

Interim Financial Report

For Half Year Ended 31 December 2016

GLOBAL CONSTRUCTION SERVICES LIMITED
ABN 81 104 662 259



INTERIM FINANCIAL REPORT

FOR HALF YEAR ENDED 31 December 2016

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Appendix 4D Half Year Report Results for Announcement to the Market (Corresponding period Half Year Ended 31 December 2015)

			31 December 2016 \$000	31 December 2015 \$000
Revenue from ordinary activities	Up	12%	102,493	91,610
Underlying net profit after tax*	Up	25%	7,847	6,269
Profit from ordinary activities after tax	Up	1%	6,362	6,269
Net profit after tax for the period attributable to members	Down	15%	5,301	6,269

Underlying earnings per share*	3.9 cents	3.1 cents
Earnings per share (basic)	2.6 cents	3.1 cents
Net tangible assets per security	61.3 cents	83.7 cents

* Underlying net profit after tax and earnings per share for the period are net of a one-off provision for tax expense (\$2.0m) and accounting loss (\$0.5m) in relation to the disposal of SmartScaff Pty Ltd.

	Amount per security	Franked amount per Security
The Directors determined to pay an interim dividend for the period ended 31 December 2016	1.0c	1.0c
The Directors determined to pay a special dividend paid subsequent to half year end	2.0c	2.0c
The Directors determined to pay a final dividend for the year ended 30 June 2016	1.0c	1.0c
The Directors determined not to pay an interim dividend for the period ended 31 December 2015	-	-
The Directors determined not to pay a final dividend for the year ended 30 June 2015	-	-

	31 December 2016 % Holding	31 December 2015 % Holding
Equity accounted Joint Venture entity		
SmartScaff Pty Ltd	0%	50%

The Group divested their 50% share in the above investment during the half year ended 31 December 2016. Contribution to net profit attributable to members was immaterial for the current and prior periods.

Acquired controlled entities or businesses during the period

The Group acquired a 51% interest in Gallery Façades Australia Pty Ltd (formerly Podium Glazing Australia Pty Ltd) and subsidiaries during the half year ended 31 December 2016. Details of the purchase consideration, the net liabilities acquired and goodwill which have been provisionally accounted for at 31 December 2016 are outlined in note 7 to the Interim Financial Report.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Global Construction Services Limited during the reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules and Corporations Act 2001.

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Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity consisting of Global Construction Services Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2016.

Directors

The following persons were directors of Global Construction Services Limited during the whole of the half year and up to the date of this report, unless otherwise stated:

Peter Wade	Non-Executive Chairman
Enzo Gullotti	Group Managing Director
George Chiari	Executive Director
Sam Mangione	Non-Executive Director

Principal Activities

During the financial period, the principal continuing activities of the consolidated entity consisted of the supply of integrated on-site products and services to the Commercial, Residential and Resource, Industrial and Oil & Gas sectors.

Review of operations

Overview

Global Construction Services Limited (GCS, GCS Group) delivered a strong performance for the half year ended 31 December 2016 (H1 FY17) with underlying profit after tax of \$7.8 million (H1 FY16: \$6.3m) an increase of 24% on the prior corresponding period (pcp). Overall this was a strong earnings result in variable market conditions and reflects the strength in our market position and the diversity of our business.

The reported net profit after tax attributable to the owners of the company of \$5.3m is after a \$2.0m one off tax expense for the capital gain on disposal of 50% interest in SmartScaff, and \$0.5m accounting loss on disposal of SmartScaff.

Revenue and earnings

The Group achieved revenue of \$102.5 million (H1 FY16: \$91.6m), 12% higher than the pcp underpinned by strong revenue growth in the commercial sector and stable maintenance services activity in the Resource, Industrial and Oil and Gas segment, partially offset by lower Residential activity impacted by the challenging market conditions in the Western Australian housing sector and economy. The continued focus on reducing costs through operating efficiencies and productivity improvements, lower depreciation expense, lower finance costs and contribution from Gallery Façades Australia Pty Ltd (formerly Podium Glazing Australia Pty Ltd) also contributed to the increase in underlying earnings. This was partially offset by the lower contribution from the disposal of east coast associated entity SmartScaff Pty Ltd.

The Group underlying EBITDA of \$16.9 million (H1 FY16: \$15.6m) was 8% higher than the prior corresponding period, with Group EBITDA margin lower at 16.5% (H1 FY16: 17.0%) reflecting the change in margin mix from the increase in contract services, lower utilisation levels and the highly competitive pricing environment. Group underlying EBIT of \$13.9 million (H1 FY16: \$10.3m) was 35% higher than the prior corresponding period reflecting the positive impact of improved earnings and lower depreciation. Underlying earnings per share was 3.9 cents per share (H1 FY16: 3.1 cents per share), an increase of 25% compared to prior corresponding period.

Balance sheet and cash flow

With the continued strong balance sheet focus the group reported a net cash (cash and cash equivalents less debt) position of \$14.0m compared to net debt of \$13.8m, \$27.8m better than the prior corresponding period. The cash and cash equivalents increased to

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\$44.1m, up \$25.5m compared to the prior corresponding period. This has been achieved through generating strong operating cash flow before tax of \$15.5m, continued focus on working capital management initiatives, increased net cash from investing activities of \$23.6m with the cash proceeds from the sale of SmartScaff of \$10.5m and repayment of the \$7.0m outstanding loan with GCS, and \$6.2m cash acquired as part of the acquisition of Gallery Façades Australia Pty Ltd (formerly Podium Glazing Australia Pty Ltd). Total capital expenditure (cash and hire purchase) for the half year of \$2.4m was \$0.5m lower than the prior corresponding period.

Capital Management

The Group maintained disciplined execution of its capital management strategy, strong balance sheet and cash position that provides flexibility to support growth and expansion of the business. With the company's strong balance sheet and cash position it was able to return surplus cash to shareholders and announced on the 24 November 2016 a fully franked special dividend of 2.0 cents per share for shareholders.

Reflecting the strength of the Group's balance sheet and cash position the Board of Directors have resolved to declare an interim dividend of 1.0 cent per share fully franked.

The Board continues to respond to market conditions by reviewing its operating segments and rationalising and aligning resources to match activity levels. Additionally, the company has continued to execute its strategy of diversifying its revenue base geographically and to more sustainable annuity streams which offer integrated labour and equipment solutions to customers over the long term project life cycle. The company continues to focus on improving and optimising the returns from our portfolio of businesses by continuing to drive operational efficiencies, diversifying our revenue streams, reducing costs and maintaining a disciplined approach to managing the balance sheet.

The company is well placed to meet future growth and expansion opportunities on the back of a solid and well established integrated product and services platform.

Segment Performance

Commercial

The Commercial formwork and concrete division (CASC) completed Tower 1 of the Capital Square project in the Perth CBD (\$46.2m) and is progressing well on the Podium (\$20.0m) stage of this project. The New Perth Stadium formwork and concrete contract for Brookfield Multiplex (\$30.5m contract) and the exclusive equipment and labour hire agreement for Brookfield Multiplex in WA are also progressing well. On the 24 November 2016 GCS announced it had received a Letter of Intent for the award of a \$59 million contract by national tier-one construction company Probuild pending final execution of the formal contract. CASC will supply and install formwork and concrete for the Ritz-Carlton Hotel and The Towers at Elizabeth Quay, Perth.

The Commercial labour division successfully completed installation of the façade on the Crown Hotel being constructed by Brookfield Multiplex and Tower 1 of the Capital Square project with work continuing on the Perth Children's Hospital project being constructed by John Holland. There has also been a positive contribution during the half year from the Gallery Façades Australia Pty Ltd (formerly Podium Glazing Australia Pty Ltd) acquisition, and a general improvement in plant and equipment utilisation in this segment.

Overall this segment achieved strong profitability with revenue increased by 26% to \$69.7m, and EBITDA increased by 41% to \$11.3m underpinned by the continuing strong momentum from work on major projects awarded to both GCS and Gallery Facades.

The pipeline of opportunities and tendering activity in this sector remains strong and the Board remains optimistic on this investment pipeline activity increasing in financial year 2017 with further major contract awards expected in the second half of FY17.

Resource, Industrial and Oil and Gas

A strong segment performance and increased profitability despite the challenging market conditions.

Revenue was steady at \$25.2m with EBITDA increased 11% to \$7.3m. The improvement in revenue and earnings reflects the growth in operational and maintenance services and realignment initiatives to match market demand. GCS continued to provide its services

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during the first half of the year for a number of key clients including Woodside Energy Limited's North West Shelf Project, CITIC Pacific Mining's Sino Iron Project and for FMG's The Pilbara Infrastructure Pty Ltd. These contracts recognise GCS's successful delivery capabilities with projects in the North West and are important steps in GCS building sustainable annuity revenue streams within its services business. Also, during the year GCS Integrated Services Pty Ltd, as Kaefer's exclusive supply chain partner, continued the supply of scaffold equipment on the Ichthys project.

It is pleasing that these major contracts and the continued expansion into the maintenance services sector will continue to deliver positive returns. Our businesses and existing integrated product and services offering are well placed to support future growth opportunities in this sector.

Residential

The Western Australian housing market has further softened during the first half of the year and continues to be impacted by the challenging market conditions in this sector and the general economy with segment revenue and profitability lower than the prior corresponding period. Revenue was down 28% to \$7.6m, and EBITDA down by 59% to \$1.1m. Management is continually monitoring this business to rationalise and align resources to service this market.

The outlook for this segment is for activity levels and performance in the first half of FY17 expected to remain unchanged in the second half of FY17. Whilst the overall outlook in the Western Australian housing market has come off peak levels, we are anticipating the increase in the first homeowners grant and the low interest rate environment will continue to maintain and support the confidence and investment in housing which will provide a positive benefit to our operations in this sector.

Corporate

The Group is actively pursuing its geographic expansion and growth strategy with the 10 October 2016 announcement that it had completed the acquisition of a 51% stake in Gallery Façades Australia Pty Ltd (formerly Podium Glazing Australia Pty Ltd). Gallery Façades designs, supplies and installs high performance architectural facades to premium commercial and residential projects across Australia. The company is continuing the assessment and shortlisting of a number of key target acquisition opportunities on the east coast of Australia.

On 2 September 2016 the company announced it had successfully completed the refinancing of its debt facilities to enhance the Group's capital structure and lower its cost of debt by circa 30%. The new \$40 million secured working capital and equipment finance facilities with CBA, and a \$22 million equipment finance facility with Toyota Fleet Management replaces the \$60 million Harrenvale Pty Ltd (formerly GE Commercial) cash advance and equipment finance facilities. These new facilities extend the Company's average debt maturity profile, lower its cost of debt, and provides a more flexible and sustainable debt structure to support and respond to growth opportunities and market conditions.

On the 28 October 2016 the company announced it had completed the sale of its 50% interest in SmartScaff Pty Ltd (SmartScaff) for \$10.5m in cash. In addition, GCS received \$7.0m from SmartScaff as repayment of its outstanding loan.

Matters subsequent to the end of the half year financial results

No matter or circumstance has arisen since 31 December 2016, other than the dividend payment referred to below, that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Dividends

As a result of the Company's strong balance sheet and cash flow generation a special dividend of 2.0 cents per share was paid to shareholders on 3 January 2017. The total special dividend distribution was \$4.0 million.

Reflecting the strength of the Group's financial results, balance sheet and outlook for the company, the Board of Directors have resolved to declare an interim dividend of 1.0 cent per share fully franked. The record date for entitlements to the interim dividend will be 3 March 2017 and will be paid to shareholders on 17 March 2017.

The Board will continue to monitor and review its dividend position in line with its capital management framework and strategy.

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Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set on the next page and forms part of the Directors' Report for the half year ended 31 December 2016.

Rounding

The parent entity is a Company of the kind specified in ASIC Corporation Legislative Instrument 2016/191. In accordance with that class order, amounts contained in the interim consolidated financial statements have been rounded to the nearest thousand dollars (\$'000) unless specifically stated otherwise.

This report has been made in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Enzo', followed by a long, horizontal, wavy line that tapers off to the right.

Enzo Gullotti
Group Managing Director

Perth
23 February, 2017

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF GLOBAL CONSTRUCTION SERVICES LIMITED

As lead auditor for the review of Global Construction Services Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Global Construction Services Limited and the entities it controlled during the period.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 23 February 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the Half Year Ended 31 December 2016

	Note	2016 \$'000	2015 \$'000
Continuing operations			
Revenue from hire of equipment, provision of labour and contracting services		100,555	88,382
Sale of goods		1,938	3,228
		102,493	91,610
Raw materials, consumables and services		(33,972)	(29,951)
Personnel expenses		(42,251)	(37,279)
Other expenses		(5,677)	(5,906)
Occupancy		(3,737)	(3,827)
Repairs and maintenance		(873)	(1,014)
Depreciation expense		(2,737)	(5,221)
Amortisation expense		(194)	(53)
Other income		453	355
Finance costs		(1,493)	(1,907)
Share of profit of equity accounted investees	3	425	1,584
Loss on disposal of equity accounted investees	3	(528)	-
Profit before income tax expense		11,909	8,391
Income tax expense	4	(5,547)	(2,122)
Profit after income tax for the half year		6,362	6,269
Other comprehensive income for the half year, net of income tax		-	-
Total Comprehensive Income for the half year		6,362	6,269
Total Comprehensive Income for the half year (net of tax) attributable to			
Owners of the Company		5,301	6,269
Non-controlling interests		1,061	-
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share		2.6 cents	3.1 cents
Diluted earnings per share		2.6 cents	3.1 cents
Earnings per share is calculated on weighted average number of shares of:		200,284,332	200,284,332

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2016

	Note	31 December 2016 \$'000	30 June 2016 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		44,060	20,722
Trade and other receivables		28,281	29,665
Prepayments		2,077	3,297
Inventories		4,573	2,641
Total Current Assets		78,991	56,325
Non-Current Assets			
Other receivables		27	7,129
Investments accounted for using the equity method	3	-	10,603
Property, plant and equipment		103,833	104,916
Intangible assets	7	21,407	17,469
Deferred tax assets		3,908	5,072
Total Non-Current Assets		129,175	145,189
TOTAL ASSETS		208,166	201,514
LIABILITIES			
Current Liabilities			
Trade and other payables		13,213	11,843
Borrowings	5	9,527	12,350
Provisions	6	6,762	3,967
Deferred income		3,371	2,936
Current tax liabilities		2,568	643
Total Current Liabilities		35,441	31,739
Non-Current Liabilities			
Borrowings	5	20,485	22,180
Provisions	6	7,836	3,979
Deferred tax liabilities		293	212
Total Non-Current Liabilities		28,614	26,371
TOTAL LIABILITIES		64,055	58,110
NET ASSETS		144,111	143,404
EQUITY			
Contributed equity		142,105	142,105
Reserves		140	140
Retained profits		4,457	1,159
TOTAL SHAREHOLDERS' EQUITY		146,702	143,404
Non-controlling interest		(2,591)	-
TOAL EQUITY		144,111	143,404

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CASH FLOWS for the Half Year Ended 31 December 2016

	2016 \$'000	2015 \$'000
Cash flows from operating activities		
Receipts from customers	101,438	91,106
Payments to suppliers and employees	(85,922)	(73,170)
Income taxes paid	(2,377)	(1,201)
Net cash inflow from operating activities	13,139	16,735
Cash flows from investing activities		
Payments for property, plant and equipment	(2,407)	(2,926)
Proceeds from sale of property, plant and equipment	39	8
Interest received	259	337
Cash acquired as part of business acquisition	6,177	-
Loans repaid by related parties	7,000	533
Proceeds from sale of equity investment	10,500	-
Net cash inflow/(outflow) from investing activities	21,568	(2,048)
Cash flows from financing activities		
Repayment of borrowings	(8,075)	(15,290)
Interest paid	(1,291)	(1,550)
Dividends paid	(2,003)	-
Net cash (outflow) from financing activities	(11,369)	(16,840)
Net increase/(decrease) in cash and cash equivalents	23,338	(2,153)
Cash and cash equivalents at the beginning of the period	20,722	20,702
Cash and cash equivalents at the end of the period	44,060	18,549

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the Half Year Ended 31 December 2016

FOR THE HALF YEAR ENDED 31 DECEMBER 2016	Contributed Equity	Option Reserve	Retained Earnings	Total Shareholders' Equity	Non- Controlling Interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	142,105	140	1,159	143,404	-	143,404
Profit for the half year	-	-	5,301	5,301	1,061	6,362
Total comprehensive income	-	-	5,301	5,301	1,061	6,362

Transactions with owners in their capacities as owners

Issue of ordinary shares, net of transaction costs	-	-	-	-	-	-
Dividends to equity holders	-	-	(2,003)	(2,003)	-	(2,003)
Non-controlling interest on acquisition of subsidiary	-	-	-	-	(3,652)	(3,652)
Balance at 31 December 2016	142,105	140	4,457	146,702	(2,591)	144,111

FOR THE HALF YEAR ENDED 31 DECEMBER 2015	Contributed Equity	Option Reserve	Retained Earnings	Total Shareholders' Equity	Non- Controlling Interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015	142,108	140	78,041	220,289	-	220,289
Profit for the half year	-	-	6,269	6,269	-	6,269
Total comprehensive income	-	-	6,269	6,269	-	6,269

Transactions with owners in their capacities as owners

Issue of ordinary shares, net of transaction costs	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-
Balance at 31 December 2015	142,108	140	84,310	226,558	-	226,558

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL REPORT

This general purpose financial report for the interim half-year reporting period ended 31 December 2016 has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in annual financial statements. Accordingly, these statements should be read in conjunction with the annual announcements made by Global Construction Services Limited in accordance with continuous disclosure requirements of the ASX Listing Rules and Corporations Act 2001 and the annual report for the year ended 30 June 2016.

There were no new standards issued since 30 June 2016 that has not been applied by GCS. The 30 June 2016 annual report disclosed that GCS was undertaking impact studies in relation to the initial application of those standards issued but not yet applied, with particular focus on AASB 15 Revenue from Contracts with Customers and AASB 16 Leases. These impact studies remain in progress as at 31 December 2016. The first application date for GCS of these two particular standards will be 30 June 2019 and 30 June 2020 respectively, plus comparative data for 30 June 2018 and 30 June 2019. Further updates will be provided in GCS's 30 June 2017 Annual Report.

The same accounting policies and methods of computation have been followed in these half year financial statements as compared to the most recent annual financial statements, with the addition of those listed below.

Business combinations

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends 12 months from the date of acquisition.

Non-controlling interest

Non-controlling interests are allocated their share of net profit or loss after tax in the consolidated statement of profit or loss and other comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity attributable to the owners of the parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance. The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of GCS.

Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The judgements made by management in applying the Group's accounting policies during the six months ended 31 December 2016 were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2016.

In addition to the critical accounting estimates and judgements applied for the year ended 30 June 2016, a judgement has been made in relation to the control over the acquired subsidiary Gallery Façades Australia Pty Ltd (formerly Podium Glazing Australia Pty Ltd) and related entities.

2. SEGMENT INFORMATION

Description of segments

Management has determined that strategic decision making is facilitated and enhanced by evaluation of operations on the customer segments of Commercial, Residential and Resource, Industrial, Oil & Gas. For each of the strategic operating segments, the Group Managing Director reviews internal management reports on a monthly basis.

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SEGMENT INFORMATION (continued)

GCS Group supplies an extensive range of specialised labour services and equipment including hire and sales of scaffolding, formwork, material hoists, and temporary site accommodation, chemical toilets, general plant hire, temporary fencing. Together with delivery and pick up, installation and dismantling and related estimating, design and engineering services, plus supply and installation of concrete in the Commercial segment.

The following summary describes the operations in each of the Group's reportable segments:

Commercial

Our operations in the Commercial sector consist of supplying integrated products and services to customers involved in the construction or maintenance of commercial and mixed-use developments. These typically include office towers, high rise apartments, shopping centres, hotels, car parks, recreational buildings, and hospitals. Contracts are typically medium to long term.

Residential

Our operations in the Residential sector consist of supplying integrated products and services to customers involved in the construction or maintenance of single and multi-story residential developments. These typically include houses, townhouses, units, and apartments. Contracts are generally short to medium term.

Resource, Industrial, Oil & Gas

Our operations in the Resource, Industrial, Oil and Gas sector consist of supplying integrated products and services to customers involved in either construction or maintenance of the following types of projects. Oil and gas, energy, major infrastructure, offshore, mining, power generation, water treatment plants, commissioning, de-commissioning, shutdowns, and civil works. Contracts vary in length from short to long term.

The Group Managing Director assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement excludes certain non-recurring expenditures which are of an isolated nature such as equity settled share based payments and corporate activities pertaining to the overall Group including the treasury function which manages the cash and funding arrangements of the Group.

Segment information provided to the Managing Director for the half year ended 31 December 2016 is as follows:

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SEGMENT INFORMATION (continued)

Segment information	Commercial	Residential	Resource, Industrial, Oil & Gas	Total
Half year ended 31 Dec 2016	\$'000	\$'000	\$'000	\$'000
Total Segment revenue	69,743	7,566	25,184	102,493
Revenue from external customers	69,743	7,566	25,184	102,493
Adjusted EBITDA	11,342	1,104	7,275	19,721
Depreciation and amortisation	(1,376)	(227)	(1,019)	(2,622)
Unallocated amounts: Depreciation and amortisation				(309)
Unallocated amounts: Other revenue				714
Unallocated amounts: Corporate				(3,998)
Finance costs				(1,493)
Share of profit of equity accounted investees				425
Loss on disposal of equity accounted investees				(528)
Profit from continuing operations before income tax				11,909

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SEGMENT INFORMATION (continued)

Segment information	Commercial	Residential	Resource, Industrial, Oil & Gas	Total
Half year ended 31 Dec 2015	\$'000	\$'000	\$'000	\$'000
Total Segment revenue	55,365	10,616	25,629	91,610
Revenue from external customers	55,365	10,616	25,629	91,610
Adjusted EBITDA	8,007	2,743	6,528	17,278
Depreciation and amortisation	(2,506)	(303)	(2,286)	(5,095)
Unallocated amounts: Depreciation and amortisation				(179)
Unallocated amounts: Other revenue				778
Unallocated amounts: Corporate				(4,068)
Finance costs				(1,907)
Share of profit of equity accounted investees (net of income tax)				1,584
Profit from continuing operations before income tax				8,391
Total Segment Assets				
At 31 December 2016	97,556	21,468	50,769	169,793
At 30 June 2016	87,743	24,276	48,104	160,123
Total Segment Liabilities				
At 31 December 2016	34,990	2,972	12,840	50,802
At 30 June 2016	41,779	5,419	15,892	63,090

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3. SALE OF EQUITY INVESTMENT

On 28 October 2016 GCS announced completion of the sale of its 50% interest in SmartScaff Pty Ltd to the remaining shareholders for \$10.5 million in cash. In addition, upon settlement GCS received \$7.0 million from SmartScaff as repayment of its outstanding loan with GCS.

	(\$'000)
Opening carrying value of investment	10,603
Current period profit	425
Consideration	10,500
Loss on sale of investment	(528)

4. INCOME TAX EXPENSE

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the half year to 31 December 2016 is 47%, compared to 25% for the half year to 31 December 2015. The increased effective tax rate used in the current period is due to the expected capital gains to be made in relation to the sale of equity investment SmartScaff Pty Ltd. Excluding this transaction, underlying earnings reflect an effective tax rate of 28%.

5. LOANS AND BORROWINGS

	31 December 2016 \$'000	30 June 2016 \$'000
Current		
<i>Unsecured</i>		
Borrowings	596	2,385
Total unsecured current borrowings	596	2,385
<i>Secured</i>		
Debt financing	-	(3,025)
Hire purchase finance	8,931	12,990
Total secured current borrowings	8,931	9,965
Total current borrowings	9,527	12,350
Non-current		
<i>Secured</i>		
Hire purchase finance	20,485	22,180
Total secured non-current borrowings	20,485	22,180

INTERIM FINANCIAL REPORT

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LOANS AND BORROWINGS (continued)

Refinance of debt facilities

GCS completed a refinance of its debt facilities during the period ending 31 December 2016.

The \$60 million cash advance and equipment finance facilities with Harrenvale Pty Ltd (formerly GE Commercial) were replaced with;

- A \$40 million secured working capital and equipment finance facility with CBA; and
- A \$22 million equipment finance facility with Toyota Fleet Management.

6. PROVISIONS

	31 December 2016 \$'000	30 June 2016 \$'000
Current		
Employee benefit provisions	3,152	3,967
Other	3,610	-
Total current provisions	6,762	3,967
Non-current		
Employee benefit provisions	3,986	3,979
Other	3,850	-
Total non-current provisions	7,836	3,979

7. BUSINESS COMBINATION

Summary of acquisition

On 7 October 2016 GCS acquired 51% of the issued share capital of Gallery Façades Australia Pty Ltd (formerly Podium Glazing Australia Pty Ltd) and subsidiaries. Gallery Façades designs, supplies and installs high performance architectural facades to premium commercial and residential projects across Australia. Details of the purchase consideration, the net liabilities acquired and goodwill are as follows:

Purchase consideration:	(\$'000)
Cash paid	-
Ordinary shares issued	-
Total purchase consideration	-

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BUSINESS COMBINATION (continued)

Inflow of cash from acquisition of subsidiaries:

	(\$'000)
Cash consideration	-
Less: cash acquired as part of business acquisition	6,177
Net inflow of cash – investing activities	6,177

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value (\$'000)
Cash and cash equivalents	6,177
Trade and other receivables	4,140
Inventory	39
Property, plant and equipment	169
Trade and other payables	(7,663)
Borrowings	(16)
Deferred income	(1,713)
Provisions	(7,935)
Current tax liabilities	(653)
Net identifiable liabilities acquired	(7,455)
Less: non-controlling interest	3,653
Add: goodwill	3,802
Purchase consideration	-

The Group has reported provisional amounts for goodwill and other assets acquired as part of the purchase of Gallery Façades.

There were no acquisitions in the half-year ending 31 December 2015.

Revenue and profit contribution

The acquired business contributed \$15.1 million to consolidated revenue and \$1.1 million to net profit after tax for the Group for the period from 7 October 2016 to 31 December 2016.

If the acquisition had occurred on 1 July 2016, consolidated revenue and profit for the half year ended 31 December 2016 would have been \$117.6 million and \$7.5 million respectively.

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8. DIVIDENDS

	31 December 2016 (\$'000)	31 December 2015 (\$'000)
Declared and paid during the period		
Final dividend for the year ended 30 June 2016 of 1.0 cent per share, fully franked, paid 14 October 2016	2,003	-
Declared and not provided for during the period		
Special dividend of 2.0 cents per share, fully franked, paid 3 January 2017	4,006	-
Proposed and not provided for during the period		
Interim dividend for the half year ended 31 December 2016 of 1.0 cent per share, fully franked, to be paid 17 March 2017	2,003	-
No interim or final dividends paid during the period ended 31 December 2015	-	-

9. CONTINGENCIES

There has been no change in contingent liabilities, contingent assets or commitments since the last annual reporting date, 30 June 2016.

10. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 31 December 2016, other than the dividends paid and proposed as referred to above, that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

The financial statement and notes set out on pages 8 to 19 are in accordance with the Corporations Act 2001, including:

1. complying with Accounting Standards AASB134 Interim Financial Reporting and Corporation Regulations 2001 and other mandatory professional reporting requirements, and
2. 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

There are reasonable grounds to believe that Global Construction Services Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

A handwritten signature in black ink, appearing to read 'Peter Wade', is written over a horizontal line.

Peter Wade
Chairman
23rd February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Global Construction Services Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Global Construction Services Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of 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's 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 2016 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 Global Construction 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.

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 Global Construction 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 Global Construction 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 *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink. The signature appears to be 'Glyn O'Brien' written in a cursive style. Above the signature, the letters 'BDO' are written in a simple, blocky font.

Glyn O'Brien

Director

Perth, 23 February 2017