

GR Engineering Services Limited
Half Year Financial Report
For the Half Year Ended 31 December 2014

**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 2014 (HY15).

DIRECTORS

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

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

COMPANY SECRETARY

Giuseppe (Joe) Totaro

PRINCIPAL ACTIVITIES

During the financial period the consolidated entity's activities have been the provision of high quality process engineering design and construction services to the mining and mineral processing industry 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 \$6,462,643 (HY14: \$7,312,536). The EBITDA of the consolidated entity was \$9,853,329 (HY14: \$7,804,704).

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

During HY15 the consolidated entity's principal operational activities were comprised of the Hemerdon Tungsten Tin Project located in the United Kingdom and engineering design and construction relating to the Moisture Reduction Project at Rio Tinto's Greater Paraburdoo operations in Western Australia. In addition the consolidated entity was awarded a circa \$10 million engineering, procurement and construction management contract for the Wetar Copper Expansion Project in Indonesia and a \$54.6 million contract for the design and construction of the Keysbrook Mineral Sands Project in Western Australia. All projects progressed on time and on budget throughout the period under review.

By 1 July 2014 the Upstream Production Solutions (UPS) business had fully transitioned into the consolidated entity. UPS delivered operational and financial outcomes in line with HY15 expectations and was successful in being awarded additional maintenance contracts by a major gas producer in Queensland.

Please refer to the consolidated entity's ASX announcement of 23 February 2015 for a comprehensive summary of the consolidated entity's recent operational performance.

DIVIDENDS

A fully franked dividend of 4.5 cents per share has been declared for the six months ended 31 December 2014. The ex dividend date for the interim dividend is 16 March 2015, the record date for determining entitlements to the interim dividend is 18 March 2015 and the payment date for the interim dividend is 30 March 2015.

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS

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

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

On behalf of the Directors



Geoff Jones

Managing Director

Date: 23 February 2015

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

AUDITORS' INDEPENDENCE DECLARATION



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

23 February 2015

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 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 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 2014

| | <i>Notes</i> | <i>Half-Year Ended 31 December 2014 \$</i> | <i>Half-Year Ended 31 December 2013 \$</i> |
|--|--------------|--|--|
| Revenue | | | |
| Rendering of services | | 98,156,609 | 49,723,537 |
| Cost of Sales | | 80,720,685 | 35,858,259 |
| Gross profit | | 17,435,924 | 13,865,278 |
| Other Income | 3(a) | 430,247 | 296,825 |
| Finance costs | 3(b) | 29,074 | 46,805 |
| Occupancy expenses | | 1,156,761 | 932,071 |
| Administrative expenses | | 6,326,139 | 4,542,008 |
| Bad debt expense | | - | 146,340 |
| Depreciation and amortisation | 3(c) | 2,057,788 | 543,995 |
| Profit before income tax | | 8,296,409 | 7,950,884 |
| Income tax expense | 13 | 1,833,766 | 638,348 |
| Net profit for the period | | 6,462,643 | 7,312,536 |
| Other comprehensive income | | | |
| <u>Items that may be reclassified subsequently to profit or loss :</u> | | | |
| Fair value gain on available for sale financial assets | | 291,595 | (75,739) |
| Exchange differences on translating foreign operations | | 936,939 | 471,894 |
| Total other comprehensive income, net of income tax | | 1,228,534 | 396,155 |
| Total comprehensive income for the period | | 7,691,177 | 7,708,691 |
| Profit attributable to owners of the parent | | 6,462,643 | 7,312,536 |
| Total comprehensive income attributable to owners of the parent | | 7,691,177 | 7,708,691 |
| Earnings per Share: | | | |
| | | <i>Cents per share</i> | <i>Cents per share</i> |
| Basic (cents per share) | | 4.30 | 4.88 |
| Diluted (cents per share) | | 4.19 | 4.79 |

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

| | <i>Notes</i> | <i>31 December</i> <i>2014</i> | <i>30 June</i> <i>2014</i> |
|--------------------------------------|--------------|-----------------------------------|-------------------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4 | 46,711,484 | 32,193,955 |
| Trade and other receivables | | 35,306,394 | 34,674,786 |
| Inventories | | 2,656,654 | 2,355,304 |
| Other | | 1,134,221 | 738,393 |
| Total Current Assets | | 85,808,753 | 69,962,438 |
| Non-Current Assets | | | |
| Trade and other receivables | | 2,007,019 | 3,891,099 |
| Deferred tax asset | | 956,668 | 546,612 |
| Property, plant and equipment | | 2,632,118 | 2,040,901 |
| Financial assets | 10 | 1,018,268 | 601,704 |
| Intangible assets | | 2,100,160 | 3,647,664 |
| Total Non-Current Assets | | 8,714,233 | 10,727,980 |
| TOTAL ASSETS | | 94,522,986 | 80,690,418 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | | 19,104,914 | 21,609,153 |
| Borrowings | | 715,574 | 287,966 |
| Provisions | | 5,105,293 | 4,873,459 |
| Unearned revenue | 5 | 17,259,621 | 3,818,279 |
| Income tax | | 1,993,852 | 1,889,743 |
| Total Current Liabilities | | 44,179,254 | 32,478,600 |
| Non-Current Liabilities | | | |
| Borrowings | | 160,332 | 247,412 |
| Provisions | | 1,684,005 | 1,407,585 |
| Total Non-Current Liabilities | | 1,844,337 | 1,654,997 |
| TOTAL LIABILITIES | | 46,023,591 | 34,133,597 |
| NET ASSETS | | 48,499,395 | 46,556,821 |
| EQUITY | | | |
| Issued capital | 6 | 28,785,355 | 28,785,355 |
| Reserves | | 2,167,179 | 670,930 |
| Retained earnings | | 17,546,861 | 17,100,536 |
| TOTAL EQUITY | | 48,499,395 | 46,556,821 |

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

| | <i>Notes</i> | |
|---|-----------------------------|-----------------------------|
| | <i>31 December 2014</i> | <i>31 December 2013</i> |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers | 114,454,182 | 63,350,692 |
| Payments to suppliers and employees | (93,026,104) | (45,548,347) |
| Income tax paid | (2,139,713) | (2,126,648) |
| Interest received | 500,868 | 690,175 |
| Net cash flows from/(used in) operating activities | 19,789,233 | 16,365,872 |
| Cash flows from investing activities | | |
| Proceeds from sale of property, plant and equipment | - | 56,868 |
| Purchase of property, plant and equipment | (1,087,787) | (21,595) |
| Return from (investment in) term deposits for project security | 691,602 | 764,477 |
| Payment for acquisition of financial assets | (124,969) | - |
| Deposit paid for acquisition of business | - | (575,000) |
| Net cash flows from/(used in) investing activities | (521,154) | 224,750 |
| Cash flows from financing activities | | |
| Payment of finance lease liabilities | 340,528 | (197,734) |
| Proceeds from borrowings | - | - |
| Dividends paid | (6,016,318) | (4,500,000) |
| Net cash flows from/(used in) financing activities | (5,675,790) | (4,697,734) |
| Net increase/(decrease) in cash and cash equivalents | 13,592,289 | 11,892,888 |
| Cash and cash equivalents at beginning of period | 32,193,955 | 16,218,685 |
| Effects of exchange rate changes of balances of cash held in foreign currencies | 925,240 | 111,079 |
| Cash and cash equivalents at end of period | 46,711,484 | 28,222,652 |

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GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 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 2013 | 28,501,548 | 448,596 | 293,425 | - | 10,233 | - | 11,936,950 | 41,190,752 |
| Profit for the period | - | - | - | - | - | - | 7,312,536 | 7,312,536 |
| Other Comprehensive income for the period | - | - | - | - | 471,894 | (75,739) | - | 396,155 |
| Total Comprehensive income for the period | - | - | - | - | 471,894 | (75,739) | 7,312,536 | 7,708,691 |
| Dividends | - | - | - | - | - | - | (4,500,000) | (4,500,000) |
| Share based payments | - | 54,530 | 155,134 | 77,995 | - | - | - | 287,659 |
| Balance as at 31 December 2013 | 28,501,548 | 503,126 | 448,559 | 77,995 | 482,127 | (75,739) | 14,749,486 | 44,687,102 |
| 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 |

GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

1 CORPORATE INFORMATION

The financial report of GR Engineering Services Limited for the half year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 20 February 2015.

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 2014, 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) Adoption of new and revised Accounting Standards

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period, being the half year ended 31 December 2014.

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

- AASB 1031 'Materiality'
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-9 (Part B) 'Amendments to Australian Accounting Standards – Materiality'
- AASB 2014-1 (Part C) 'Amendments to Australian Accounting Standards – Materiality'
- AASB 2014-1 (Part A, B and C) 'Amendments to Australian Accounting Standards – Annual Improvements 2010-2012 and 2011-2013 Cycles'
- INT 21 'Levies'

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

(d) Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the half year ending 31 December 2014. Management is in the process of assessing the impact of the adoption of these standards and interpretations on the consolidated entity.

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

3 REVENUES AND EXPENSES

| | <i>31 December</i> <i>2014</i> | <i>31 December</i> <i>2013</i> |
|--|-----------------------------------|-----------------------------------|
| | \$ | \$ |
| (a) Other income | | |
| Bank interest received | 500,868 | 690,175 |
| Government rebates and subsidies | 128 | 244 |
| Profit on disposal of inventories | - | - |
| Profit (loss) on sale of fixed assets | 13,713 | (8,545) |
| Sundry revenue | (84,462) | (385,049) |
| | <u>430,247</u> | <u>296,825</u> |
| (b) Finance costs | | |
| Interest charges on finance leases | 29,074 | 46,805 |
| (c) Depreciation and amortisation | | |
| Depreciation of fixed assets | 510,284 | 543,995 |
| Amortisation of customer contracts | 1,547,504 | - |
| | <u>2,057,788</u> | <u>543,995</u> |
| (d) Employee benefits expense | | |
| Wages and Salaries | 20,849,675 | 15,057,155 |
| Workers' compensation costs | 123,675 | 54,864 |
| Superannuation costs | 1,665,314 | 1,153,861 |
| Share based payments | 267,715 | 287,659 |
| | <u>22,906,379</u> | <u>16,553,539</u> |

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

4 CASH AND CASH EQUIVALENTS

| | <i>31 December</i> 2014 | <i>30 June</i> 2014 |
|--------------------------|----------------------------|------------------------|
| | \$ | \$ |
| Cash at bank and in hand | 25,711,484 | 12,693,955 |
| Short term deposits | 21,000,000 | 19,500,000 |
| | <u>46,711,484</u> | <u>32,193,955</u> |

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

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

The consolidated entity also holds \$4,547,829 (30 June 2014: \$5,239,431) 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, \$2,007,019 relates to bank guarantees to be returned in the 2016 calendar year so this term deposit is classed as non-current (30 June 2014: \$3,891,099).

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

| | <i>31 December</i> 2014 | <i>30 June</i> 2014 |
|--|----------------------------|------------------------|
| | \$ | \$ |
| Cash at bank and in hand | 25,711,484 | 12,693,955 |
| Short term deposits | 21,000,000 | 19,500,000 |
| Term deposits held for security of project bank guarantees | 4,547,829 | 5,239,431 |
| | <u>51,259,313</u> | <u>37,433,386</u> |

Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December 2014:

| | <i>31 December</i> 2014 | <i>30 June</i> 2014 |
|--------------------------|----------------------------|------------------------|
| | \$ | \$ |
| Cash at bank and in hand | 25,711,484 | 12,693,955 |
| Short-term deposits | 21,000,000 | 19,500,000 |
| | <u>46,711,484</u> | <u>32,193,955</u> |

5 UNEARNED REVENUE

| | <i>31 December</i> 2014 | <i>30 June</i> 2014 |
|--|----------------------------|------------------------|
| | \$ | \$ |
| Unearned revenue on construction contracts | 17,259,621 | 3,818,279 |
| | <u>17,259,621</u> | <u>3,818,279</u> |

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

6 ISSUED CAPITAL

| | <i>31 December</i> 2014 | <i>30 June</i> 2014 |
|---------------------------------|----------------------------|------------------------|
| | <i>No of shares</i> | <i>No of shares</i> |
| <i>Ordinary Shares</i> | | |
| Issued and fully paid | <u>150,407,949</u> | <u>150,407,949</u> |
| <i>Issue of ordinary shares</i> | <i>No of shares</i> | <i>\$</i> |
| At 30 June 2014 | 150,407,949 | 28,785,355 |
| Issue of shares | - | - |
| At 31 December 2014 | <u>150,407,949</u> | <u>28,785,355</u> |

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

7 COMMITMENTS AND CONTINGENCIES

| | <i>31 December</i> 2014 | <i>30 June</i> 2014 |
|--|----------------------------|------------------------|
| | <i>\$</i> | <i>\$</i> |
| Finance leases | | |
| Not longer than 1 year | 741,993 | 315,737 |
| Longer than 1 year and not longer than 5 years | 164,494 | 257,332 |
| Longer than 5 years | - | - |
| Minimum lease payments | <u>906,487</u> | <u>573,069</u> |
| Less: future finance charges | <u>(30,581)</u> | <u>(37,692)</u> |
| Present value of minimum lease payments | <u>875,906</u> | <u>535,377</u> |
| Non-cancellable operating lease commitments | | |
| Not longer than 1 year | 1,986,570 | 1,612,634 |
| Longer than 1 year and not longer than 5 years | 2,661,045 | 1,843,515 |
| Longer than 5 years | - | - |
| Total lease payments | <u>4,647,615</u> | <u>3,456,149</u> |
| Bank guarantees | | |
| Bank guarantees issued | <u>16,993,463</u> | <u>19,522,985</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 \$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. In January 2015, the bank guarantee facility was updated to include bank guarantees in favour of clients of Upstream Production Solutions, a subsidiary of the consolidated entity.

The amount of bank guarantees issued under this facility at 31 December 2014 is \$16,056,148 (30 June 2014: \$18,856,451). 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 2014: \$666,534). The amount of bank guarantees issued under this facility at 31 December 2014 is \$937,315 (30 June 2014: \$666,534).

Bond facility

The consolidated entity has a \$20 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 2014 is \$19,299,509 (30 June 2014: \$13,597,040).

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

8 DIVIDENDS

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

| | <i>31 December 2014</i> | | <i>31 December 2013</i> | |
|-----------------------------------|-------------------------|------------------|-------------------------|------------------|
| <i>Fully paid ordinary shares</i> | <i>Cents per share</i> | <i>\$</i> | <i>Cents per share</i> | <i>\$</i> |
| Dividend | 4.00 | 6,016,318 | 3.00 | 4,500,000 |
| | <u>4.00</u> | <u>6,016,318</u> | <u>3.00</u> | <u>4,500,000</u> |

A fully franked dividend of 4.5 cents per share has been declared for the six months ended 31 December 2014. The ex dividend date for the interim dividend is 16 March 2015, the record date for determining entitlements to the interim dividend is 18 March 2015 and the payment date for the interim dividend is 30 March 2015.

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.

| | <i>31 December</i> <i>2014</i> | <i>31 December</i> <i>2013</i> |
|--------------------|-----------------------------------|-----------------------------------|
| | <i>\$</i> | <i>\$</i> |
| Mineral processing | 82,709,964 | 49,723,537 |
| Oil and gas | 15,446,645 | - |
| Total revenue | <u>98,156,609</u> | <u>49,723,537</u> |

Segment profit before tax

| | <i>31 December</i> <i>2014</i> | <i>31 December</i> <i>2013</i> |
|-------------------------|-----------------------------------|-----------------------------------|
| | <i>\$</i> | <i>\$</i> |
| Mineral processing | 7,664,662 | 7,950,884 |
| Oil and gas | 631,747 | - |
| Total profit before tax | <u>8,296,409</u> | <u>7,950,884</u> |

The above loss for the 6 months to 31 December 2014 for the oil and gas segment includes amortisation expense of \$1,547,504 (2013: nil).

Segment assets

| | <i>31 December</i> <i>2014</i> | <i>31 December</i> <i>2013</i> |
|-------------------------|-----------------------------------|-----------------------------------|
| | <i>\$</i> | <i>\$</i> |
| Mineral processing | 81,254,042 | 80,690,418 |
| Oil and gas | 13,268,944 | - |
| Total profit before tax | <u>94,522,986</u> | <u>80,690,418</u> |

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

10 FINANCIAL ASSETS

Available for sale financial assets held at fair value

| | 31 December 2014 | 30 June 2014 |
|---------------------------|---------------------|-----------------|
| | \$ | \$ |
| Shares in listed entities | 1,018,268 | 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 31 December 2014 is 23,142,464 (30 June 2014: 23,142,464). In January 2015, Mutiny Gold Limited merged with Doray Minerals Limited, which resulted in the above Mutiny Gold shares being transferred into 2,436,048 Doray Minerals Limited shares.

11 FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

| | 31 December 2014 | | 30 June 2014 | |
|-------------------------------|--------------------|-------------------|--------------------|-------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| <i>Assets</i> | \$ | \$ | \$ | \$ |
| Cash at bank | 25,711,484 | 25,711,484 | 12,693,955 | 12,693,955 |
| Cash on deposit | 21,000,000 | 21,000,000 | 19,500,000 | 19,500,000 |
| Trade receivables | 37,313,413 | 37,313,413 | 38,565,885 | 38,565,885 |
| Available for sale securities | 1,018,268 | 1,018,268 | 601,704 | 601,704 |
| | <u>85,043,165</u> | <u>85,043,165</u> | <u>71,361,544</u> | <u>71,361,544</u> |
| <i>Liabilities</i> | | | | |
| Trade payables | 19,104,914 | 19,104,914 | 21,609,153 | 21,609,153 |
| Lease liability | 875,906 | 875,906 | 535,378 | 535,378 |
| | <u>19,980,820</u> | <u>19,980,820</u> | <u>22,144,531</u> | <u>22,144,531</u> |

Fair value of financial instruments

The group holds available for sale equity securities of \$1,018,268 (30 June 2014: \$601,704) 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 gains of \$291,595 (31 December 2013: net loss of \$75,739) have been included in other comprehensive income and are reported in the investment revaluation reserve.

12 KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report dated 30 June 2014.

13 INCOME TAX

Income tax expense for the half year ended 31 December 2014 includes a research and development tax incentive refund of \$746,263 (2013: \$1,923,504) as an amendment to a research and development tax incentive return for the year ended 30 June 2013.

GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

14 EVENTS AFTER THE REPORTING DATE

A fully franked dividend of 4.5 cents per share has been declared for the six months ended 31 December 2014. The ex dividend date for the interim dividend is 16 March 2015, the record date for determining entitlements to the interim dividend is 18 March 2015 and the payment date for the interim dividend is 30 March 2015.

As at 31 December 2014 the consolidated entity held 23,142,464 fully paid ordinary shares in Mutiny Gold Limited (ASX:MYG). On 28 October 2014 Doray Minerals Limited (ASX:DRM) announced that subject to the satisfaction of certain conditions it would merge with Mutiny Gold Limited by way of an off market takeover. Inter alia the takeover terms provided that Mutiny Gold Limited shareholders would receive one Doray Minerals Limited share for every 9.5 Mutiny Gold Limited shares held. Doray Minerals Limited's offer to Mutiny Gold Limited shareholders became unconditional on 15 January 2015, at which time the consolidated entity became entitled to 2,436,048 Doray Minerals Limited shares. These shares were allotted to the consolidated entity on 22 January 2015.

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

GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

DIRECTORS' DECLARATION

The directors declare that:

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

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

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

On behalf of the Directors



Name: Geoff Jones
Managing Director
Date: 23 February 2015

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 2014, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 16.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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 2014 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 2015