

GR Engineering Services Limited
Half Year Financial Report
For the Half Year Ended 31 December 2015

GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

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GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

DIRECTORS' REPORT

Your directors present their report on GR Engineering Services Limited (ASX:GNG) ("the consolidated entity") for the half-year ended 31 December 2015 (HY16).

DIRECTORS

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

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

COMPANY SECRETARY

Giuseppe (Joe) Totaro

PRINCIPAL ACTIVITIES

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

REVIEW OF RESULTS AND OPERATIONS

The operating profit after tax of the consolidated entity was \$8,746,233 (HY15: \$6,462,643). The EBITDA of the consolidated entity was \$10,843,360 (HY15: \$9,853,329).

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

HY16 saw heightened design and construction activity on predominantly Australian based projects. The largest of these projects is the engineering, procurement and construction works on the processing plant, paste fill plant and associated non-process infrastructure for Independence Group NL's Nova Nickel Project. As at 31 December 2015, this project was over 30% complete and was progressing on time and on budget.

Work was completed on the construction of the MZI Resources Limited's Mineral Sands Project. This project, which involved the construction of a wet concentrator plant located at the Keysbrook mine site and the expansion of an existing mineral separation plant located in Picton also progressed on time and on budget with practical completion being achieved in December 2015.

In July 2015 the consolidated entity entered into an engineering, procurement and construction (EPC) contract with Western Areas Limited in relation to its Forrestania Mill Recovery Enhancement Project. Engineering and design work on this project commenced immediately and is scheduled for completion in February 2016. Related construction work on this project has been deferred.

In August 2015 GR Engineering commenced early works on Doray Minerals Limited's Deflector Project located near Gullewa Western Australia. Also executed under an EPC contract model, this project involves the design, construction and commissioning of 480ktpa gold-copper mineral processing facility and associated infrastructure. As at 31 December 2015 this project was approximately 74% completed and was progressing on time and on budget.

During HY16 GR Engineering continued to build on its international reputation by successfully executing design and construction engagements in a range of commodities and countries.

In the UK, operational control of the Hemerdon tungsten/tin plant was handed over to Wolf Minerals Limited in September 2015 and commissioning of the plant has commenced. As at 31 December, construction of the Hemerdon plant was complete save for work on peripheral and punch list items. With a value of GBP 75 million, this is the largest project executed by the consolidated entity to date and was delivered under an EPC contracting model.

In Indonesia, work continued on the Wetar Copper Project for PT Batutua Tembaga Raya pursuant to a contract awarded in November 2014 and in Greece, work commenced in September 2015 on Phase 2 of Hellas Gold SA's Olympias Project. This project involves the design and construction of a 385ktpa gold, lead and zinc concentrator. Both the Wetar Copper Project and the Olympias Project are executed under engineering, procurement and construction management (EPCM) contracting arrangements.

GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

DIRECTORS' REPORT

During the half year under review, the consolidated entity completed 13 studies and as 31 December 2015 was engaged on a further 18.

HY16 saw the consolidated entity's wholly owned subsidiary, Upstream Production Solutions Pty Ltd (Upstream PS) continue to safely and successfully deliver operations and maintenance services to the oil and gas industry. Despite a marked decline in the price of oil and gas during HY16, Upstream PS was successful in maintaining levels of revenue and profitability consistent with budgeted performance.

Please refer to the consolidated entity's ASX announcement of 23 February 2016 for a comprehensive summary of the consolidated entity's recent operational performance.

DIVIDENDS

A fully franked dividend of 5.0 cents per share has been declared for the six months ended 31 December 2015. The ex dividend date for the interim dividend is 21 March 2016, the record date for determining entitlements to the interim dividend is 23 March 2016 and the payment date for the interim dividend is 30 March 2016.

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS

The auditor's independence declaration to the directors is included on page 5 of the Half Year Financial Report.

EVENTS AFTER THE REPORTING DATE

For events occurring after the reporting date, refer to note 14 in the notes to the financial statements.

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

On behalf of the Directors



Geoff Jones
Managing Director
Date: 23 February 2016

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

AUDITORS' INDEPENDENCE DECLARATION



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

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

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

23 February 2016

Dear Board Members

GR Engineering Services Limited – Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of GR Engineering Services Limited.

As lead audit partner for the review of the financial statements of GR Engineering Services Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	<i>Notes</i>	<i>Half-Year Ended</i>	<i>Half-Year Ended</i>
		<i>31 December</i>	<i>31 December</i>
		<i>2015</i>	<i>2014</i>
		<i>\$</i>	<i>\$</i>
Revenue			
Rendering of services		127,216,127	98,156,609
Cost of Sales		111,542,821	80,720,685
Gross profit		15,673,306	17,435,924
Other Income	3(a)	1,971,949	430,247
Finance costs	3(b)	33,504	29,074
Occupancy expenses		1,250,873	1,156,761
Administrative expenses		4,906,792	6,326,139
Depreciation and amortisation	3(c)	912,063	2,057,788
Profit before income tax		10,542,023	8,296,409
Income tax expense	13	1,795,790	1,833,766
Net profit for the period		8,746,233	6,462,643
Other comprehensive income			
<u>Items that may be reclassified subsequently to profit or loss :</u>			
Fair value gain on available for sale financial assets		33,197	291,595
Exchange differences on translating foreign operations		(1,120,495)	936,939
Total other comprehensive income, net of income tax		(1,087,298)	1,228,534
Total comprehensive income for the period		7,658,935	7,691,177
Profit attributable to owners of the parent		8,746,233	6,462,643
Total comprehensive income attributable to owners of the parent		7,658,935	7,691,177
Earnings per Share:			
Basic (cents per share)		5.76	4.30
Diluted (cents per share)		5.71	4.19

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	<i>Notes</i>	<i>31 December 2015</i>	<i>30 June 2015</i>
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	4	44,111,966	64,582,994
Trade and other receivables		49,553,960	26,038,936
Inventories		3,036,414	2,821,512
Other		787,276	652,458
Current tax asset		1,965,086	-
Total Current Assets		99,454,702	94,095,900
Non-Current Assets			
Deferred tax asset		3,389,905	2,256,138
Property, plant and equipment		3,846,370	3,514,591
Financial assets	10	2,482,496	2,347,202
Intangible assets		294,161	552,656
Total Non-Current Assets		10,012,932	8,670,587
TOTAL ASSETS		109,467,634	102,766,487
LIABILITIES			
Current Liabilities			
Trade and other payables		43,552,182	35,392,357
Borrowings		830,357	397,912
Provisions		10,341,401	7,962,338
Unearned revenue	5	2,719,130	5,416,190
Income tax		-	2,055,333
Total Current Liabilities		57,443,070	51,224,130
Non-Current Liabilities			
Borrowings		696,607	706,432
Provisions		2,209,185	2,111,213
Total Non-Current Liabilities		2,905,792	2,817,645
TOTAL LIABILITIES		60,348,862	54,041,775
NET ASSETS		49,118,772	48,724,712
EQUITY			
Issued capital	6	29,998,351	28,918,256
Reserves		657,304	2,552,945
Retained earnings		18,463,117	17,253,511
TOTAL EQUITY		49,118,772	48,724,712

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	<i>Notes</i>	<i>31 December 2015</i>	<i>31 December 2014</i>
		\$	\$
Cash flows from operating activities			
Receipts from customers		108,654,555	114,454,182
Payments to suppliers and employees		(113,861,087)	(93,026,104)
Income tax paid		(6,687,436)	(2,139,713)
Interest received		644,230	500,868
Net cash flows from/(used in) operating activities		(11,249,738)	19,789,233
Cash flows from investing activities			
Purchase of property, plant and equipment		(559,207)	(1,087,787)
Return from (investment in) term deposits for project security		-	691,602
Payment for acquisition of financial assets		(114,637)	(124,969)
Net cash flows from/(used in) investing activities		(673,844)	(521,154)
Cash flows from financing activities			
Payment of finance lease liabilities		(3,518)	340,528
Dividends paid		(7,536,627)	(6,016,318)
Net cash flows from/(used in) financing activities		(7,540,145)	(5,675,790)
Net increase/(decrease) in cash and cash equivalents		(19,463,727)	13,592,289
Cash and cash equivalents at beginning of period		64,582,994	32,193,955
Effects of exchange rate changes of balances of cash held in foreign currencies		(1,007,301)	925,240
Cash and cash equivalents at end of period	4	44,111,966	46,711,484

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	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 2014	28,785,355	545,500	590,246	82,291	(404,255)	(142,852)	17,100,536	46,556,821
Profit for the period	-	-	-	-	-	-	6,462,643	6,462,643
Other Comprehensive income for the period	-	-	-	-	936,939	291,595	-	1,228,534
Total Comprehensive income for the period	-	-	-	-	936,939	291,595	6,462,643	7,691,177
Dividends	-	-	-	-	-	-	(6,016,318)	(6,016,318)
Share based payments	-	21,665	180,220	65,830	-	-	-	267,715
Balance as at 31 December 2014	28,785,355	567,165	770,466	148,121	532,684	148,743	17,546,861	48,499,395
Balance as at 30 June 2015	28,918,256	584,497	984,762	79,978	699,712	203,996	17,253,511	48,724,712
Profit for the period	-	-	-	-	-	-	8,746,233	8,746,233
Other Comprehensive income (loss) for the period	-	-	-	-	(1,120,495)	33,197	-	(1,087,298)
Total Comprehensive income (loss) for the period	-	-	-	-	(1,120,495)	33,197	8,746,233	7,658,935
Dividends	-	-	-	-	-	-	(7,536,627)	(7,536,627)
Issue of shares	1,080,095	-	(1,080,095)	-	-	-	-	-
Share based payments	-	-	247,020	24,732	-	-	-	271,752
Balance as at 31 December 2015	29,998,351	584,497	151,687	104,710	(420,783)	237,193	18,463,117	49,118,772

GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

1 CORPORATE INFORMATION

The financial report of GR Engineering Services Limited for the half year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 22 February 2016.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adoption in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated entity's annual financial report for the financial year ended 30 June 2015, except for the impact of the Standards and Interpretations described below. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(b) Statement of Compliance

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

(c) Standards and Interpretations adopted in the current year

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period, being the half year ended 31 December 2015.

The following new and revised Standards and Interpretations have been adopted in the current financial reporting period that are relevant to the consolidated entity are:

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'
- AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australia Groups with a Foreign Parent'

The adoption of these Standards and Interpretations does not have any impact on the disclosures or the amounts recognised in the consolidated entity's condensed consolidated financial statements.

(d) Standards and Interpretations in issue not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the half year ending 31 December 2015. Management are in the process of assessing the impact of the adoption of these Standards and Interpretations on the consolidated entity.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

3 REVENUES AND EXPENSES

	<i>31 December</i> <i>2015</i> \$	<i>31 December</i> <i>2014</i> \$
(a) Other income		
Bank interest received	644,230	500,868
Government rebates and subsidies	31,308	128
Profit (loss) on sale of fixed assets	-	13,713
Sundry revenue	1,296,411	(84,462)
	<u>1,971,949</u>	<u>430,247</u>
(b) Finance costs		
Interest charges on finance leases	33,504	29,074
(c) Depreciation and amortisation		
Depreciation of fixed assets	653,568	510,284
Amortisation of customer contracts	258,495	1,547,504
	<u>912,063</u>	<u>2,057,788</u>
(d) Employee benefits expense		
Wages and Salaries	29,748,295	20,849,675
Workers' compensation costs	177,112	123,675
Superannuation costs	2,294,987	1,665,314
Share based payments	271,752	267,715
	<u>32,492,146</u>	<u>22,906,379</u>

4 CASH AND CASH EQUIVALENTS

	<i>31 December</i> <i>2015</i> \$	<i>30 June</i> <i>2015</i> \$
Cash at bank and in hand	24,611,966	40,610,353
Short term deposits	19,500,000	23,972,641
	<u>44,111,966</u>	<u>64,582,994</u>

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

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

Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December 2015:

	<i>31 December</i> <i>2015</i> \$	<i>30 June</i> <i>2015</i> \$
Cash at bank and in hand	24,611,966	40,610,353
Short-term deposits	19,500,000	23,972,641
	<u>44,111,966</u>	<u>64,582,994</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

5 UNEARNED REVENUE

	<i>31 December</i> 2015	<i>30 June</i> 2015
	\$	\$
Unearned revenue on construction contracts	2,719,130	5,416,190
	<u>2,719,130</u>	<u>5,416,190</u>

6 ISSUED CAPITAL

	<i>31 December</i> 2015	<i>30 June</i> 2015
	<i>No of shares</i>	<i>No of shares</i>
<i>Ordinary Shares</i>		
Issued and fully paid	<u>152,426,086</u>	<u>150,732,531</u>
<i>Issue of ordinary shares</i>	<i>No of shares</i>	\$
At 30 June 2015	150,732,531	28,918,256
Issue of shares from exercise of performance rights	1,693,555	1,080,095
At 31 December 2015	<u>152,426,086</u>	<u>29,998,351</u>

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

7 COMMITMENTS AND CONTINGENCIES

	<i>31 December</i> 2015	<i>30 June</i> 2015
	\$	\$
Finance leases		
Not longer than 1 year	874,488	435,514
Longer than 1 year and not longer than 5 years	725,930	737,675
Longer than 5 years	-	-
Minimum lease payments	1,600,418	1,173,189
Less: future finance charges	(73,453)	(68,846)
Present value of minimum lease payments	<u>1,526,965</u>	<u>1,104,343</u>
Non-cancellable operating lease commitments		
Not longer than 1 year	1,786,227	1,913,651
Longer than 1 year and not longer than 5 years	1,510,570	2,222,302
Longer than 5 years	-	-
Total lease payments	<u>3,296,797</u>	<u>4,135,953</u>
Bank guarantees		
Bank guarantees issued	<u>35,118,580</u>	<u>29,737,896</u>

The consolidated entity has a bank guarantee facility with the National Australia Bank to provide bank guarantees to support project performance in favour of certain clients of the consolidated entity. The facility has an approved limit of \$40,000,000. The facility is secured by a fixed and floating charge over all the assets of the consolidated entity.

The amount of bank guarantees issued under this facility at 31 December 2015 is \$34,181,265 (30 June 2015: \$28,800,581). 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 \$937,315 (30 June 2015: \$937,315). The amount of bank guarantees issued under this facility at 31 December 2015 is \$937,315 (30 June 2015: \$937,315).

Bond facility

The consolidated entity has a \$30 million insurance bond facility with Assetinsure Pty Ltd. This facility is utilised to provide retention, maintenance and off site materials bonds in connection with certain projects. The amount of insurance bonds issued under this facility at 31 December 2015 is \$11,398,926 (30 June 2015: \$14,912,256).

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HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

8 DIVIDENDS

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

	31 December 2015		31 December 2014	
<i>Fully paid ordinary shares</i>	<i>Cents per share</i>	<i>\$</i>	<i>Cents per share</i>	<i>\$</i>
Dividend	5.00	7,536,627	4.00	6,016,318
	<u>5.00</u>	<u>7,536,627</u>	<u>4.00</u>	<u>6,016,318</u>

A fully franked dividend of 5.0 cents per share has been declared for the six months ended 31 December 2015. The ex dividend date for the interim dividend is 21 March 2016, the record date for determining entitlements to the interim dividend is 23 March 2016 and the payment date for the interim dividend is 30 March 2016.

9 SEGMENT INFORMATION

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

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

Segment revenues and results

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

	31 December 2015	31 December 2014
	\$	\$
Mineral processing	110,026,171	82,709,964
Oil and gas	17,189,956	15,446,645
Total revenue	<u>127,216,127</u>	<u>98,156,609</u>

Segment profit before tax

	31 December 2015	31 December 2014
	\$	\$
Mineral processing	9,542,487	8,928,156
Oil and gas	999,536	(631,747)
Total profit before tax	<u>10,542,023</u>	<u>8,296,409</u>

The above profit for the 6 months to 31 December 2015 (2014: loss) for the oil and gas segment includes amortisation expense of \$258,495 (2014: \$1,547,504).

Segment assets

	31 December 2015	31 December 2014
	\$	\$
Mineral processing	93,612,514	81,254,042
Oil and gas	15,855,120	13,268,944
Total assets	<u>109,467,634</u>	<u>94,522,986</u>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

10 FINANCIAL ASSETS

Available for sale financial assets held at fair value

	<i>31 December</i>	<i>30 June</i>
	<i>2015</i>	<i>2015</i>
	\$	\$
Shares in listed entities	2,482,496	2,347,202

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

11 FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

	<i>31 December 2015</i>		<i>30 June 2015</i>	
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
	\$	\$	\$	\$
<i>Assets</i>				
Cash at bank	24,611,966	24,611,966	40,610,353	40,610,353
Cash on deposit	19,500,000	19,500,000	23,972,641	23,972,641
Trade receivables	49,553,960	49,553,960	26,038,936	26,038,936
Available for sale securities	2,482,496	2,482,496	2,347,202	2,347,202
	<u>96,148,422</u>	<u>96,148,422</u>	<u>92,969,132</u>	<u>92,969,132</u>
<i>Liabilities</i>				
Trade payables	43,552,182	43,552,182	35,392,357	35,392,357
Lease liability	1,526,964	1,526,964	1,104,344	1,104,344
	<u>45,079,146</u>	<u>45,079,146</u>	<u>36,496,701</u>	<u>36,496,701</u>

Fair value of financial instruments

The group holds available for sale equity securities of \$2,482,496 (30 June 2015: \$2,347,202) which are classified as fair value hierarchy level 1, in which fair values are based on quoted prices in active markets. There has been no transfers of fair value hierarchy levels during the period.

During the period, net losses of \$33,197 (31 December 2014: net gain of \$291,595) have been included in other comprehensive income and are reported in the investment revaluation reserve.

During the period, \$364,638 of additional available for sale securities were acquired (2014: nil).

12 KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report dated 30 June 2015.

On 8 October 2015, the Board approved the adoption of the GR Engineering Services Limited 2015 Equity Incentive Plan providing, inter alia, for the provision of short and long term equity based incentives to eligible employees.

13 INCOME TAX

Income tax expense for the half year ended 31 December 2015 includes a research and development tax incentive refund of \$1,454,606 (2014: \$746,263) as an amendment to a research and development tax incentive return for the year ended 30 June 2014.

GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

14 EVENTS AFTER THE REPORTING DATE

A fully franked dividend of 5.0 cents per share has been declared for the six months ended 31 December 2015. The ex dividend date for the interim dividend is 21 March 2016, the record date for determining entitlements to the interim dividend is 23 March 2016 and the payment date for the interim dividend is 30 March 2016.

On 8th January 2016 the consolidated entity acquired 12,500,000 fully paid ordinary shares in Carbine Resources Limited (ASX: CRB) at a price of \$0.06 per share.

In February 2016, the consolidated entity disposed of 2,722,641 ordinary shares held in Doray Minerals Limited (ASX: DRM).

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

GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

DIRECTORS' DECLARATION

The directors declare that:

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

(b) In the directors' opinion, the attached financial statements and notes thereto are in compliance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'G. Jones', is written over a large, loopy scribble that serves as a signature line.

Name: Geoff Jones
Managing Director
Date: 23 February 2016

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

We have reviewed the accompanying half-year financial report of GR Engineering Services Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 16.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of GR Engineering Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Neil Smith
Partner
Chartered Accountants
Perth, 23 February 2016