



Valmec Limited

(ABN 94 003 607 074)

## APPENDIX 4D

Half Year Report for the half-year ended 31 December 2015

ABN or equivalent company reference

Financial year ended ('current period')

Financial year ended ('previous corresponding period')

94 003 607 074

31 December 2015

31 December 2014

**1. RESULTS FOR ANNOUNCEMENT TO MARKET**

IF RESULTS FOR ANNOUNCEMENT TO MARKET

	2015 \$'000	2014 \$'000	% Change
1.1. Revenue from ordinary activities	26,996	26,479	up 2%
1.2. Profit after tax from ordinary activities attributable to members.	353	3,871	down 90%
1.3. Net Profit for the period attributable to members	353	3,871	down 90%
<div>1.4. Dividends</div> <div>Final dividend for the year ended 30 June 2015 paid on 30<sup>th</sup> October 2015. On 17<sup>th</sup> September 2015 the directors declared a dividend of \$0.005 per ordinary share with a record date 30<sup>th</sup> September 2015 to be paid on 30<sup>th</sup> October 2015.</div>			
1.5. Record date for determining entitlements to the final dividend.	N/A		
<div>1.6. Commentary on results</div> <div>Refer to the “Review of Operations” section included within the directors’ report of that attached financial report for the half year ended 31 December 2015.</div>			

**2. NET TANGIBLE ASSETS PER SHARE**

	<b>31 December</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
	<b>\$/share</b>	<b>\$/share</b>
Net tangible asset backing per ordinary security	0.12	0.12

**3. CONTROL GAINED OR LOST OVER ENTITIES IN THE YEAR**
**Control gained over entities**

Name of entity (or group of entities)	N/A
Date control gained	N/A
Contribution of such entities to the reporting entity's profit/ (loss) from ordinary activities during the period (where material).	N/A
Consolidated profit/ (loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material).	N/A

**Loss of control over entities**

Name of entity (or group of entities)	N/A
Date control lost	N/A
Contribution of such entities to the reporting entity's profit/ (loss) from ordinary activities during the period (where material).	N/A
Consolidated profit/ (loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material).	N/A

**4. DIVIDEND DETAILS**

Final dividend for the year ended 30 June 2015 paid on 30<sup>th</sup> October 2015. On 17<sup>th</sup> September 2015 the directors declared a dividend of \$0.005 per ordinary share with a record date 30<sup>th</sup> September 2015 to be paid on 30<sup>th</sup> October 2015.


**5. DIVIDEND REINVESTMENT PLAN**

There was no dividend reinvestment plan in operation during the year.

**6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

There are no associates or joint venture entities.

Sign here:



Date: 26 February 2016

Steve Dropulich - Managing Director



**VALMEC**

VALMEC LIMITED  
ABN: 94 003 607 074

**Interim Financial Report for the  
Half-Year Ended 31 December 2015**

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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

Mr Peter Iancov  
Non-Executive Director

**Company Secretary**

Mr Ranko Matic

**Registered Office**

C/- Bentleys (WA) Pty Ltd  
Level 1, 12 Kings Park Road  
West Perth WA 6005

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Facsimile: +61 8 9226 4300

**ASX Code**

VMX

**Legal Advisers**

HWL Ebsworth  
Level 1, Westralia Plaza  
167 St Georges Terrace  
PERTH WA 6000

Telephone: +61 8 9420 1535

Facsimile: 1300 704 211

**Share Registry**

Link Market Services Limited  
Locked Bag A14  
SYDNEY SOUTH NSW 1235

Telephone: +61 2 8280 7111

Facsimile: +61 2 9287 0309

**Auditor**

RSM Australia 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 2015.

## **Directors**

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

<b>Name</b>	<b>Status</b>
Steve Dropulich	Managing Director
Stephen Zurhaar	Non-Executive Chairman
Vincent Goss	Executive Director
Ranko Matic	Non-Executive Director
Peter Iancov	Non-Executive Director (Appointed 1 November 2015)

## **Principal Activities**

Valmec Limited is a diversified energy and infrastructure services group providing equipment, construction, commissioning and maintenance services to the oil and gas, resources and infrastructure sectors throughout Australia.

The principal activities of the consolidated group during the half year were:

- Process Services Engineering, Procurement and Construction;
- Mining Services Multi-Discipline Construction;
- Gas Turbine Compression and Metering;
- Petrochemical and Mining Fabrication;
- Electrical and underground services;
- Earthworks and civil engineering;
- Asset Preservation, Service and Maintenance

Valmec operates from offices in Perth, Adelaide and Brisbane with regional workshop facilities in Dalby (QLD).

## **Review of operations for the period**

### **Revenues**

Sales revenue for the period was \$26.9 million, a marginal increase of 2% on the previous corresponding period. Larger project revenues through EPC and turnkey project services were below original expectations for the half due to subdued market conditions, however, increasing service opportunities in Valmec's markets negated some of these shortfalls.

Recurring revenues through long term service contracts now account for more than one third of Valmec's total revenues, capitalising on the change within our industry sectors from their construction phase to the operations phase of the cycle.

With larger CAPEX (LNG/Resource) developments likely to remain deferred for the short to medium terms, oil and gas clients are now more than ever focused on upstream development and smaller infrastructure projects, operating costs and asset optimisation – Valmec's core markets.

### **Earnings**

Reported earnings before interest, tax, depreciation and amortisation (EBITDA) for the period was \$1.7 million which is down on the previous year by approximately 19% (HY14: \$2.1 million - underlying).

On an underlying basis, trading EBITDA before corporate costs was \$2.2 million for the period.



Net profit before tax of \$0.6m is also down on the previous year (HY14 – 1.1 million – underlying) predominantly as a result of delays in project awards and commencements due to factors beyond Valmec's control and increased tendering activities as a percentage of revenues.

Earnings per share for the reporting period was 0.43 cents per share.

### **Balance Sheet**

Notwithstanding challenging conditions within our markets, Valmec's balance sheet remains resilient with net assets of the consolidated group being retained at \$15.7m.

Cashflow from operations saw an improvement on the comparative reporting period (+\$0.9 million) whilst gearing levels (net debt to equity) has been reduced to 24.2% (HY14: 25.9%).

Net Tangible Asset backing remained at 12c per share.

The directors believe the Group is in a strong and stable financial position to expand and grow its current operations.

### **Projects & Tenders**

During the period, the Group successfully completed several strategic projects including APA Group's Eastern Gas Pipeline Project in Western Australia and Origin Energy's Talinga Overhaul Project in South West Queensland and continues to work closely with these clients in 2016 on their major development projects.

The Group's Indigenous alliance with Pindari (WA) Pty Ltd and its ability to scale and diversify its projects mix by using its in-house delivery capabilities, is also starting to gain recognition in the resources sector with increased tendering and awards of several service projects.

Whilst the prolonged fall in the oil price has negatively impacted the resources and oil and gas sectors, Valmec is starting to see some "green shoots" emerging in upstream and infrastructure opportunities. Increased tendering on new service and minor capital works across all of Valmec's markets underpin the Company's expectations of both a stronger second half performance and expanded order book moving into FY17. Valmec continues to be engaged by clients on a number of early contractor involvement (ECI) activities on projects and remains confident that the majority of these projects will become due for award and execution over the coming months and/or into FY17.

During the period, Valmec has also seen some of its major competitors either leave or significantly reduce their core competencies offered to the Australian oil and gas sector. Valmec continues to invest in its in-house capabilities for project and equipment design, procurement, fabrication, construction, installation, commissioning, operations and maintenance and is now even better placed to capitalise on the anticipated growth in our markets.

### **Safety**

Valmec continued to achieve significant safety performance milestones during the period. As testament to its safety leadership and ongoing focus on improvement in safety management and reporting systems, December 2015 saw the Company record over 900,000 hours being worked without a lost time injury (LTI).

The Group also finished the year with a total recordable injury frequency rate (TRIFR) of 0.68

### **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.

### **Auditor's Independence 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: 26<sup>th</sup> February 2016

**RSM Australia Partners**

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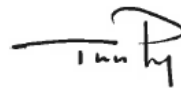
**AUDITOR'S INDEPENDENCE DECLARATION**

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



RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 26 February 2016

**Consolidated statement of comprehensive income for the half-year ended 31 December 2015**

	Half-year ended 31 December 2015	Half-year ended 31 December 2014
	\$000	\$000
Revenue	26,996	26,479
Cost of sales	(20,770)	(21,263)
Gross profit	6,226	5,216
Other income	125	3,030
Depreciation and amortisation expenses	(720)	(588)
Employee benefits expenses	(2,953)	(2,015)
Finance costs	(389)	(403)
Occupancy expenses	(691)	(392)
Professional fees	(188)	(209)
Other expenses	(812)	(583)
<b>Profit before income tax</b>	598	4,056
Income tax expense	(245)	(185)
<b>Net Profit for the period from continuing operations</b>	353	3,871
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income for the period</b>	353	3,871
<b>Earnings per share</b>		
Basic and diluted (cents per share)	0.43	6.67

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

**Consolidated statement of financial position as at 31 December 2015**

	Note	31 December 2015	30 June 2015
<b>Current assets</b>		<b>\$000</b>	<b>\$000</b>
Cash and cash equivalents		1,816	2,909
Trade and other receivables		10,138	11,391
Inventories		3,824	2,902
Other current assets		1,229	687
<b>Total current assets</b>		<b>17,007</b>	<b>17,889</b>
<b>Non-current assets</b>			
Property, plant and equipment		8,426	9,039
Deferred tax assets		4,432	4,899
Intangible assets		1,869	1,872
Other non-current assets		210	115
<b>Total non-current assets</b>		<b>14,937</b>	<b>15,925</b>
<b>Total assets</b>		<b>31,944</b>	<b>33,814</b>
<b>Current liabilities</b>			
Trade and other payables		9,831	9,904
Borrowings		1,409	5,383
Provisions		768	1,317
<b>Total current liabilities</b>		<b>12,008</b>	<b>16,604</b>
<b>Non-current liabilities</b>			
Borrowings		4,217	1,495
Other provisions		23	27
<b>Total non-current liabilities</b>		<b>4,240</b>	<b>1,522</b>
<b>Total liabilities</b>		<b>16,248</b>	<b>18,126</b>
<b>Net assets</b>		<b>15,696</b>	<b>15,688</b>
<b>Equity</b>			
Issued capital	3	6,184	6,184
Reserve		182	118
Retained earnings		9,330	9,386
<b>Total equity</b>		<b>15,696</b>	<b>15,688</b>

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 2015**

	Issued capital	Share base payment reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000
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 income 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
<b>Balance as at 31 December 2014</b>	<b>6,184</b>	<b>58</b>	<b>7,916</b>	<b>14,158</b>
Balance as at 1 July 2015	6,184	118	9,386	15,688
Profit for the half year	-	-	353	353
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	353	353
Transactions with owners in their capacity as owners:				
Shares issued during the period	-	-	-	-
Share based payments during the period	-	64	-	64
Dividends paid during the period	-	-	(409)	(409)
Total transactions with owners	-	-	(409)	(345)
<b>Balance as at 31 December 2015</b>	<b>6,184</b>	<b>182</b>	<b>9,330</b>	<b>15,696</b>

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

**Consolidated statement of cash flows for the half-year ended 31 December 2015**

	Half-year ended 31 December 2015	Half-year ended 31 December 2014
	\$000	\$000
<b>Cash flows from operating activities</b>		
Receipts from customers	28,353	25,342
Payments to suppliers and employees	(27,513)	(25,308)
Interest received	20	12
Borrowing costs paid	(380)	(391)
Income tax refund	203	108
<b>Net cash outflow provided by/(used in) operating activities</b>	<b>683</b>	<b>(237)</b>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(152)	(210)
Proceeds from disposal of plant and equipment	46	111
Payment for acquisition of subsidiary	-	(1,498)
<b>Net cash (used in) investing activities</b>	<b>(106)</b>	<b>(1,597)</b>
<b>Cash flows from financing activities</b>		
Proceeds/(Repayments) from borrowings, net	(1,261)	800
Payment of dividends	(409)	-
<b>Net cash provided by/(used in) financing activities</b>	<b>(1,670)</b>	<b>800</b>
<b>Net (decrease) in cash held</b>	<b>(1,093)</b>	<b>(1,034)</b>
Cash and cash equivalents at the beginning of the period	2,909	3,519
<b>Cash and cash equivalents at the end of the period</b>	<b>1,816</b>	<b>2,485</b>

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 2015 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 to be read in conjunction with the annual financial report for the year ended 30 June 2015 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*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

### **New, revised or amending Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

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

## **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 2015	30 June 2015	31 Dec 2015	30 June 2015
	Shares	Shares	\$000	\$000
At the beginning of the period	81,834,017	44,812,139	6,184	4,361
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
<b>Total issued at end of period</b>	<b>81,834,017</b>	<b>81,834,017</b>	<b>6,184</b>	<b>6,184</b>

### 4. Contingent liabilities and assets

The consolidated entity has given bank guarantees as at 31 December 2015 of \$1,578,499 (30 June 2015: \$1,218,949) to various customers.

Other than the above, there were no material changes to contingent liabilities or assets since 30 June 2015.

### 5. 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.

### 6. Dividends

A final dividend of \$0.005 per share was paid on 27 October 2015 (31 December 2014: Nil). The directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2015.

## **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 2015 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: 26<sup>th</sup> February 2016

**RSM Australia Partners**

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[www.rsm.com.au](http://www.rsm.com.au)**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 2015, 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 internal 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 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 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.

**THE POWER OF BEING UNDERSTOOD**  
**AUDIT | TAX | CONSULTING**

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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.

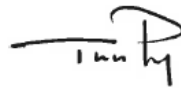
### *Conclusion*

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 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*.



RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 26 February 2016



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