2,351	(2,351)	-
Depreciation expense	(337,577)	(701,357)	(1,038,934)
Balance at 30 June 2014	680,658	1,360,243	2,040,901

NOTE 14. FINANCIAL ASSETS

	Consolidated	
	2014 $	2013 $
Available for sale financial assets held at fair value		
Shares in listed entities	601,704	-

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 30 June 2014 is 23,142,464 (30 June 2013: Nil).

NOTE 15. INTANGIBLE ASSETS

	Consolidated	
	2014 $	2013 $
Customer contracts acquired on purchase of business	4,247,863	-
Less: Accumulated amortisation	(600,199)	-
Total intangible assets	3,647,664	-

The acquisition of the business of Production Solutions included seven projects in place at the acquisition date 23 April 2014. The fair value of each contract is amortised over the life of that contract. The lives of the seven contracts range between 2 and 4 years.

NOTE 16. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade payables	8,930,874	3,699,455
Accrued expenses	7,861,469	282,737
GST payable	2,912,194	472,709
Other payables	1,904,616	753,984
	21,609,153	5,208,885

Refer to Note 24 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 17. BORROWINGS

Current liabilities – borrowings		
Lease liability	287,966	370,725
Non-current liabilities – borrowings		
Lease liability	247,412	537,632

Refer to Note 24 for further information on financial instruments.

Total secured liabilities

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

Lease liability	535,378	908,357

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.

NOTE 18. PROVISIONS

	Consolidated	
	2014	2013
	$	$
Current liabilities – provisions		
Annual leave	2,190,232	1,156,934
Warranties	2,683,227	1,942,275
Project returns	-	96,034
	4,873,459	3,195,243
Movement in provisions		
Provision for annual leave		
Balance at beginning of year	1,156,934	1,212,153
Additional provisions recognised	2,359,555	1,324,654
Amounts used	(1,326,257)	(1,379,873)
Balance at end of year	2,190,232	1,156,934
Provision for warranty and defects liability		
Balance at beginning of year	1,942,275	2,080,502
Additional provisions/(reduction in provisions) recognised	952,652	(138,227)
Amounts used	(211,700)	-
Balance at end of year	2,683,227	1,942,275
Provision for project returns		
Balance at beginning of year	96,034	579,984
Additional provisions/(reduction in provisions) recognised	-	(291,868)
Amounts used	(96,034)	(192,082)
Balance at end of year	-	96,034
Non-current liabilities – provisions		
Long service leave	1,407,585	661,861
Movement in provisions		
Provision for long service leave		
Balance at beginning of year	661,861	478,500
Additional provisions recognised	788,472	183,361
Amounts used	(42,748)	-
Balance at end of year	1,407,585	661,861

NOTE 19. CURRENT LIABILITIES – UNEARNED REVENUE

	Consolidated 2014 $	Consolidated 2013 $
Unearned Revenue	3,818,279	10,146,686
Contracts in progress		
Progress billings	144,540,271	101,485,086
Construction costs to date plus recognised profits	140,721,992	91,338,400
	3,818,279	10,146,686

NOTE 20. EQUITY – ISSUED CAPITAL

	Consolidated		Consolidated	
	2014 Shares	2013 Shares	2014 $	2013 $
Ordinary shares – fully paid				
Opening balance	150,000,000	150,000,000	28,501,548	28,501,548
Additional shares issued	407,949	-	283,807	-
Ordinary shares – fully paid	150,407,949	150,000,000	28,785,355	28,501,548

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 2014 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.

Share appreciation rights

As at 30 June 2014, the consolidated entity had issued a total of 1,669,337 share appreciation rights to Geoff Jones, Managing Director, as part of the consolidated entity's equity incentive plan (as at 30 June 2013: Nil).

Number of shares under share appreciation rights	Grant date	Vesting date	Exercise price	Performance condition share price targets
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

Performance rights

As at 30 June 2014, the consolidated entity had issued a total of 2,315,000 performance rights (as at 30 June 2013: 2,075,000):

Number of performance rights	Grant date	Expiry date	Exercise price
1,730,000	11/09/2012	21/09/2015	Nil
25,000	04/10/2012	04/10/2015	Nil
50,000	13/05/2013	13/03/2016	Nil
127,500	30/04/2014	31/03/2016	Nil
127,500	30/04/2014	31/03/2017	Nil
127,500	30/04/2014	31/03/2018	Nil
127,500	30/04/2014	31/03/2019	Nil

NOTE 21. EQUITY – RESERVES

	Consolidated	
	2014	2013
	$	$
Foreign currency reserve	(404,255)	10,233
Performance rights reserve	590,246	293,425
Share options reserve	545,500	448,596
Share appreciation rights reserve	82,291	-
Investment revaluation reserve	(142,852)	-
	670,930	752,254

Foreign currency reserve		
Balance at beginning of year	10,233	-
Additional amounts recognised	(414,488)	10,233
Balance at end of year	(404,255)	10,233

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	293,425	-
Additional amounts recognised	296,821	293,425
Balance at end of year	590,246	293,425

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

NOTE 21. EQUITY – RESERVES (continued)

	Consolidated 2014 $	Consolidated 2013 $
Share options reserve		
Balance at beginning of year	448,596	290,834
Additional amounts recognised	96,904	157,762
Balance at end of year	545,500	448,596

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

	Consolidated 2014 $	Consolidated 2013 $
Share appreciation rights reserve		
Balance at beginning of year	-	-
Additional amounts recognised	366,098	-
Amount exercised	(283,807)	-
Balance at end of year	82,291	-

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

	Consolidated 2014 $	Consolidated 2013 $
Investment revaluation reserve		
Balance at beginning of year	-	-
Additional amounts recognised	(204,074)	-
Less tax effect of additional amount recognised	61,222	-
Balance at end of year	(142,852)	-

The above investment revaluation reserve relates to the revaluation of shares held in listed entities to fair value at the end of the reporting period. The fair value is determined using the quoted share price at 30 June 2014.

NOTE 22. EQUITY – RETAINED PROFITS

	2014 $	2013 $
Retained profits at the beginning of the financial year	11,936,950	13,397,479
Profit after income tax expense for the year	14,163,586	7,539,471
Payment of dividends	(9,000,000)	(9,000,000)
Retained profits at the end of the financial year	17,100,536	11,936,950

NOTE 23. EQUITY – DIVIDENDS

	Consolidated 2014 $	2013 $
Dividends		
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
Year ended 30 June 2014		
Dividend paid 1 October 2013 (fully franked at 30% tax rate): 3 cents per ordinary share	4,500,000	
Dividend paid 28 March 2014 (franked to 40%): 3 cents per ordinary share	4,500,000	
	9,000,000	9,000,000

On 25 August 2014, the consolidated entity declared a fully franked dividend of 4.0 cents per share, an aggregate of $6,016,318. The Record Date of the dividend is 16 September 2014 and the proposed payment date is 30 September 2014.

	2014 $	2013 $
Franking credits		
Franking credits available for subsequent financial years based on a tax rate of 30%	1,696,720	(79,040)

NOTE 24. 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, liquidity risk and equity risk.

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

	2014	2013
Financial Assets		
Cash and cash equivalents	32,193,955	16,218,685
Trade and other receivables	38,565,885	42,234,983
Available for sale securities	601,704	-
Total financial assets	71,361,544	58,453,668
Financial Liabilities		
Trade and other payables	21,609,153	5,208,885
Finance lease liabilities	535,378	908,357
Total financial liabilities	22,144,531	6,117,242

NOTE 24. 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.

The carrying amounts in Australian dollars (AUD) of the consolidated entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	Assets		Liabilities	
	2014 AUD $	2013 AUD $	2014 AUD $	2013 AUD $
United States Dollars	153,001	950,002	-	-
Great British Pounds	3,447,343	50,906	-	-
	3,600,344	1,000,908	-	-

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 cash balances in United States dollars, these balances are translated into Australian dollars at the prevailing exchange rate at 30 June 2014 of AUD $1 = USD $0.94 (2013: AUD $1 = USD $0.91).

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 :

	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 $
2014						
Unrealised Exchange Gain/Loss	10% Increase	(13,839)	(13,839)	10% Decrease	16,967	16,967
2013						
Unrealised Exchange Gain/Loss	10% Increase	(86,364)	(86,364)	10% Decrease	105,556	105,556

The consolidated entity holds cash balances in Great British pounds, these balances are translated into Australian dollars at the prevailing exchange rate at 30 June 2014 of AUD $1 = GBP £0.55 (2013: AUD $1 = GBP £0.60).

The following table details the consolidated entity's sensitivity to a 10% increase and decrease in the value of the Australian dollar against the Great British pound:

	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
	%	$	$	%	$	$
2014						
Unrealised Exchange Gain/Loss	10% Increase	(313,393)	(313,393)	10% Decrease	383,040	383,040
2013						
Unrealised Exchange Gain/Loss	10% Increase	(2,014)	(2,014)	10% Decrease	8,851	8,851

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:

	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
	%	$	$	%	$	$
Consolidated – 2014						
Interest revenue	1	396,849	396,849	1	(396,849)	(396,849)
Interest expense	1	-	-	1	-	-
		396,849	396,849		(396,849)	(396,849)
Consolidated – 2013						
Interest revenue	1	321,643	321,643	1	(321,643)	(321,643)
Interest expense	1	(3,130)	(3,130)	1	3,130	3,130
		318,513	318,513		(318,513)	(318,513)

Equity price risk

The consolidated entity is exposed to equity price risks arising from equity investments.

The sensitivity analysis below has been determined based on the exposure of the consolidated entity to a 5% increase or decrease in equity prices at the end of the reporting period.

- profit for the year ended 30 June 2014 would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of or impaired; and
- other comprehensive income for the year ended 30 June 2014 would increase by $30,085 (2013: Nil) as a result of an increase of 5% in equity prices, and decrease by $30,085 (2013: Nil) as a result of a decrease of 5% in equity prices.

NOTE 24. FINANCIAL INSTRUMENTS (continued)

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.

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.

		Remaining contractual maturities			
Non-derivatives	**Weighted average interest rate %**	**Less than 6 months $**	**6 to 12 months $**	**Over 12 months $**	**Total $**
Consolidated – 2014					
Non-interest bearing					
Trade payables	-	21,609,153	-	-	21,609,153
Interest-bearing – fixed rate					
Lease liability	9.23	134,646	153,320	247,412	535,378
Total non-derivatives		21,743,799	153,320	247,412	22,144,531
Consolidated – 2013					
Non-interest bearing					
Trade payables	-	5,208,885	-	-	5,208,885
Interest-bearing – fixed rate					
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

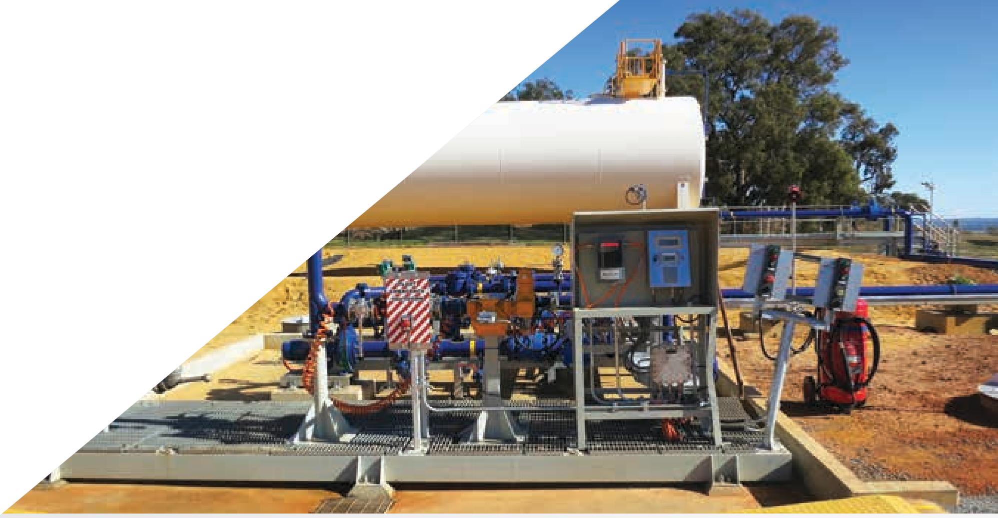
Fair value of financial instruments

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	2014 Carrying amount $	2014 Fair value $	2013 Carrying amount $	2013 Fair value $
Assets				
Cash at bank	12,693,955	12,693,955	8,218,685	8,218,685
Cash on deposit	19,500,000	19,500,000	8,000,000	8,000,000
Trade receivables	38,565,885	38,565,885	42,234,983	42,234,983
Available for sale securities	601,704	601,704	-	-
	71,361,544	71,361,544	58,453,668	58,453,668
Liabilities				
Trade payables	21,609,153	21,609,153	5,208,885	5,208,885
Lease liability	535,378	535,378	908,357	908,357
	22,144,531	22,144,531	6,117,242	6,117,242

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.



NOTE 24. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments (continued)

The financial assets and liabilities of the consolidated entity are classified into these categories below:

	Level 1 $	Level 2 $	Level 3 $	Total $
Fair value hierarchy – 2014				
Financial assets				
Trade receivables	-	38,565,885	-	38,565,885
Available for sale securities	601,704	-	-	601,704
	601,704	38,565,885	-	39,167,589
Financial liabilities				
Trade payables	-	21,609,153	-	21,609,153
Lease liability	-	535,378	-	535,378
	-	22,144,531	-	22,144,531
Fair value hierarchy – 2013				
Financial assets				
Trade receivables	-	42,234,983	-	42,234,983
Available for sale securities	-	-	-	-
	-	42,234,983	-	42,234,983
Financial liabilities				
Trade payables	-	5,208,885	-	5,208,885
Lease liability	-	908,357	-	908,357
	-	6,117,242	-	6,117,242

The fair values of the financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The consolidated entity holds available for sale equity securities of $601,704 (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 have been no transfers of fair value hierarchy levels during the period.

During the period, net losses of $204,074 (30 June 2013: Nil) have been included in other comprehensive income and are reported in the investment revaluation reserve.

NOTE 25. 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
Tony Patrizi	Executive Director
Geoff Jones	Managing Director

Non-executive directors

Barry Patterson	Non-Executive Director
Terrence 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
Paul Newling	General Manager EPCM Division
Joe Totaro	Chief Financial Officer and Company Secretary
Rodney Schier	Engineering Manager

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	
	2014	2013
	$	$
Short-term benefits	2,342,058	2,388,402
Post employment benefits	138,432	182,016
Share based payments	469,499	158,830
Other	-	50,000
	2,949,989	2,779,248

NOTE 26. 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	
	2014 $	2013 $
Audit services – Deloitte Touche Tohmatsu		
Audit or review of the financial statements	126,123	126,141
Other services – Deloitte Touche Tohmatsu		
Tax compliance	26,171	30,576
Other services	5,000	18,500
	157,294	175,217

NOTE 27. CONTINGENT LIABILITIES

The consolidated entity has bank guarantees in place as at 30 June 2014 of $19,522,985 (2013: $20,368,209).

support project performance in favour of certain clients of the consolidated entity. The facility has an approved limit of $30,000,000. 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 25% of the amount of bank guarantees on issue at any given time. The amount of bank guarantees issued under this facility at 30 June 2014 is $18,856,451 (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 $666,534 (2013: $860,862). The amount of bank guarantees issued under this facility at 30 June 2014 is $666,534 (2013: $860,862).

The consolidated entity has a $20 million insurance bond facility with Assetinsure Pty Ltd. This facility has been 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 30 June 2014 is $13,597,040 (2013: Nil).

NOTE 28. COMMITMENTS

The consolidated entity has leased certain of its office equipment under finance leases. The average lease term is 3 years (2013: 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	
	2014	2013
	$	$
Finance Leases		
Not longer than 1 year	315,737	425,877
Longer than 1 year and not longer than 5 years	257,332	574,515
Longer than 5 years	-	-
Minimum lease payments	573,069	1,000,392
Less: future finance charges	(37,692)	(92,036)
Present value of minimum lease payments	535,377	908,356

The consolidated entity has operating leases that relate to leases of office buildings with lease terms of between 1 and 5 years. All operating lease contracts contain clauses for market rental reviews.

Non-cancellable Operating Lease Commitments		
Not longer than 1 year	1,612,634	1,844,059
Longer than 1 year and not longer than 5 years	1,843,515	3,890,934
Longer than 5 years	-	-
Total lease payments	3,456,149	5,734,993

NOTE 29. RELATED PARTY TRANSACTIONS

During the year ended 30 June 2014 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 2014 amounted to $300,847 including GST (2013: $302,626). The balance payable at 30 June 2014 is $22,570 (2013: $21,934).

In previous financial years 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 2014 amounted to Nil (2013: $35,876). The balance payable at 30 June 2014 is Nil (2013: Nil).

During the year ended 30 June 2014 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 2014 was $153,274 including GST (2013: $823,801). The balance outstanding at 30 June 2014 is Nil (2013: $46,640).

During the year ended 30 June 2014 the consolidated entity provided engineering services and procurement of materials for PIHA Pty Ltd (a subsidiary of Mineral Resources Limited), a company in which Joe Ricciardo is a non-executive director. The total amount invoiced to PIHA Pty Ltd in the year ended 30 June 2014 was $80,300 including GST (2013: $56,482). The balance outstanding at 30 June 2014 is $48,180 (2013: Nil).

During the year ended 30 June 2014 the consolidated entity provided engineering services and procurement of materials for Azumah Resources Limited, a company in which Geoff Jones is a non-executive director. The total amount invoiced to Azumah Resources Limited in the year ended 30 June 2014 was $26,848 including GST (2013: $64,272). The balance outstanding at 30 June 2014 is $19,750 (2013: Nil).

The terms of these arrangements are at arms length and at normal commercial terms.

Other than transactions with parties related to key management personnel mentioned above and in the remuneration report, there have been no other transactions with parties related to the consolidated entity in the financial year ending 30 June 2014.

NOTE 30. 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.

	Parent	
	2014	2013
	$	$
Statement of profit or loss and other comprehensive income		
Profit after income tax	10,903,101	7,758,287
Total comprehensive income	10,903,101	7,758,287
Statement of profit or loss and other comprehensive income		
Total current assets	50,098,295	46,280,145
Total assets	57,325,565	63,810,248
Total current liabilities	12,273,240	21,831,370
Total liabilities	13,364,248	22,369,002
Equity		
Issued capital	28,785,355	28,501,548
Performance rights reserve	590,246	293,425
Share options reserve	545,500	448,596
Share appreciation rights reserve	82,291	-
Investment revaluation reserve	(142,853)	-
Retained profits	14,100,778	12,197,677
Total equity	43,961,317	41,441,246

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

NOTE 31. EVENTS AFTER THE REPORTING PERIOD

Dividend declaration

On 25 August 2014, the consolidated entity declared a fully franked dividend of 4.0 cents per share, an aggregate of $6,016,318. The Record Date of the dividend is 16 September 2014 and the proposed payment date is 30 September 2014.

No other matter or circumstance has arisen since 30 June 2014 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 32. EARNINGS PER SHARE

	Consolidated 2014	Consolidated 2013
	$	$
Profit after income tax attributable to the owners of GR Engineering Services Limited	14,163,586	7,539,471

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	150,001,118	150,000,000
Adjustments for calculation of diluted earnings per share:		
Weighted average number of employee performance rights and share appreciation rights issued	2,879,512	1,569,315
Weighted average number of ordinary shares used in calculating diluted earnings per share	152,880,630	151,569,315

	Cents	Cents
Basic earnings per share	9.44	5.03
Diluted earnings per share	9.26	4.97

Note: the options outstanding at 30 June 2013 were out of the money and therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share. Nil options were outstanding at 30 June 2014.

NOTE 33. SHARE BASED PAYMENTS

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 tranches of rights have a three year service term from the date of issue. On 30 April 2014 four further tranches of 127,500 rights each were issued to two employees. These tranches each have varying service terms of 2, 3, 4 and 5 years from the date of issue.

A total of 510,000 performance rights have lapsed due to resignations and redundancies of entitled employees since the date of issue of the first tranche of rights. Of this total, 270,000 have lapsed in the financial year ending 30 June 2014.

NOTE 33. SHARE BASED PAYMENTS (continued)

A summary of performance rights on issue at 30 June 2014 follows:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7
Number issued	2,215,000	50,000	50,000	127,500	127,500	127,500	127,500
Number lapsed	(485,000)	(25,000)	-	-	-	-	-
Grant date	11/09/2012	04/10/2012	13/05/2013	30/04/2014	30/04/2014	30/04/2014	30/04/2014
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Vesting date	21/09/2015	04/10/015	13/05/2016	31/03/2016	31/03/2017	31/03/2018	31/03/2019
Expiry date	21/09/2015	04/10/2015	13/05/2016	31/03/2016	31/03/2017	31/03/2018	31/03/2019
Vesting period (years)	3	3	3	2	3	4	5
Vesting conditions	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Fair value ($)	0.637	0.689	0.459	0.571	0.511	0.458	0.410

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	Tranche 4	Tranche 5	Tranche 6	Tranche 7
Grant date share price ($)	0.86	0.86	0.58	0.705	0.705	0.705	0.705
Exercise price	-	-	-	-	-	-	-
Expected volatility (%)	50	50	50	60	60	60	60
Term (years)	3	3	3	2	3	4	5
Dividend yield (%)	10	10	10	11	11	11	11
Risk free interest rate (%)	2.55	2.49	2.57	2.73	2.95	3.33	3.33

Movement in performance rights	2014 Number of performance rights	2014 Weighted average exercise price	2013 Number of performance rights	2013 Weighted average exercise price
Balance at beginning of year	2,075,000	-	-	-
Granted during the year	510,000	-	2,315,000	-
Forfeited during the year	(270,000)	-	(240,000)	-
Balance at end of year	2,315,000	-	2,075,000	-

The weighted average fair value of performance rights granted at 30 June 2014 is $0.48. The weighted average exercise price of these performance rights at 30 June 2014 is Nil. The weighted average remaining contractual life of performance rights outstanding at 30 June 2014 is 616 days.

As at the commencement of the year ended 30 June 2014, the Company had 2,000,000 options on issue to its Managing Director, Geoff Jones. Shareholders approved the cancellation of these options at the Annual General Meeting held on 12 November 2013, and approved the granting of Share Appreciation Rights to Geoff Jones. The options had a fair value of Nil on cancellation.

On 12 November 2013, the consolidated entity issued a total of 3,269,337 share appreciation rights to Geoff Jones, Managing Director, as part of the consolidated entity's equity incentive plan. Of this total, 1,600,000 vested during the financial year ending 30 June 2014. The share appreciation rights are 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.

Number of share appreciation rights	Grant Date	Vesting Date	Exercise Price	Performance condition share price targets	Fair Value at Grant Date
1,600,000	12/11/2013	30/06/2014	$0.50	$0.60	$0.18
727,273	12/11/2013	30/06/2015	$0.50	$0.72	$0.18
432,433	12/11/2013	30/06/2016	$0.50	$0.86	$0.18
296,297	12/11/2013	30/06/2017	$0.50	$1.04	$0.16
213,334	12/11/2013	30/06/2018	$0.50	$1.24	$0.15

NOTE 33. SHARE BASED PAYMENTS (continued)

The fair value of share appreciation rights granted during the year was calculated using a Monte Carlo pricing model applying inputs as follows:

	Class A	Class B	Class C	Class D	Class E
Grant date share price ($)	0.67	0.67	0.67	0.67	0.67
Exercise price ($)	0.50	0.50	0.50	0.50	0.50
Expected volatility (%)	60	60	60	60	60
Term (years)	0	1	2	3	4
Dividend yield (%)	11	11	11	11	11
Risk free interest rate (%)	2.80	2.80	3.06	3.06	3.48

	Consolidated		Consolidated	
	2014		2013	
Movement in share appreciation rights	Number of share appreciation rights	Weighted average exercise price	Number of performance rights	Weighted average exercise price
Balance at beginning of year	-	-	-	-
Granted during the year	3,269,337	-	-	-
Vested and exercised during the year	(1,600,000)	-	-	-
Balance at end of year	1,669,337	-	-	-

On the date of exercise of 1,600,000 of the above share appreciation rights, 30 June 2014, the closing share price was $0.70 per share.

The weighted average fair value of share appreciation rights granted at 30 June 2014 is $0.17. The weighted average exercise price of these share appreciation rights at 30 June 2014 is $0.50. The weighted average remaining contractual life of share appreciation rights outstanding at 30 June 2014 is 730 days.

NOTE 34. BUSINESS COMBINATIONS

Subsidiaries acquired

On 23 April 2014 the consolidated entity completed the acquisition of the business of Production Solutions. The acquisition was effected through a wholly owned subsidiary, Upstream Production Solutions Pty Ltd. Production Solutions is a leading independent provider of specialist operations and maintenance and well management services to the oil and gas sector across Australia and South East Asia. The consideration transferred for this acquisition was $5,750,000 in cash. No other acquisitions have occurred in previous financial years.

Acquisition related costs amounting to $163,589 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current financial year.

	$
Consideration transferred	
Cash	5,750,000
Working capital adjustment to be returned to previous owners	609,137
	6,359,137

	$
Tangible assets acquired and liabilities assumed at the date of acquisition	
Current assets	
Trade and other receivables	6,849,724
Work in progress	993,531
Non-current assets	
Plant and equipment	400,000
Current liabilities	
Trade and other payables	(316,141)
Provisions	(1,004,318)
Non-current liabilities	
Provisions	(545,133)
	6,377,663

The initial accounting for the acquisition of Production Solutions has only been provisionally determined at the end of the reporting period. At the date of finalisation of these consolidated financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors' best estimate.

	$
Gain on bargain purchase on acquisition of subsidiary	
Consideration transferred	6,359,137
Less fair value of identifiable tangible net assets acquired	(6,377,663)
Less fair value of identifiable intangible net assets acquired	(4,247,863)
Add deferred tax liability recognised	1,230,840
Net gain on bargain purchase	(3,035,549)

	$
Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	5,750,000
Less cash and cash equivalent balances acquired	-
	5,750,000

Impact of acquisitions on the results of the consolidated entity

Included in the profit before tax for the year is $166,439 attributable to the additional business generated by Production Solutions. Revenue contributed by additional business generated by Production Solutions for the financial year is $4,237,654.

Based on a linear extension of the above profit and revenue, had this business combination been effected at 1 July 2013, the revenue of the consolidated entity from continuing operations would increase by approximately $22,400,000, and the profit for the year from continuing operations would increase by approximately $900,000. The directors of the consolidated entity consider these 'pro-forma' numbers to represent an approximate measure of the performance of the consolidated entity on an annualised basis and to provide a reference point for comparison in future periods.

NOTE 35. SUBSIDIARIES

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

Name of subsidiary	Country of incorporation	Equity holding 2014 %	2013 %
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	100
Upstream Production Solutions Pty Ltd ****	Australia	100	-
Upstream Production Solutions (Malaysia) Sdn. Bhd. *****	Malaysia	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) is dormant as at 30 June 2014

**** Incorporation date 8 November 2013

***** Incorporation date 14 April 2014

DIRECTORS' DECLARATION

The directors declare that:

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

b. In the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in 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

GEOFF JONES
Managing Director

26 August 2014

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 2014, 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 68.

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.

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 2014 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 20 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants
Perth, 26 August 2014

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.

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.

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.

Summary of Process for Performance Evaluation (continued)

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 18% of the Company's total workforce and approximately 10% 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 2017.

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 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.

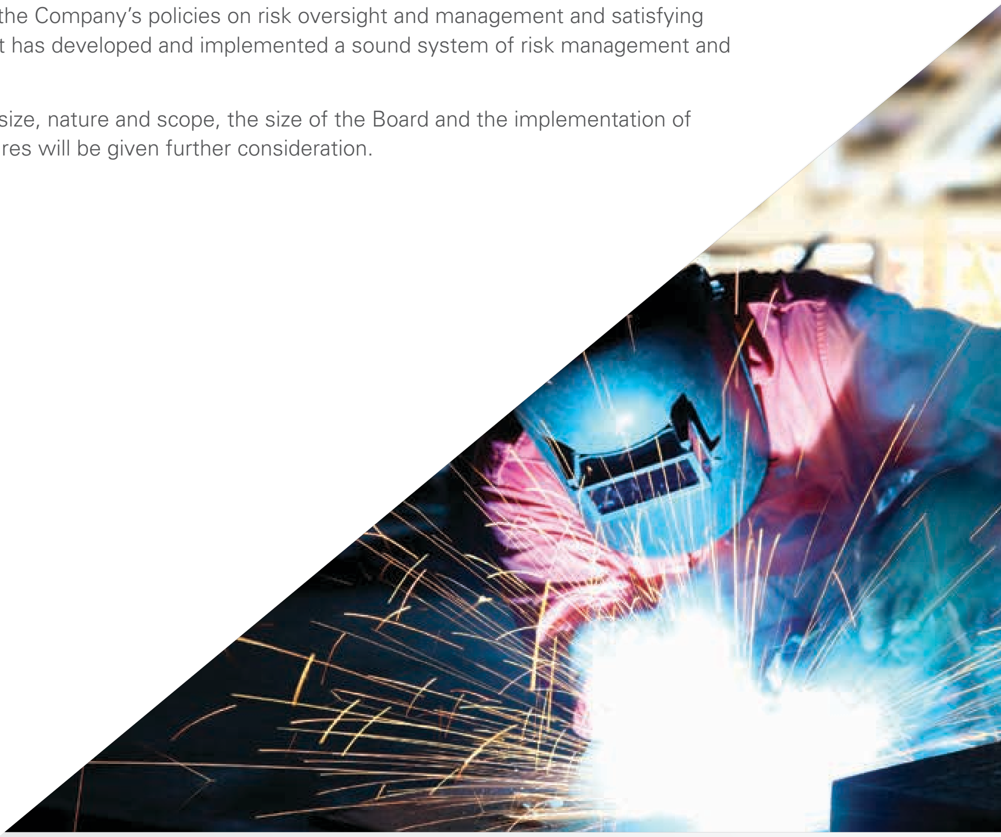
Summary of Risk Management Policy

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

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 3rd edition Principles & Recommendations and the following "if not, why not" report reflects this. The Company will report against the 3rd edition Principles & Recommendations for its financial year commencing 1 July 2014.

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:

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.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (continued)

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

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 measureable 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 measureable 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 measureable 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".

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

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.

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 unvested entitlements under any equity based remuneration schemes.

ADDITIONAL ASX INFORMATION

The shareholder information set out below was applicable as at 29 September 2014:

- the twenty largest shareholders held 86.02% of the Ordinary Shares; and
- there were 1,007 ordinary shareholders.

Distribution of securities

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

Range	Total	Units	% of shares issued
1-1,000	73	41,607	0.03
1,001-5,000	327	1,026,267	0.68
5,001-10,000	222	1,854,383	1.23
10,001-100,000	344	11,382,352	7.57
100,001-1,000,000	35	9,948,603	6.61
1,000,001-9,999,999,999	17	126,154,737	83.88
Total	**1,018**	**150,407,949**	**100.00**

The number of shareholders holding less than a marketable parcel of ordinary shares is 42.

Equity security holders

Top 20 Shareholders as at 29 September 2014:

Name		Number of shares held	% of shares issued
1.	Citicorp Nominees Pty Ltd	15,925,098	10.59
2.	Mr David Joseph Sala Tenna + Ms Jane Frances Sala Tenna	13,825,000	9.19
3.	Joley Pty Ltd	12,000,000	7.98
4.	Polly Pty Ltd	10,500,000	6.98
5.	Quintal Pty Ltd	10,500,000	6.98
6.	Paksian Pty Ltd	9,798,578	6.51
7.	Kingarth Pty Ltd	9,795,000	6.51
8.	Mr Giuseppe Totaro	9,000,000	5.98
9.	Ms Barbara Ann Woodhouse	8,150,000	5.42
10.	Ms Beverley June Schier	8,100,000	5.39
11.	Ledgking Pty Ltd	6,000,000	3.99
12.	National Nominees Limited	3,956,113	2.63
13.	Mr Stephen Paul Kendrick	3,491,000	2.32
14.	HSBC Custody Nominees (Australia) Limited	1,772,958	1.18
15.	HSBC Custody Nominees (Australia) Limited - Commonwealth Super Corp	1,700,189	1.13
16.	JP Morgan Nominees Australia Limited	1,646,397	1.09
17.	Kendrick Investments Pty Ltd	1,384,000	0.92
18.	Mr Cono Antonino Angelo Ricciardo	980,000	0.65
19.	Mr Cono Antonino Angelo Ricciardo + Mr Brett Alan Turner	772,109	0.51
20.	Totaro Investments Pty Ltd	500,000	0.33
		129,381,657	**86.02**

Substantial Shareholders

Name		Number of shares held	% of shares issued
1.	Citicorp Nominees Pty Ltd	15,925,098	10.59
2.	Mr David Joseph Sala Tenna + Ms Jane Frances Sala Tenna	13,825,000	9.19
3.	Joley Pty Ltd	12,000,000	7.98
4.	Polly Pty Ltd	10,500,000	6.98
5.	Quintal Pty Ltd	10,500,000	6.98
6.	Paksian Pty Ltd	9,798,578	6.51
7.	Kingarth Pty Ltd	9,795,000	6.51
8.	Mr Giuseppe Totaro	9,000,000	5.98
9.	Ms Barbara Ann Woodhouse	8,150,000	5.42
10.	Ms Beverley June Schier	8,100,000	5.39

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.

Share appreciation rights
There are no voting rights attached to Share Appreciation Rights over the Company's shares.

Options of issue

There are Nil options on issue at 30 June 2014.

Performance Rights on Issue

The following performance rights are on issue:

Number	Grant Date	Expiry Date	Exercise Price
1,730,000	11/09/2012	21/09/2015	-
25,000	04/10/2012	04/10/2015	-
50,000	13/05/2013	13/05/2016	-
127,500	30/04/2014	31/03/2016	-
127,500	30/04/2014	31/03/2017	-
127,500	30/04/2014	31/03/2018	-
127,500	30/04/2014	31/03/2019	-

Share appreciation rights

The following share appreciation rights are on issue:

Number	Grant Date	Expiry Date	Exercise Price
727,273	12/11/2013	30/06/2015	-
432,433	12/11/2013	30/06/2016	-
296,297	12/11/2013	30/06/2017	-
213,334	12/11/2013	30/06/2018	-

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

179 Great Eastern Highway
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

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

"Continuing to drive business efficiencies whilst maintaining renowned execution capability."

"Safety is a key element of GR Engineering's operating ethos - our people are our greatest asset."

GR ENGINEERING SERVICES LIMITED
ENGINEERING CONSULTANTS AND CONTRACTORS

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