



Valmec Limited

ABN 94 003 607 074

Interim Financial Report for the half-year ended 31 December 2014

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Directors

Mr Stephen Zurhaar
Non-Executive Chairman

Mr Steve Dropulich
Managing Director

Mr Vincent Goss
Executive Director

Mr Ranko Matic
Non-Executive Director

Company Secretary

Mr Ranko Matic

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VMX

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Auditor

RSM Bird Cameron Partners
8 St Georges Terrace
Perth WA 6000

Telephone: +61 8 9261 9100

The directors of Valmec Limited submit herewith the financial report of the consolidated entity for the half-year ended 31 December 2014.

Directors

The names and particulars of the directors of the Company during or since the end of the financial period are:

Name	Status
Steve Dropulich	Managing Director
Stephen Zurhaar	Non-Executive Chairman
Vincent Goss	Executive Director
Ranko Matic	Non-Executive Director

Review of operations for the period

The profit of the consolidated entity after providing for income tax amounted to \$3,871,380 (2013: \$314,878).

Sales revenue for the period was \$26.4 million up 11.6% from the levels achieved in the previous corresponding period. Whilst revenues were below expectations for the half due to tighter market conditions, increasing services and minor capital works tender opportunities across all of Valmec's markets underpin Management's expectations for a stronger second half.

Whilst underlying EBITDA for 31 December 2014 was also stronger at \$2.1 million, Net Profit after Tax of \$3.8m was achieved on the back of acquisition gains from the Exterran (Australia) Pty Ltd ("Exterran") acquisition.

With the recent completion of the Exterran acquisition delivering Valmec new capabilities in field and workshop maintenance, spare parts, engineering and operations support to the power, oil and gas sector, Valmec is ideally positioned to capitalise on the expected growth in this sector. Even though the completion of this transaction only just occurred in December 2014, the Company has already commenced tendering for a variety of sales and service opportunities where Valmec can deliver value through the asset or project lifecycle.

Whilst we expect to see some challenges for contractors in the short term as larger construction opportunities reduce, Valmec's ability to scale and diversify its projects mix, will continue to hold it in good stead. Tendering continues on a number of oil and gas, resources and infrastructure projects across Australia and the volume of opportunities for Valmec is only expected to increase as potential clients gain a better understanding of our lean contracting and concept to operations' capabilities.

Health and Safety

Valmec achieved a significant safety performance milestone during the period. In October 2014, the Company recorded over 500,000 hours being worked without a lost time injury (LTI) being recorded.

The Company's focus on safety leadership and ongoing communication of its key HSE messages across all of its operations has no doubt contributed to this milestone that our Team is proud of, and committed to extending further.

Events after the Reporting Period

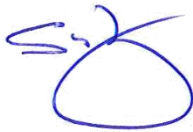
There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Auditors Declaration

The auditor's independence declaration under s 307C of the *Corporations Act 2001* has been received and is included within this half-year financial report.

Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.



Steve Dropulich
Managing Director
Dated: 25th February 2015

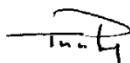
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Valmec 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.

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 25 February 2015

Consolidated statement of comprehensive income for the half-year ended 31 December 2014

	Half-year ended 31 December 2014	Half-year ended 31 December 2013
	\$000	\$000
Revenue	26,479	23,708
Cost of sales	(21,263)	(20,571)
Gross profit	5,216	3,137
Other income	3,030	70
Depreciation and amortisation expenses	(588)	(229)
Employee benefits expenses	(2,015)	(1,459)
Finance costs	(403)	(143)
Occupancy expenses	(392)	(293)
Professional fees	(209)	(81)
Other expenses	(583)	(539)
Profit before income tax	4,056	463
Income tax expense	(185)	(148)
Net Profit for the period from continuing operations	3,871	315
Other comprehensive income	-	-
Total comprehensive income for the period	3,871	315
Earnings per share		
Basic and diluted (cents per share)	6.67	1.75

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of financial position as at 31 December 2014

	31 December 2014	30 June 2014
	\$000	\$000
Current assets		
Cash and cash equivalents	2,485	3,519
Trade and other receivables	16,105	11,984
Inventories	4,196	56
Other assets	833	93
Total current assets	23,619	15,652
Non-current assets		
Property, plant and equipment	5,485	5,371
Deferred tax assets	2,759	3,092
Intangible assets	1,995	1,829
Total non-current assets	10,239	10,292
Total assets	33,858	25,944
Current liabilities		
Trade and other payables	9,356	9,159
Borrowings	5,411	3,832
Current tax liabilities	-	40
Provisions	2,380	411
Total current liabilities	17,147	13,442
Non-current liabilities		
Borrowings	2,413	3,925
Other provisions	140	113
Total non-current liabilities	2,553	4,038
Total liabilities	19,700	17,480
Net assets	14,158	8,464
Equity		
Issued capital	6,184	4,361
Reserve	58	58
Retained earnings	7,916	4,045
Total equity	14,158	8,464

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity for the half-year ended 31 December 2014

	Issued capital	Share base payment reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000
Balance as at 1 July 2013	1,500	-	(1,003)	497
Profit for the half year	-	-	315	315
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	315	315
Balance as at 31 December 2013	1,500	-	(688)	812
Balance as at 1 July 2014	4,361	58	4,045	8,464
Profit for the half year	-	-	3,871	3,871
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	-	3,871	3,871
Transactions with owners in their capacity as owners:				
Shares issued during the period	1,823	-	-	1,823
Total transactions with owners	1,823	-	-	1,823
Balance as at 31 December 2014	6,184	58	7,916	14,158

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows for the half-year ended 31 December 2014

	Half-year ended 31 December 2014	Half-year ended 31 December 2013
	\$000	\$000
Cash flows from operating activities		
Receipts from customers	25,342	24,317
Payments to suppliers and employees	(25,308)	(20,733)
Interest received	12	10
Borrowing costs paid	(391)	(143)
Income tax refund/(paid)	108	(181)
Net cash outflow (used in)/provided by operating activities	(237)	3,270
Cash flows from investing activities		
Payments for plant and equipment	(210)	(561)
Proceeds from disposal of plant and equipment	111	-
Payment for acquisition of subsidiary	(1,498)	-
Net cash (used in) investing activities	(1,597)	(561)
Cash flows from financing activities		
Proceeds/(Repayments) from borrowings, net	800	(781)
Net cash provided by/(used in) financing activities	800	(781)
Net (decrease) / increase in cash held	(1,034)	1,928
Cash and cash equivalents at the beginning of the period	3,519	1,545
Cash and cash equivalents at the end of the period	2,485	3,473

The above statement should be read in conjunction with the accompanying notes.

1. Basis of Preparation

This general purpose financial report for the half-year reporting period ended 31 December 2014 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by Valmec Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial statements and corresponding interim reporting period.

Changes in Accounting Policies

From 1 July 2014, the consolidated entity has adopted the Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2014. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the consolidated entity.

The consolidated entity has not elected to early adopt any new standards or amendments.

Comparatives

As a result of reverse acquisition accounting disclosed in the annual financial report for the year ended 30 June 2014, the comparatives for the statement of comprehensive income, statement of changes in equity and the cash flow statement for the half year ended 31 December 2014 are of Valmec Australia Pty Ltd (accounting acquirer).

2. Segment information

Description of segments

Management has determined the operating segments based on reports reviewed by the Board of Directors for making strategic decisions. The current Board of Directors monitors the business based on operational and geographic factors, and has determined that there is only one relevant business segment.

The consolidated entity is domiciled in Australia. All revenue from external customers is generated from Australia only. Segment revenues are allocated based on the country in which the customer is located.

All the assets are located in Australia only. Segment assets are allocated to countries based on where the assets are located.

3. Contributed Equity

Fully paid ordinary shares	31 Dec 2014	30 June 2014	31 Dec 2014	30 June 2014
	Shares	Shares	\$000	\$000
At the beginning of the period	44,812,139	1,500,000	4,361	1,500
13/1/2014 Acquisition of Valmec Australia Pty Ltd				
- Elimination of existing Valmec Australia Pty Ltd shares	-	(1,500,000)	-	-
- Existing Valmec Limited share on acquisition	-	14,072,139	-	-
- Issue of Valmec Limited shares on acquisition of Valmec Australia Pty Ltd	-	18,000,000	-	583
- Issue of shares	-	12,740,000	-	2,548
7 October 2014 – Conversion of Class A convertible notes	3,725,000	-	745	-
29 October 2014 – contingent consideration in acquisition of Valmec Australia Pty Ltd	33,296,878	-	1,078	-
Share issue costs	-	-	-	(270)
Total issued at end of period	81,834,017	44,812,139	6,184	4,361

4. Contingencies

The consolidated entity has given bank guarantees as at 31 December 2014 of \$2,321,654 (30 June 2014: \$3,699,341) to various customers.

Other than the above, there were no material changes to contingent liabilities or assets since 30 June 2014.

5. Events after the reporting period

Since the end of the interim period, the directors have resolved to pay an interim unfranked dividend of \$0.005 cents per share (2013: Nil cents per share) payable on 7th April 2015 to shareholders on the share register at 16th March 2015. This dividend will be recognised in shareholders' equity in the next interim financial statements.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year 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.

6. Dividends

The company declared an interim unfranked dividend of \$0.005 cents per share payable on 7th April 2015 to shareholders on the share register at 16th March 2015. The total amount of this dividend will be \$409,170. This dividend amount to be paid has not been provided for in this half year financial report.

7. Business Combinations
Subsidiaries acquired

On 31 December 2014 the consolidated entity completed the acquisition of the business of Exterran (Australia) Pty Ltd (EAPL). EAPL provides field and workshop maintenance, spare parts, engineering and operations support to the power, oil and gas sectors. The consideration transferred for this acquisition was \$1.5 million in cash.

Consideration transferred	\$000
Cash	1,500
	<u>1,500</u>

Tangible assets acquired and liabilities assumed at the date of acquisition	\$000
<i>Current assets</i>	
Cash and cash equivalents	2
Trade and other receivables	3,018
Inventory	4,148
<i>Non-current assets</i>	
Plant and equipment	600
<i>Current liabilities</i>	
Trade and other payables	(1,426)
Provisions	(2,023)
<i>Non-current liabilities</i>	
Provisions	(39)
	<u>4,280</u>

Gain on bargain purchase on acquisition of subsidiary	\$000
Consideration transferred	1,500
Less fair value of identifiable tangible net assets acquired	(4,280)
Less fair value of identifiable intangible net assets acquired	(167)
Net gain on bargain purchase	<u>2,947</u>

Net cash outflow on acquisition of subsidiaries	\$000
Consideration paid in cash	1,500
Less cash and cash equivalent balances acquired	(2)
	<u>1,498</u>

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

8. Commitments***Lease commitments***

Future minimum rentals payable under non-cancellable operating leases are as follows:

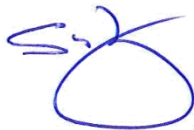
	\$000
Within one year	372
After one year but not more than five years	874
	<hr/>
	1,246
	<hr/>

DIRECTORS' DECLARATION

The directors of Valmec Limited ("the company") declare that:

1. The financial statements and notes, as set out in this half-year financial report, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. 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.
2. In the director's 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.

The declaration is made in accordance with a resolution of the Board of Directors.



Steve Dropulich
Managing Director
Dated: 25th February 2015



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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
VALMEC LIMITED**

We have reviewed the accompanying half-year financial report of Valmec Limited which comprises the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that 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 Valmec 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

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

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Independence

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 Valmec 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 Valmec 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*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 25 February 2015