GR Engineering Services Limited

Half Year Financial Report

For the Half Year Ended 31 December 2016

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DIRECTORS' REPORT

Your directors present their report on GR Engineering Services Limited (ASX:GNG) ("the consolidated entity") for the half-year ended 31 December 2016 (HY17).

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

Geoff Jones (Managing Director)
Phillip Lockyer (Non-Executive Chairman) Appointed 21 December 2016
Tony Patrizi (Executive Director)
Barry Patterson (Non-Executive Director)
Terrence Strapp (Non-Executive Director)
Peter Hood (Non-Executive Director)

COMPANY SECRETARY
Giuseppe (Joe) Totaro

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

REVIEW OF RESULTS AND OPERATIONS
The operating profit after tax of the consolidated entity was $7,896,569 (HY16: $8,746,233). The EBITDA of the consolidated entity was $10,773,636 (HY16: $10,843,360).

During HY17 GR Engineering continued to build on its reputation by successfully executing design and construction engagements in a range of commodities and countries.

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

HY17 saw the successful delivery of Independence Group's Nova Nickel Project with practical completion being achieved in November 2016. This project, with an overall value of circa $136 million was completed under an engineering, procurement and construction (EPC) contract model and was completed on time and on budget.

In Indonesia, the consolidated entity completed the Wetar Copper Project for PT Batutua Tembaga Raya pursuant to a contract awarded in November 2014 and in Greece, work continued on Phase 2 of Hellas Gold SA's Olympias Project. Both the Wetar Copper Project and Olympias projects were executed under engineering, procurement and construction management (EPCM) contracting arrangements. In the United Kingdom, the consolidated entity continued to work collaboratively with Wolf Minerals (UK) Limited in fine tuning and enhancing the performance of the Hemerdon Tungsten and Tin Plant.

During HY17, the consolidated entity also continued to provide services to Ma'aden Barrick Copper Company Limited with engineering design, procurement and site construction support for the Jabal Sayid underground paste backfill plant located in Saudi Arabia. Work on this copper related project is scheduled to be completed in July 2017.

In July 2016, the consolidated entity announced the entry into a $36 million EPC contract with Auctus Resources Pty Ltd for the design and construction of completion works associated with the 500,000 tonne per annum Mungana zinc, lead, copper and gold concentrator facility located at Chillagoe, Northern Queensland. As at 31 December 2016, work on this project was progressing on time and on budget.

In September 2016 Eastern Goldfields Limited awarded GR Engineering the EPC contract for the refurbishment of the 1.2 million tonne per annum Davyhurst Gold Processing facility located approximately 140 km north-west of Kalgoorlie, Western Australia. As at the end of HY17 this project was also proceeding on time and on budget.

During the half year under review, the consolidated entity completed 16 studies and as at 31 December 2016 was engaged on a further 15. Study activity has related to a wide range of commodities including gold, copper, iron ore, nickel, tin and uranium. Of the 31 studies either completed during HY17 or underway as at 31 December 2016, 8 related to overseas projects, supporting the consolidated entity's strategy for growth through international expansion.

DIRECTORS' REPORT

HY17 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 difficult trading conditions for the oil and gas industry generally, 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 27 February 2017 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 2016. The ex dividend date for the interim dividend is 13 March 2017, the record date for determining entitlements to the interim dividend is 14 March 2017 and the payment date for the interim dividend is 30 March 2017.

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: 24 February 2017

AUDITORS' INDEPENDENCE DECLARATION

Deloitte.

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

24 February 2017

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 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	*Half-Year Ended 31 December 2016 $*	*Half-Year Ended 31 December 2015 $*
Revenue			
Rendering of services		105,923,381	127,216,127
Cost of Sales		88,327,135	111,542,821
Gross profit		**17,596,247**	**15,673,306**
Other Income	3(a)	772,595	1,971,949
Finance costs	3(b)	28,574	33,504
Occupancy expenses		1,193,815	1,250,873
Administrative expenses		5,876,865	4,906,792
Depreciation and amortisation	3(c)	724,290	912,063
Profit before income tax		**10,545,298**	**10,542,023**
Income tax expense	13	2,648,729	1,795,790
Net profit for the period		**7,896,569**	**8,746,233**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss :			
Fair value gain (loss) on available for sale financial assets		(685,641)	33,197
Exchange differences on translating foreign operations		207,140	(1,120,495)
Total other comprehensive income, net of income tax		(478,501)	(1,087,298)
Total comprehensive income for the period		**7,418,068**	**7,658,935**
Profit attributable to owners of the parent		**7,896,569**	**8,746,233**
Total comprehensive income attributable to owners of the parent		**7,418,068**	**7,658,935**
Earnings per Share:		*Cents per share*	*Cents per share*
Basic (cents per share)		5.17	5.76
Diluted (cents per share)		5.12	5.71

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	*31 December 2016*	*30 June 2016*
		$	*$*
ASSETS			
Current Assets			
Cash and cash equivalents	4	41,323,657	64,923,175
Trade and other receivables		42,404,656	29,909,363
Inventories		4,903,466	4,409,364
Other		815,054	503,561
Current tax asset		1,530,631	-
Total Current Assets		**90,977,464**	**99,745,463**
Non-Current Assets			
Deferred tax asset		1,735,616	3,028,018
Property, plant and equipment		3,254,719	3,613,480
Financial assets	10	3,752,035	3,712,539
Intangible assets		17,383	34,765
Total Non-Current Assets		**8,759,753**	**10,388,802**
TOTAL ASSETS		**99,737,217**	**110,134,265**
LIABILITIES			
Current Liabilities			
Trade and other payables		33,954,209	28,356,507
Borrowings		870,969	401,450
Provisions		9,621,466	10,891,708
Unearned revenue	5	634,578	15,034,068
Income tax		-	643,876
Total Current Liabilities		**45,081,222**	**55,327,609**
Non-Current Liabilities			
Borrowings		344,827	522,418
Provisions		2,462,283	2,290,471
Total Non-Current Liabilities		**2,807,110**	**2,812,889**
TOTAL LIABILITIES		**47,888,332**	**58,140,498**
NET ASSETS		**51,848,885**	**51,993,767**
EQUITY			
Issued capital	6	30,225,436	30,225,436
Reserves		(65,118)	332,768
Retained earnings		21,688,567	21,435,563
TOTAL EQUITY		**51,848,885**	**51,993,767**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	*31 December 2016*	*31 December 2015*
		$	*$*
Cash flows from operating activities			
Receipts from customers		83,469,107	108,654,555
Payments to suppliers and employees		(96,078,651)	(113,861,087)
Income tax paid		(3,236,987)	(6,687,436)
Interest received		524,526	644,230
Net cash flows used in operating activities		**(15,322,005)**	**(11,249,738)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(346,168)	(559,207)
Proceeds from sale of assets		455	-
Payment for acquisition of financial assets		(396,666)	(114,637)
Net cash flows used in investing activities		**(742,379)**	**(673,844)**
Cash flows from financing activities			
Payment of finance lease liabilities		(221,264)	(3,518)
Dividends paid		(7,643,565)	(7,536,627)
Net cash flows used in financing activities		**(7,864,829)**	**(7,540,145)**
Net decrease in cash and cash equivalents		(23,929,213)	(19,463,727)
Cash and cash equivalents at beginning of period		64,923,175	64,582,994
Effects of exchange rate changes of balances of cash held in foreign currencies		329,695	(1,007,301)
Cash and cash equivalents at end of period	4	**41,323,657**	**44,111,966**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	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 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	49,118,773
Balance as at 30 June 2016	30,225,436	584,497	99,171	53,040	(1,270,503)	866,563	21,435,563	51,993,767
Profit for the period	-	-	-	-	-	-	7,896,569	7,896,569
Other Comprehensive income (loss) for the period	-	-	-	-	207,140	(685,641)	-	(478,501)
Total Comprehensive income (loss) for the period	-	-	-	-	207,140	(685,641)	7,896,569	7,418,068
Dividends	-	-	-	-	-	-	(7,643,565)	(7,643,565)
Issue of shares	-	-	-	-	-	-	-	-
Share based payments	-	-	41,683	38,932	-	-	-	80,615
Balance as at 31 December 2016	30,225,436	584,497	140,854	91,972	(1,063,363)	180,922	21,688,567	51,848,885

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1 CORPORATE INFORMATION

The financial report of GR Engineering Services Limited for the half year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 24 February 2017.

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 2016, 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 2016.

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 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations
- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

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 2016. Management are in the process of assessing the impact of the adoption of these Standards and Interpretations on the consolidated entity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

3 REVENUES AND EXPENSES

		31 December 2016 $	*31 December 2015 $*
(a)	**Other income**		
	Bank interest received	524,526	644,230
	Government rebates and subsidies	33,750	31,308
	Profit (loss) on sale of fixed assets	2,433	-
	Sundry revenue	211,886	1,296,411
		772,595	1,971,949
(b)	**Finance costs**		
	Interest charges on finance leases	28,574	33,504
(c)	**Depreciation and amortisation**		
	Depreciation of fixed assets	706,908	653,568
	Amortisation of customer contracts	17,382	258,495
		724,290	912,063
(d)	**Employee benefits expense**		
	Wages and Salaries	39,705,054	29,748,295
	Workers' compensation costs	305,619	177,112
	Superannuation costs	3,196,073	2,294,987
	Share based payments	80,614	271,752
		43,287,360	32,492,146

4 CASH AND CASH EQUIVALENTS

	31 December 2016 $	*30 June 2016 $*
Cash at bank and in hand	18,823,657	40,423,175
Short term deposits	22,500,000	24,500,000
	41,323,657	64,923,175

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 2016:

	31 December 2016 $	*30 June 2016 $*
Cash at bank and in hand	18,823,657	40,423,175
Short-term deposits	22,500,000	24,500,000
	41,323,657	64,923,175

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

5 UNEARNED REVENUE

	31 December 2016 $	*30 June 2016 $*
Unearned revenue on construction contracts	634,578	15,034,068
	634,578	15,034,068

6 ISSUED CAPITAL

	31 December 2016 No of shares	*30 June 2016 No of shares*
Ordinary Shares		
Issued and fully paid	152,871,308	152,871,308

Issue of ordinary shares	*No of shares*	*$*
At 30 June 2016	152,871,308	30,225,436
Issue of shares from exercise of performance rights	-	-
At 31 December 2016	152,871,308	30,225,436

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

7 COMMITMENTS AND CONTINGENCIES

	31 December 2016 $	*30 June 2016 $*
Finance leases		
Not longer than 1 year	900,296	430,815
Longer than 1 year and not longer than 5 years	353,210	539,570
Longer than 5 years	-	-
Minimum lease payments	1,253,506	970,385
Less: future finance charges	(37,710)	(46,517)
Present value of minimum lease payments	1,215,796	923,868
Non-cancellable operating lease commitments		
Not longer than 1 year	1,852,223	1,738,202
Longer than 1 year and not longer than 5 years	922,972	1,257,555
Longer than 5 years	-	-
Total lease payments	2,775,195	2,995,757
Bank guarantees		
Bank guarantees issued	31,581,658	30,697,308

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 $85,000,000. 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 2016 is $30,675,968 (30 June 2016: $29,791,618). 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 $905,690 (30 June 2016: $905,690). The amount of bank guarantees issued under this facility at 31 December 2016 is $905,690 (30 June 2016: $905,690).

Bond facility
The consolidated entity has a $30 million insurance bond facility with Assetinsure Pty Ltd (30 June 2016: $30,000,000). 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 2016 is $9,897,650 (30 June 2016: $10,033,027).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

8 DIVIDENDS

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

	31 December 2016		*31 December 2015*	
Fully paid ordinary shares	*Cents per share*	*$*	*Cents per share*	*$*
Dividend	5.00	7,643,565	5.00	7,536,627
	5.00	7,643,565	5.00	7,536,627

A fully franked dividend of 5.0 cents per share has been declared for the six months ended 31 December 2016. The ex dividend date for the interim dividend is 13 March 2017, the record date for determining entitlements to the interim dividend is 14 March 2017 and the payment date for the interim dividend is 30 March 2017.

9 SEGMENT INFORMATION

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

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

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

Segment revenue

	31 December 2016 $	*31 December 2015 $*
Mineral processing	74,298,820	110,026,171
Oil and gas	31,624,561	17,189,956
Total revenue	105,923,381	127,216,127

Segment profit before tax

	31 December 2016 $	*31 December 2015 $*
Mineral processing	7,155,442	9,542,487
Oil and gas	3,389,856	999,536
Total profit before tax	10,545,298	10,542,023

The above profit for the 6 months to 31 December 2016 for the oil and gas segment includes amortisation expense of $17,382 (2015: $258,495).

Segment assets

	31 December 2016 $	*31 December 2015 $*
Mineral processing	75,667,625	93,612,514
Oil and gas	24,069,592	15,855,120
Total assets	99,737,217	109,467,634

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

10 FINANCIAL ASSETS

Available for sale financial assets held at fair value

	31 December 2016	*30 June 2016*
	$	*$*
Shares in listed entities	3,752,034	3,712,539

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

11 FINANCIAL INSTRUMENTS

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

	31 December 2016		*30 June 2016*	
	Carrying amount	*Fair value*	*Carrying amount*	*Fair value*
Assets	*$*	*$*	*$*	*$*
Cash at bank	18,823,657	18,823,657	40,423,175	40,423,175
Cash on deposit	22,500,000	22,500,000	24,500,000	24,500,000
Trade receivables	42,404,656	42,404,656	29,909,363	29,909,363
Available for sale securities	3,752,034	3,752,034	3,712,539	3,712,539
	87,480,347	87,480,347	98,545,077	98,545,077
Liabilities				
Trade payables	33,954,209	33,954,209	28,356,507	28,356,507
Lease liability	1,215,796	1,215,796	923,868	923,868
	35,170,005	35,170,005	29,280,375	29,280,375

Fair value of financial instruments

The group holds available for sale equity securities of $3,752,034 (30 June 2016: $3,712,539) 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 $685,641 (31 December 2015: net gain of $33,197) 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 2016.

13 INCOME TAX

Income tax expense for the half year ended 31 December 2016 includes a research and development tax incentive refund of $241,837 (31 December 2015: $1,454,606) as an amendment to a research and development tax incentive return for the year ended 30 June 2016.

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 2016. The ex dividend date for the interim dividend is 13 March 2017, the record date for determining entitlements to the interim dividend is 14 March 2017 and the payment date for the interim dividend is 30 March 2017.

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

DIRECTORS' DECLARATION

The directors declare that:

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

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

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

On behalf of the Directors

Name: Geoff Jones
Managing Director
Date: 24 February 2017

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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 2016, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 15.

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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

Auditor's Independence Declaration

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

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 2016 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

A T Richards
Partner
Chartered Accountants
Perth, 24 February 2017